

May 27, 2016

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

House Passes Revised Energy Bill, Readies for Negotiations with Senate

The House passed (241-178) its 806-page amendment to the Senate energy bill (S. 2012) and started the process for conference with the Senate. The House also named its conferees (list attached). The amendment includes the House-passed energy bill (H.R. 8) and a large package of other House bills on land, water, wildlife and conservation, energy research and development and the California drought. The next step is a Senate vote on going to conference and naming conferees.

FCC Issues Connect America Fund Phase II Criteria, NRECA Proposal Accepted

The Federal Communications Commission (FCC) unanimously approved [rules](#) for another round of [Connect America Fund](#) (CAF) money for rural broadband deployment. The FCC adopted NRECA's proposal that operation of electric distribution or transmission networks is proof of a co-op's technical qualifications to operate a broadband network. Co-ops will demonstrate this qualification by providing Rural Utilities Service or Cooperative Finance Corp. (CFC) forms for the prior two years. The FCC also approved CFC and CoBank to be issuers of letters of credit for FCC-funded projects. The order includes \$215 million in annual funding for universal high-cost service. Funds will be distributed through a CAF Phase II "reverse auction." Broadband providers can bid on four separate tiers of service: 10 megabits per second, 25 megabits per second, 100 megabits per second, and 1 gigabit per second. The commission will issue another notice of proposed rulemaking for comment on the Phase II auction process.

Co-op CEO Addresses Generation and Transmission Issues at QER Meeting

Seminole Electric Cooperative CEO Lisa Johnson did a fantastic job presenting [electric co-op issues](#) on "building bulk power generation and transmission for future needs" at DOE's Quadrennial Energy Review Southeast regional meeting. She highlighted the electric co-op story and the challenges co-ops face in providing affordable, reliable power to their members' while meeting future regulatory requirements. She also emphasized electric co-ops' are actively developing and deploying renewable energy resources.

House OKs TSCA Bill by Overwhelming Majority, Hits Snag in Senate

The House passed (403-12) [Toxic Substance Control Act modernization legislation](#) (H.R. 2576) that, most importantly for electric co-ops and other utilities, keeps current regulations for polychlorinated biphenyls (PCBs) in place, including federal preemption over management of PCBs in transformers and other equipment. Senate plans for a quick vote on the final agreement were sidetracked by an objection to unanimous consent on the agreement. The objection was for

more time to review the agreement that is largely similar to the original bill unanimously approved by the Senate last December.

House Passes Bill to End Red Tape for Pesticide Use

The House passed (258-166) bipartisan legislation (H.R. 897) to clarify that Clean Water Act permits are not required for pesticide applications in or near water. Twenty-three Democrats voted for the bill to eliminate a duplicative regulatory requirement that provides no additional environmental benefit while leaving pesticide applicators exposed to potential citizen lawsuits under the Clean Water Act. The measure would drop needless red tape and help ensure electric co-ops can use pesticides as a means to maintain rights-of-way for critical infrastructure. The House is asking for a conference committee with the Senate to combine this legislation with supplemental funding for addressing the Zika virus, and an appropriations bill is a likely vehicle. The White House issued a statement opposing H.R. 897.

Senate Committee Holds FEMA Reform Bill to Address Deobligation Issue

We saw positive Senate action on the Federal Emergency Management Agency (FEMA) issues your grassroots worked during Legislative Conference. The Senate Homeland Security Committee pulled a bill (S. 2969) from markup this week due to negotiations to include a potential amendment that would establish a three-year limit on FEMA reclaiming funds. Currently, there's no time limit on FEMA's ability to deobligate funds and require repayment after reassessing completed projects. S. 2969 includes a pilot project on raising the small project threshold, providing for simplified procedures, to a range between \$500,000 and \$1 million. In the House-passed version (H.R. 1471), there is a three-year limit on deobligation as well and the threshold was simply raised to \$1 million without a pilot stage. We'll continue to work with the Senate committee to address the deobligation issue in legislation as well. This bill will likely go to committee markup in June.

FY17 Interior-Environment Spending Bill Clears Subcommittee

A House Appropriations subcommittee unanimously approved an FY17 Interior-Environment spending bill and sent it for full committee review, which will be most likely after the Memorial Day recess. It contains a number of policy riders, including NRECA's placeholder language addressing the coal ash regulation. It also includes a delay of implementation of the 2015-announced 70 parts per billion ozone standard until 2026. The bill would block use of FY17 funding to implement existing and new power plant greenhouse gas regulations and the WOTUS rule. It continues a one-year delay on any further Endangered Species Act (ESA) status reviews, determinations, and rulemakings for greater sage-grouse. We anticipate other ESA provisions will be offered, such as a limitation on a future listing of the lesser prairie-chicken, if provided the opportunity either in full committee or on the House floor.

WRDA Reauthorization Clears Transportation Committee

The House Transportation and Infrastructure Committee passed (voice vote) legislation (H.R. 5303) reauthorizing the Water Resources Development Act with language we support. The committee included a provision that would make permanent current authority for third-party financing of some Army Corps of Engineers permit reviews to expedite the process. We're concerned about a provision that would allow changes in reservoir operations for flood risk

management and navigation that could negatively affect hydropower production. We're seeking "hold harmless" language for PMA customers. The bill goes to the House floor.

Improvements Needed in Proposed ESA Petition Changes

NRECA is supporting comments filed by the Energy and Wildlife Action Coalition on the U.S. Fish and Wildlife Service and National Marine Fisheries Service [revised proposal](#) to amend regulations for petitions on ESA listings. We criticized several proposed changes that would ease requirements for petitions to list species as endangered or threatened. We also commented on other changes that would greatly diminish the ability to file effective, successful petitions to delist species or to change a species' status. NRECA is a coalition member.

BLM's Proposed Planning Update Shouldn't Undermine Existing Infrastructure

NRECA filed comments on Bureau of Land Management's [Planning Initiative 2.0](#) proposal to revise existing regulations for resource management plan development. We emphasized that the proposed changes should make clear that existing utility electric lines and mineral extraction should not be compromised in the final rules or their interpretation.

Attached: House energy bill conferees