

January 8, 2016

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

Electric Co-ops Looking for Legislative Opportunities in 2016

Bills that are top congressional priorities but may not become law will dominate congressional action in the limited time for legislation this year in a session shortened by the elections, but NRECA will use every opening to act on co-op priorities. Bipartisan action to pass major bills in the final weeks of 2015 reminds us that there may be a few unexpected opportunities.

We expect the annual budget and appropriations process to start soon after the President's budget proposal goes to Congress in February. With House Speaker Ryan (R-WI) committed to moving legislation in regular order, we could see appropriations markups start in March, with floor action in May. Our annual congressional letters to appropriators supporting the Rural Utilities Service Electric Loan Program will also come earlier. We'll continue pushing for a full repeal of the "Cadillac Tax" – the 40-percent excise tax on health plans that we got delayed until 2020. We're also working to stop harmful pole attachment language in a broadband bill and seeking Endangered Species Act reforms.

Senate Energy and Natural Resources Chairwoman Murkowski (R-AK) wants to see early floor debate on a bipartisan energy bill (S. 2012) that electric co-ops support. The House is urging the Senate to pass a bill and start conference with a House-passed energy bill (H.R. 8).

The President's final State of the Union address next Tuesday night will mostly highlight Administration achievements and initiatives he'll work to further advance before leaving office in January 2017. We expect the Administration's efforts on climate change and clean and renewable energy will get prominent mentions.

Regulatory Reform Bills See Early Action in House

The House passed two regulatory reform bills to address problems with onerous regulations and abusive lawsuits that increase costs for industry, including electric co-ops, and undermine reliability. Predictably, the White House issued veto threats before the votes. The "SCRUB Act" (H.R. 1155), passed on a 245-174 vote, would require federal agencies to routinely review regulations to reduce costs and burdens on small businesses. That process would require a formal review of regulations to determine if the goals of a rule have been achieved and if there are conflicts with other federal, state and local laws.

The Sunshine for Regulatory Decrees and Settlements Act (H.R. 712), passed on a 244-173 vote, would allow electric co-ops and other stakeholders greater access and participation in "sue-and-settle" cases. We signed a coalition [letter](#) supporting H.R. 712, which would require agencies to use an alternative dispute resolution process to allow input from other stakeholders and open

potential settlements for public comment before they become final. This process could have given electric co-ops opportunities for additional input in several sue-and-settle cases: Endangered Species Act “threatened” listings for the lesser prairie chicken in 2014 and northern long-eared bat in 2015; EPA utility cooling tower rules and coal ash regulations in 2014 and power plant wastewater guidelines in 2015.

More Time Needed to Comment on EPA GHG Rule Implementation Proposals

NRECA asked EPA for a 60-day public comment period extension on the proposed Federal Plan and Model Trading rules for states to implement the Clean Power Plan final rule. Our request stresses it’s unlikely that comprehensive analysis of the complex proposal will be completed by the current January 21 deadline and we asked that the current deadline be changed to March 21, 2016. Many small utilities – including most electric co-ops – are having difficulty with the time-consuming analysis and getting state regulators’ input on hundreds of issues EPA raised.

Electrify Africa Act Could Get House Committee Review

The House Foreign Affairs Committee may be able to markup the Electrify Africa Act this month and move it to House floor debate in February. The bill would streamline public-private partnerships to increase access to electricity for 50 million people in sub-Saharan Africa, particularly rural communities, by 2020. It would boost NRECA International Program efforts in the region. The Senate unanimously passed its bill (S. 2152) last month with changes to provide a flexible, fuel-neutral strategy that will reduce regulatory burdens, and improve reporting and accountability.

40 Senators Highlight LIHEAP Issue in Winter Letter to White House

Efforts to restore Low Income Home Energy Assistance Program (LIHEAP) funding in the upcoming FY17 appropriations debate were highlighted in a bipartisan [letter](#) to the President from 40 senators during the holiday recess. The letter urges the President to include at least \$4.7 billion for LIHEAP in his budget proposal. We thank Sens. Reed (D-RI) and Collins (R-ME) for their leadership.

Ukraine Utility Hacks Highlight Importance of Information-sharing

While the power outages in the western Ukraine last month are still capturing U.S. headlines, here are two points to emphasize if you get questions from your co-op members and the media. First, the new cybersecurity information-sharing law enacted last month gives electric co-ops, other utilities and federal agencies greater ability to alert each other about cyber threats, attacks and defensive measures. Being able to share information quickly without fear of lawsuits and unintended public disclosure of information will help utilities to protect their systems.

Second, the possibility of the Ukraine utility incident being caused by Russian cyber hackers is still being investigated. It affected individual utilities and caused regional outages for a few hours, but did not cause an outage to the entire Ukraine grid. The possibility of hackers causing a nationwide U.S. power grid blackout is highly unlikely and extremely difficult given the current utility technologies, system operator expertise, information-sharing, cyber and physical security measures and backup systems in place. [Electric co-ops](#) continue to actively work with other electricity groups and government agencies to protect the grid.