

December 18, 2014

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

FROM: Jo Ann Emerson

Happy Holidays! Thanks for a Great Year, Looking Forward to 2015

I send a heartfelt thanks to all of you and your co-ops for the hard work on our priorities in 2014. Working with the cooperative spirit, we accomplished much in a truly team effort. We look forward to working with you to continue advancing co-op priorities in 2015. Have a very happy holiday and I will update you again on January 9.

Huge Win! President Signs FY15 Spending Bill with Quasi-Retirement Fix

I am relieved the President signed the FY15 omnibus spending bill with a provision that permanently resolves an NRECA Retirement Security Plan (RS Plan) issue going back to 2007. This huge win ensures the IRS won't prevent more than 10,000 current co-op employees at over 300 co-ops participating in "30 Year" RS Plans from "Quasi-Retiring" before age 62. We thank Reps. Ron Kind (D-WI), Jim Gerlach (R-PA), Richard Neal (D-MA) and Mike Kelly (R-PA) and Sens. Bill Nelson (D-FL) and Johnny Isakson (R-GA) for their leadership.

You may see alarming news headlines like "Congress approves plan to allow pension cuts." These articles describe other provisions of the omnibus that allow union/multiemployer plans to reduce previously guaranteed pension benefits for retirees in certain situations. It is important to note that the RS and 401(k) Pension Plans are multiple-employer plans. While the terms are similar, the rules and regulations for each are completely different. Therefore, the provisions relating to multiemployer plans are not applicable to the RS and 401(k) Plans. NRECA did not participate in any of the discussions regarding these "union/multiemployer" pension plans and again, they thankfully have no impact on the NRECA RS Plan whatsoever.

The \$1.1 trillion omnibus, which funds most of the federal government through September 30, 2015, provides for our core programs. The bill includes Rural Utilities Service electric loan levels of \$5 billion and \$500 million for the Guaranteed Underwriter Program with no limits on baseload generation. Another provision prevents some endangered species listings for a year – including the Gunnison sage-grouse listing that impacts some co-ops. The bill slightly increases Overseas Cooperative Development Program funding that boosts NRECA International's efforts.

In other action, the Senate passed (76-16) a tax extenders package for the 2014 tax year that includes the wind production tax credit. The next Congress will need to revisit the issue.

FERC to Review EPA GHG Rule Reliability Impacts

We're excited that FERC will hold a series of [technical conferences](#) on electric reliability

impacts of EPA's existing power plants GHG proposal. We'll work with our members to present co-op concerns at those meetings. FERC will hold a national overview on February 19 in Washington, D.C., and then regional conferences in Washington, D.C., St. Louis and Denver. Each regional event will include discussion of potential effects on each region's reliability, power system operations and generator dispatch. FERC hasn't announced the regional dates yet.

FERC's review is the result of requests from congressional leaders who heard many concerns from consumers and the utility sector, including electric co-op grassroots and leaders, about impacts on electric bills, grid reliability and the economy. Thank you for the great job you've done at pushing back on EPA's power plant GHG proposals! We'll keep talking with the Administration about modifying the proposal to better enable co-ops' ability to provide affordable, reliable electricity.

FCC Order on Connect America Fund Expected

We anticipate a Federal Communications Commission order this week on Connect America Fund (CAF) Phase II funding. We've asked the FCC to open CAF Phase II to electric co-ops that could extend high-speed broadband to more rural communities still unserved by telecommunications carriers. The order is expected to create opportunity for some rural broadband experiment applicants to participate in CAF auctions, but fast action will be needed. Eligible applicants will have to send financial and engineering information to the FCC within 10 days of the order. Once the order is out, we'll send a summary, advice for co-ops that applied for rural broadband experiments with high speeds, and steps to take within 10 days after the order.

