

December 18, 2015

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

Several Co-op Wins in Final FY16 Spending Package

The House passed an end-of-year omnibus spending bill Friday morning by a wide margin (316-113), with the Senate voting 65-33 to pass the bill and close out this session of Congress for the year. In a big win for House Speaker Ryan (R-WI), a significant majority of Republicans voted for the bill (150 out of 246 supported the bill, with 95 opposing). In the past, Republican leadership has had to rely on Democratic votes to pass these end-of-year spending bills, but Speaker Ryan was able to hold his caucus together more strongly today.

We scored several wins on electric co-op priorities in the FY16 omnibus spending bill. Among our core programs, the Rural Utilities Service (RUS) electric loans received a \$500 million increase to \$5.5 billion. The Guaranteed Underwriter Loan Program level increased from \$500 million to \$750 million. The Rural Economic Development Loan and Grant Program is steady at \$33.07 million.

The package includes \$8 million for the Rural Energy Savings Program created under the 2014 farm bill, allowing RUS to make zero-interest loans to co-ops to relend to members for energy efficiency updates. The Low Income Home Energy Assistance Program remains at \$3.39 billion. The Federal Emergency Management Agency receives no increase at \$7.4 billion. NRECA sent a letter (attached) to Congress supporting the legislation.

Other omnibus language that electric co-ops supported:

- **A two-year delay of the Affordable Care Act's "Cadillac Tax"** – a 40-percent excise tax on health care plans – until 2020. Postponing the tax will give NRECA and our coalitions more time to push for a full repeal of this unfair tax on behalf of all employers, specifically including all electric cooperatives.
- **Cybersecurity Information-Sharing Act** provisions that help businesses voluntarily share information about cybersecurity vulnerabilities, alerts and defensive measures without fear of lawsuits or burdensome requirements when shared in compliance with the law. It exempts cybersecurity information from Freedom of Information Act requests. We also stopped language that would have directed the Department of Homeland Security to do a cybersecurity mitigation strategy for each so-called covered critical infrastructure, which would conflict with efforts already underway at DOE for the electric sector. This is the first legislation passed by the entire Congress addressing these cybersecurity information issues.
- **The Fish and Wildlife Service (FWS)** is prohibited from listing the greater sage-grouse under the Endangered Species Act (ESA). Estimates show over 100 million acres of the

greater sage-grouse's current range spreads across 60 electric co-op service areas. NRECA has [highlighted](#) electric co-op leaders' key role in efforts led by the Western Governors Association to develop flexible state conservation plans. The legislation reinforces the FWS' decision last September that an ESA listing for the greater sage-grouse in 11 Western states is "not warranted."

- **Federal hydropower preference power customers** will not pay the costs of any potential federal dam expansion for water storage or any other project not associated with hydropower to address western drought issues. The bill ensures that additional costs of any such expansion will be paid solely by those who benefit from new construction, and not simply assigned to existing project beneficiaries.

Wind and Solar Renewable Energy Incentives in Tax Extenders Package

Several renewable energy incentives are renewed for projects that begin before 2020 and gradually phased out under tax extenders language passed with the final FY16 omnibus. The wind credit starts at 2.3 cents per kilowatt-hour through 2016 and gradually phases out by the end of 2019. The Residential Investment Tax Credit, and the Business and Commercial Investment Tax Credit (ITC) for solar projects will both continue at 30 percent for projects that start by January 1, 2017, and continue at that rate through January 2019. There's a significant change to the ITC credits policy: Projects are eligible for the tax credit when construction begins instead of when the unit goes into service. The residential ITC will phase out on December 31, 2022 and the commercial ITC will revert back to 10 percent. Democrats pushed this long-term extension in exchange for the Republican provision to eliminate the ban on exporting oil.

Senate Passes Electrify Africa Act, Focus Moves to House in 2016

In a last-minute success, the Senate passed the Electrify Africa Act (S. 2152) on a unanimous vote. This bill would streamline public-private partnerships to increase access to electricity to 50 million people in sub-Saharan Africa, particularly rural communities, by 2020. It would boost NRECA International Program efforts in the region. The House has a similar bill (H.R. 2847).

Appellate Court Keeps UMATS in Effect While EPA Fixes Cost Analysis

It's no surprise the Circuit Court of Appeals in Washington, D.C., decided that EPA's flawed Utility Mercury and Air Toxics Standards (UMATS) rule will stay in effect while the agency does a complete cost/benefit analysis as ordered by the U.S. Supreme Court last June. Power plants must continue efforts to comply with the law. The appellate court decision was based on EPA's statement that it can update the analysis to include the cost impacts and reissue it by April 15, 2016. However, EPA's timeline may be too optimistic and the process could extend into the next administration. Most co-ops already comply with the MATS rule or are working to comply.

Congress Wraps Up Legislative Business and Looks to 2016

The FY16 omnibus and tax extenders package passing marks the end of major legislation for 2015. It's likely we'll see a quick start in Congress in 2016 to move bills before presidential campaign activity makes it difficult to pass anything. We'll update you again on January 8 as Congress prepares to resume legislative business. In fact, we believe the House will mark up its budget resolution before the end of February. On behalf of the entire NRECA staff, we thank all of the electric co-op leaders and grassroots for your hard work on our legislative and regulatory issues this year. Best wishes for the holiday and new year!