

June 24, 2016

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

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### ***RUS Launches Rural Energy Savings Program Application Process***

The Rural Utilities Service is taking [letters of intent](#) for Rural Energy Savings Program (RESP) loan applications. The deadline for intent letters, which do not obligate electric co-ops to accept loans, is August 5, 2016. It's the first of a two-step process in which RUS will invite successful letters of intent to submit loan applications. RESP allows RUS to make zero-interest loans to electric co-ops, which can offer low-interest loans to consumers for energy efficiency improvements that can lower electric bills for families across the country.

RUS will host a [webinar](#) on July 12 to explain RESP, and also the Energy Efficiency and Conservation Loan Program rolled out in 2012. The two programs are different. RESP is open to a broader pool of eligible borrowers, with a zero percent interest rate and longer loan term. Electric co-ops worked hard to get this program authorized in the [2014 farm bill](#) and adequately funded at \$52 million in the FY16 [consolidated appropriations bill](#).

### ***FAA Oks Commercial UAS for Takeoff, but Flight Rules Raise Concerns***

We're reviewing the Federal Aviation Administration's [announcement](#) on a final rule for routine business uses of [small Unmanned Aircraft Systems](#) (UAS), also called drones, under 55 pounds. The [final rule](#) takes effect 60 days after it's published in the *Federal Register*. UAS can be flown up to 400 feet above the ground and higher if operating within 400 feet of a building or structure; maximum air speed is 100 mph. The rule replaces current [regulation](#) requiring companies (including electric utilities) using small UAS for business activities to seek an exemption from a requirement to get the same FAA certificate for manned aircraft pilots. NRECA joined a coalition letter urging House and Senate transportation leaders to include UAS language we support in a short-term FAA authorization extension Congress is expected to pass by July 15. The legislative language would allow utilities to use drones beyond line of sight and during night operations, issues that were not covered in the rule announced this week.

### ***President Signs TSCA Bill***

As expected, the President signed the Toxic Substance Control Act modernization legislation (H.R. 2576) that keeps current polychlorinated biphenyls (PCBs) regulation in place, including federal preemption over management of PCBs in transformers and other equipment. Important for electric co-ops, the new law does not change the current scope of TSCA federal preemption over current and future state PCB regulations. States cannot prohibit uses of PCB-containing transformers and other electrical equipment allowed under federal law.

### ***House Passes Conference Report with Six-Month Pesticide Use Waiver***

The House passed (239-171) an FY17 military construction appropriations conference report (H.R. 2577) that includes a six-month waiver on getting duplicative Clean Water Act permits for pesticide applications in or near water. We'll continue to push for a permanent fix that eliminates this duplicative regulatory red tape so as not to interfere with the ability of electric co-ops to use pesticides for rights-of-way maintenance. The conference report faces an uncertain outlook in the Senate and the White House issued a veto threat over Zika virus funding.

### ***House Committee Warns CFTC on Third-Party Lawsuits Proposal***

The House Agriculture Committee sent a [letter](#) supporting electric co-op and electric utility sector opposition to a Commodity Futures Trading Commission (CFTC) [proposed amendment](#). The letter signed by top committee leaders warns CFTC that the proposal to allow private (third-party) lawsuits in organized wholesale power markets regulated by the Federal Energy Regulatory Commission may conflict with the congressional intent of language passed in the 2012 Dodd-Frank Act. The committee leaders urged CFTC to "consider the possibility that the proposals will result in widespread, inconsistent judicial interpretations of the Commodity Exchange Act." Senate committees are also watching this issue.

### ***House GOP Completes Rollout of Policy Proposals for 2017***

House Speaker Ryan (R-WI) and Republicans issued health care and tax [policies](#) this week to complete the rollout of several [proposals](#) to define their 2017 agenda. The policies include full repeal of the so-called "Cadillac Tax," which Congress has already delayed until 2020 thanks to our advocacy efforts. While it lacks many details, we and [other coalition partners](#) are concerned that it also proposes an undetermined cap on the employer-sponsored health coverage tax exclusion that could unintentionally make health plans more expensive. NRECA is consistently [emphasizing](#) that taxing any part of an electric co-op employee's health care benefits will leave co-op families with less comprehensive health coverage and/or higher costs. No co-op, whether they provide health insurance through NRECA's Group Benefits Trust or from another source, should be penalized for "doing the right thing" for their employees.

### ***NRECA Highlights International Affairs Budget Impacts for NRECA International***

NRECA served as a [U.S. Global Leadership Coalition](#) (USGLC) Hill Day group leader as over 400 leaders of businesses, trade associations, faith organizations, and military-national security and veteran groups visited congressional offices to urge adequate International Affairs budget levels. The International Affairs budget authorizes a majority of grants and programs that fund NRECA International Projects, including the U.S. Agency for International Development, State Department, Millennium Challenge Corp. and multilateral development banks. NRECA's Executive Vice President Martin Lowery serves on USGLC's board of directors.

### ***NRECA to Work on Renewable Energy Integration Project***

NRECA is working in a technology coalition chosen by the Energy Department to develop interactive software for testing the effectiveness of Distribution System Operators (DSOs). Currently, there is no tool to test the potential electric grid impacts of DSOs, which some states

consider a likely approach to integrating renewables and other distributed sources. The \$3 million project will develop a Distribution System Operator Simulation Studio to determine potential impacts of new controls and pricing schemes on the physical grid and market operations.

### ***White House Report Supports Raising Federal Coal Royalty Rates***

NRECA is reviewing a White House Council of Economic Advisers (CEA) [report](#) that supports raising federal coal royalty rates, even if it reduces federal and overall national coal production. CEA's report supports "modestly increasing" royalty payments to boost federal revenues and reduce coal sector emissions. CEA's report comes during the Bureau of Land Management's coal leasing program review that won't be completed before the next Administration.