



April 15, 2016

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

Jim Baker Remembered as Passionate, Visionary Electric Co-op Leader

Our thoughts and prayers are with the family of former NRECA President James O. Baker, who passed away this week in Murfreesboro, TN. NRECA Executive Vice President Martin Lowery attended the [funeral services](#) yesterday on behalf of NRECA and offered a eulogy memorializing [Jim and his service to electric co-ops across the country](#). He served as the NRECA Tennessee Director from 1985 to 2003 and was NRECA President in 1997-98. Jim's passion for the electric co-op program was matched by visionary leadership for Tennessee co-ops and at the national level. Starting as an engineer at Middle Tennessee Electric Membership Corp. in 1960, he advanced to become the co-op President in 1980 and served in that role until retiring in 2003.

Drone Provisions in FAA Reauthorization Bill

The Senate is nearing final votes on a Federal Aviation Administration reauthorization bill (H.R. 636) with language that would require the FAA to allow electric utilities to use unmanned aerial vehicles (UAV), commonly called drones. We thank Sens. Inhofe (R-OK) and Booker (D-NJ) for leading an amendment that allows line crews to use UAV for infrastructure inspection, repair, maintenance and protection. The bill also gives the FAA authority to set rules for beyond line-of-sight and nighttime drone operations. While we're disappointed the Senate didn't reach agreement to include energy tax provisions in the bill, we'll keep seeking legislation to extend residential and commercial Geothermal Heat Pump Tax Credits and improve nuclear power and carbon capture technology tax incentives.

Co-op CEO Highlights Efforts to Face Cyber Attacks and Grid Failures

Claverack Rural Electric Cooperative President and CEO Bobbi Kilmer did a great job highlighting [electric co-ops' proactive approach](#) to all hazard emergency management and disaster recovery efforts at a House Transportation and Infrastructure subcommittee hearing. Kilmer emphasized that electric co-op systems meet federal standards and co-ops have an effective approach to emergency management and disaster recovery. Grid security is a top priority for co-ops, and they actively partner with industry and government in preparation, prevention and response to natural and manmade events and threats.

RUS Electric Loans, PMAs Unchanged in House FY 17 Spending Bills

A House Appropriations subcommittee approved an Agriculture spending bill that provides a \$5.5 billion loan level for the Rural Utilities Service Electric Loan Program, while increasing Rural Economic Development Loan and Grant Program funding by \$17 million to \$50 million. A House Energy and Water spending bill that cleared subcommittee review funds the Power

Marketing Administrations at current levels, with a slight increase in the Army Corps of Engineers' construction funds. The measure would also block FY17 funds for the Waters of the U.S. (WOTUS) rule now stayed for legal challenges. The full committee will take up the bills next week.

The Senate Appropriations Committee passed a similar Energy and Water bill that funds the Power Marketing Administrations at levels similar to this year, and we could see it on the Senate floor next week. It doesn't include language to block WOTUS, but an amendment to block the rule will likely be offered during floor debate.

Senate Restarting Energy Debate Next Week

The Senate may restart debate on its energy bill (S. 2012) next week after senators reached an agreement on which amendments will be considered before a final vote. Lawmakers will go back to considering about three dozen floor amendments. In the underlying bill, we support hydropower provisions that would promote common-sense reforms to the Federal Energy Regulatory Commission licensing review for dams and expand the agency's authority to improve interstate natural gas pipeline siting. We also support language to repeal a 2007 energy law requirement for new and renovated federal buildings to phase out use of fossil fuels by 2030.

Amendments we got included and will be part of the agreement so far include adding electric resistance water heaters to the "electric thermal" category of DOE's electric grid energy storage research program, and a provision for more transparency in Western Area Power Administration operations. Another makes the North American Electric Reliability Corp. the lead organization on draft reliability impact statements for major rulemakings. When the Senate passes the bill, we expect a House-Senate conference committee will resolve differences between the Senate bill and House legislation (H.R. 8) passed last December.

EPA Issues Same Conclusion in Court-Ordered UMATS Review

EPA today issued its Utility Mercury Air Toxics rule supplemental finding in response to U.S. Supreme Court decision that EPA failed evaluate whether it was "appropriate and necessary" in its 2012 rulemaking to regulate certain electric utility emissions as hazardous under the Clean Air Act. We're reviewing the 167-page rule that includes another cost/benefit analysis. But, it's no surprise that EPA concluded that it's proper to regulate power plant emissions as hazardous, essentially maintaining the same regulation challenged in the original lawsuit.

NRECA to Give Co-op Views on Net Metering at FTC Workshop

The Federal Trade Commission (FTC) asked NRECA's Jay Morrison to present the electric co-op perspective at a June 21 [workshop](#) on solar competition and consumer protection issues, especially as they relate to rooftop solar. Discussion will include the impact of net metering on consumers, solar providers and utilities. The [workshop](#) will include a broad range of utility representatives and other stakeholders, and can be viewed online.

Propane Industry Ad Campaign Targets Electric Water Heaters

The Propane Education Research Council's (PERC) \$10-million "Proudly Propane" campaign aims to "sell more gallons of propane" by convincing consumers to buy water heaters and other appliances fueled by propane. PERC's strategy includes targeting consumers to buy propane

water heaters when replacing old electric units and during home renovations and new construction. Production of “Proudly Propane” commercials is expected to start in May. NRECA will develop resources to help you respond to this challenge.

Co-ops File Reply to EPA Arguments in GHG Legal Challenge

We filed a legal brief addressing the flaws in EPA’s response to the lawsuit by NRECA, 39 G&T co-ops and others challenging the [Clean Power Plan](#) (CPP) in the D.C. Circuit Court of Appeals today. We emphasized that EPA offered no new defenses or answers to our initial arguments that the CPP is inconsistent with the Clean Air Act, and it will drastically affect co-ops’ ability to provide affordable, reliable power and otherwise would cause irreversible long-term harm. Our case now goes to oral arguments on June 2, 2016. The court’s ruling is expected this summer or fall. The U.S. Supreme Court [stayed](#) the rule in February until legal challenges are resolved. The high court could take the case late this year, with a ruling in 2017.

Free Co-op PCB Webinar Next Tuesday

You can still sign up for next Tuesday’s 1 p.m. [webinar](#) on EPA’s new [approval conditions for co-ops disposing of low-risk polychlorinated biphenyl wastes](#) in local municipal landfills. NRECA’s [Dorothy Kellogg](#) will review the details of EPA’s [final co-op approval document](#).