

March 18, 2016

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

Co-ops Win Challenge on FEMA Reimbursements!

We got fantastic news from the Iowa statewide last night that Federal Emergency Management Agency officials in Washington approved \$19 million in storm damage reimbursements that were previously denied by the regional office. The decision will help electric co-ops get consistent rulings from FEMA regional offices on disaster assistance reimbursements for line and facility repairs, restoration and replacement after storms. We thank the Iowa statewide and co-ops for taking this fight through a long and frustrating process to win a decision that will help electric co-ops across the country.

NRECA Member Resolutions Books Available

The [2016 Member Resolutions](#) booklet is available on Cooperative.com. Please share it with your boards and staff. Your delegates voted on these resolutions at our Annual Meeting in New Orleans, and they'll guide NRECA staff over the next year. Democratic member control is one of our co-op principles, and our ability to engage in meaningful policy debates and find consensus is one quality that sets NRECA apart from other associations.

RUS Letters Get Strongest Support Ever

Electric co-ops made their strongest showing ever with 217 House members and 37 senators on letters urging appropriations leaders to ensure adequate Rural Utilities Service (RUS) Electric Loan Program levels (lists attached). Thank you to the statewide associations for an outstanding effort. We also thank House Agriculture Chairman Conaway (R-TX), Ranking Member Peterson (D-MN), Senate Environment Chairman Inhofe (R-OK) and Sen. Heitkamp (D-ND) for their leadership again this year. Along with supporting current loan levels, the letters ask the Appropriations committees to reject RUS loan restrictions in the Administration's budget request similar to those we've seen and defeated before.

Co-ops Get Relief from Burdensome Trade Options Reporting

In a major win for electric co-ops, the Commodity Futures Trading Commission approved a "trade options exemption" [final rule](#) that includes several provisions NRECA and our members requested to end burdensome and costly reporting requirements. The final rule is expected to appear in the *Federal Register* in the next several weeks. CFTC's order applies to co-op and other commercial end-users of trade options – certain contracts with price and/or volume optionality for the physical delivery of a commodity. The rule ends trade option reports to a swap data repository and filing "Form TO".

Commercial end-users will also not have to meet swap-related recordkeeping requirements for trade option activities. But, they will still need to get a “legal entity identifier” for trade options with swap dealers and major swap participants. CFTC also decided not to require commercial participants to file a notice when they have over \$1 billion in trade options in any calendar year.

FCC Reduces Credit Requirement for Rural Broadband Experiments

We got more great news at the Federal Communications Commission, which issued an [order](#) that reduces time that Rural Broadband Experiment participants must maintain letters of credit – significantly reducing financing costs. Responding to comments by NRECA and other groups, the FCC ruled that a project letter of credit (a funding guarantee) can be closed once the network is fully deployed. The original proposed rule would have required project sponsors to maintain letters of credit throughout the 10-year experiment.

USDA Providing More Details on Environmental Policies

We met with RUS officials to get clarification on its [final rule](#) updating environmental policies for all agency programs, including the Rural Utilities Service Electric Loan Program, effective April 1, 2016. The agency released slides from yesterday’s webinar (attached) on the new rule that affects National Environmental Policy Act (NEPA) requirements for all RUS borrowers. The final rule clarifies that loan servicing actions and agency consents are routine actions and not considered “Major Federal Actions” triggering NEPA compliance. Rural Development said it will also issue a “frequently asked questions” document on the rule. Our review shows it is a significant improvement over the rule that was proposed in 2014.

FERC Rejects Request to Sidestep Rate Review Process

Electric co-ops got a win in the Federal Energy Regulatory Commission’s (FERC) rejection of an ITC Grid Development petition that NRECA and member co-ops actively opposed. ITC Grid Development asked FERC for an order to allow the company to sidestep the long established rate review process intended to protect ratepayers. ITC Grid Development wanted FERC to order that bids for a project selected through a FERC-approved competitive bid process would automatically be deemed just and reasonable, which would have increased costs for consumers. The grid developer also asked the commission to set a more difficult standard for ratepayers to challenge excessive rates. ITC Grid Development is a potential bidder for Southwest Power Pool and Midcontinent ISO projects.

House Infrastructure Leaders Outline Issues for Grid Attacks Hearing

We and other electricity sector officials had a good meeting with key Transportation and Infrastructure Committee members on cybersecurity and critical infrastructure issues likely to come up at an April 14 hearing on massive grid attacks. Economic Development, Public Buildings and Emergency Management Subcommittee Chairman Barletta (R-PA) and Ranking Member Carson (D-IN) said national and state governments and utilities are very engaged in emergency planning for potential grid attacks – including cyber and critical infrastructure protection. However, they expressed concern that local governments are not as engaged on these issues and lack strong planning for emergencies that would impact the grid.

Get the Latest on Cyber Safeguards for SCADA Systems

Business and Technology Strategies has a [Technology Advisory](#) with recommendations for keeping SCADA systems secure after a group started circulating a database of default passwords. That database includes default passwords for more than 100 products made by industrial control system vendors. The advisory outlines the cybersecurity risks for electric co-ops.

Senate Bill Focuses on Drone Use for Critical Infrastructure Needs

We welcome the introduction of Senate drones legislation (S. 2684) to help electric co-ops and other critical infrastructure owners maintain power lines. The bill sponsored by Senate Environment and Public Works Chairman Inhofe (R-OK) would allow critical infrastructure owners and operators to use drones for ensuring critical infrastructure safety and reliability. It would allow drone use beyond a pilot's line-of-sight for maintenance inspections, disaster response, security patrols and other duties.

Attached: RUS letter lists, NEPA webinar slides.