Water Heater Legislation Stalls, Push Resumes Next Congress

We're disappointed that Senate efforts to pass energy efficiency legislation fixing DOE's electric water heater efficiency [standards](#) was stalled by objections to unrelated "Tenant Star" provisions in the bill. We're talking with Congress on moving a bill early next year to get a legislative fix before the DOE standards take effect next April. Thank you to Sens. Shaheen, (D-NH), Portman (R-OH), Murkowski (R-AL), Hoeven (R-ND), Ayotte (R-NH) and Pryor (D-AR) for their persistence in pushing the bill toward passage. A very big thank you to several statewides who worked non-stop with our lobbying team on this effort.

Terrorism Risk Insurance Program Still Needs Reauthorization

We're also looking at next steps to get the Terrorism Risk Insurance Act (TRIA) reauthorized next year. It's due to expire this month. The Senate failed to pass a six-year extension the House passed on a 417-7 vote. TRIA provides a federal backstop for insurance carriers for catastrophic loss from a significant terrorist incident. Without TRIA, insurance companies will start pulling out of the market, making it difficult for facilities, including electric power infrastructure, to insure against terrorist attacks, which all lenders require.

Georgia Crews' Volunteer Work in Costa Rica Recognized on House Floor

We thank Rep. Lynn Westmoreland (R-GA) for [recognizing](#) Coweta-Fayette Electric and Habersham Electric line crews from Georgia for working with NRECA International to extend co-op power lines at Coopeguanacaste in Costa Rica this year. These volunteers worked alongside local co-op employees. I'm proud that several electric co-ops' NRECA International efforts were praised in a series of congressional floor statements this year.

Senate Confirms Honorable for FERC Seat

We welcome the Senate confirmation of Colette Honorable to serve on the Federal Energy Regulatory Commission (FERC). NRECA and the Arkansas Electric Cooperative Corp. sent letters supporting Commissioner Honorable's nomination and highlighting her work, both on the Arkansas Public Service Commission and as President of the National Association of Regulatory Utility Commissioners, to improve the quality and effectiveness of public utility regulation.

Co-op Views Presented at FERC Workshop on Electricity Market Prices

A big thank you to Ed Tatum, Old Dominion Electric Co-op's Vice President of RTO and Regulatory Affairs, for presenting co-op positions at FERC's workshop on the effect of operators' actions on energy price formation. Tatum cautioned that not all costs of operator actions can be accurately captured in the energy price and that any additional rules developed should not inadvertently limit operators' abilities to keep the lights on.

FERC Reviews Freight Railroads' Coal Delivery Problems, Reliability Impacts

We welcome FERC getting updates from utility and freight railroad officials on the impacts of rail congestion and coal delivery problems that Midwest electric utilities experienced last year and are concerned about heading into winter. NRECA and member co-ops are among utility sector officials who raised these concerns to FERC, the Surface Transportation Board and DOE's Quadrennial Energy Review this year. We highlighted conservation efforts started during the fall in preparation for expected delivery problems this winter, and potential reliability concerns.

Congress Passes Bill Clarifying DHS' Role as Cybersecurity Partner with Industry

We applaud Congress for passing legislation (S. 2519) to reinforce how the National Cybersecurity and Communications Integration Center works with the private sector on cyber issues. The bill is at the President's desk. It gives guidance for Department of Homeland Security incident response and technical assistance and information sharing, while maintaining existing partnerships. It continues current voluntary information sharing on analysis, threats and vulnerabilities. It gives DHS no new authority, nor replaces existing information-sharing efforts.

FEMA Insurance Definition Needed for Electric Utility Equipment

We're asking FEMA to include a separate definition for electric utility equipment in a proposed public assistance policy for insurance. We sent comments (attached) noting that insurance coverage is not available for much electric utility equipment, including transmission and distribution lines, pole-mounted transformers and switches. We also offered to continue to update FEMA on the general lack of insurance for our members' equipment.

NRECA Annual Meeting Registration Now Open

Join your colleagues for the largest gathering of the electric co-op community at NRECA's 2015 Annual Meeting in Orlando on February 22-25. [Registration](#) is open. See you in Florida!

Attached: Water heater bill letter, FEMA insurance letter.