

January 29, 2016

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

Senate Starts Energy Debate, Amendments Continue Next Week

We sent a letter (attached) supporting the Senate energy bill (S. 2012) before floor debate started on amendments. We're working with lawmakers in support of a handful of amendments that would improve the bill, and also pushing to stop several harmful ones (list attached). Debate on amendments will continue into next week, with timing for final votes uncertain. The 400-page bill covers energy infrastructure, cybersecurity safeguards, renewable energy development and energy program reforms. We joined an industry letter (attached) supporting hydropower provisions in the underlying bill that would promote common-sense reforms to the Federal Energy Regulatory Commission (FERC) licensing review for dams.

Several of our top priorities were included in the final highway bill (H.R. 22) passed last year, including language that protects utilities from potential Clean Air Act penalties and citizen lawsuits when voluntarily complying with DOE emergency orders to maintain grid reliability. H.R. 22 also ensures clear authority in grid security emergencies and exempts critical electric infrastructure information from Freedom of Information Act disclosure.

Supreme Court Upholds FERC Demand Response Program

We're disappointed by the U.S. Supreme Court's 6-2 [decision](#) upholding the FERC demand response pricing regulation ([Order No. 745](#)) for the wholesale energy markets. The decision reversed a 2014 federal appellate court [finding](#) in a lawsuit brought by NRECA, Old Dominion Electric Co-op and others that FERC's rule overcompensated demand response, and that FERC exceeded its authority by intruding on states' jurisdiction. The majority of justices rejected the argument that FERC was unlawfully regulating retail sales, and held that FERC has the authority to regulate practices affecting wholesale rates. They said FERC's rule fell squarely within that authority, even if it had an indirect effect on retail sales and prices.

We argued against FERC's rule because the responsibility for regulating demand response should be at the state and co-op level. FERC has neither the responsibility for, nor expertise in, protecting retail consumers. We'll raise our concerns as FERC considers the next steps on Order No. 745. Attached is a quick memo from our outside counsel on the Supreme Court decision.

Co-ops, States Ask Supreme Court to Delay GHG Final Rule

NRECA and 39 G&T co-ops joined other utilities in asking the U.S. Supreme Court to block EPA from enforcing the Clean Power Plan until our lawsuit challenging the greenhouse gas regulations works through legal reviews. A coalition of 25 states and four state agencies also

asked the high court to delay the GHG rules. We're going to the Supreme Court after the Circuit Court of Appeals in Washington last week denied stay petitions. Chief Justice John Roberts, who handles petitions coming from appellate courts in Washington, asked the Administration to file a response by next Thursday. Without a stay, EPA can put the regulations in effect before the lawsuits work through the courts. Our challenge emphasizes that the GHG rules are of questionable legality and will negatively affect co-ops' ability to provide affordable, reliable power, causing irreversible long-term harm to co-ops. We want to prevent further harm from the rule during our legal challenge.

NRECA Supports Electrify Africa Act, Bill on House Floor Next Week

We sent a letter (attached) urging the House to pass the Electrify Africa Act (S. 2152) listed for House debate next week and send it to the President. 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 S. 2152 in December, providing a flexible, fuel-neutral strategy that will reduce regulatory burdens, and improve reporting and accountability. The House passed similar legislation ([297-117 vote](#)) in 2014. The work co-ops do all over the globe, as featured in this Michigan statewide [video](#) about 10 electric co-op volunteers electrifying a Guatemala village, has helped us make the case for this important legislation.

NRECA International Starts Implementation of New Bangladesh Program

NRECA International launched a \$3.2 million program with the [Bangladesh Rural Electrification Board](#) (BREB) at a December 15 ceremony in Dhaka, continuing a long-term partnership that began when the BREB was founded in the late 1960s. NRECA International's Jim Walsh, Hasibur Rahman and Faridul Islam represented NRECA at the signing ceremony. The new program, sponsored by the World Bank, provides funding for NRECA International's construction supervision of new substations, switching stations and river crossing towers for 39 electric cooperatives in the eastern half of Bangladesh. Jim VanCoevering, Director of Engineering for NRECA International, is the project manager.

NRECA Tapped for Project to Lower Costs of Extreme Weather Outages

DOE selected NRECA's Business and Technology Strategies Department for a \$1.8 million [research project](#) that will design new computer software to help reduce the economic impacts of extreme weather power outages. NRECA staff will work with the University of Michigan, Pacific Northwest National Laboratory and Los Alamos National Laboratory to create an open-source software tool (LPNORM) for designing more resilient distribution grids. One of several DOE [grid modernization projects](#), the research is expected to produce a more sophisticated planning tool that will help utilities find practical ways to reduce the number and length of weather-related outages.

NRECA 2016 Proposed Resolutions Available

The 2016 Proposed Resolutions [booklet](#) is now available. Please discuss it with your board and statewide association. Your system's voting delegate will vote on the proposed resolutions at our Annual Meeting in New Orleans. Resolutions help guide NRECA staff. If you have

questions about any proposals, be sure to attend the Proposed Resolutions Forum that the National Resolutions Committee will host on Sunday, February 14. This is a great chance to ask questions before the business meeting.

Attached: Energy bill letter, amendments list, hydropower letter, memo on FERC case, Electrify Africa letter.