



Jim Matheson
Chief Executive Officer

August 5, 2016

The Honorable Lisa Murkowski
Committee on Energy and Natural Resources
Resources
United States Senate
Washington, DC 20510

The Honorable Maria Cantwell
Committee on Energy and Natural
United States Senate
Washington, DC 20510

The Honorable Fred Upton
Committee on Energy and Commerce
United States House of Representatives
Washington, DC 20515

The Honorable Frank Pallone
Committee on Energy and Commerce
United States House of Representatives
Washington, DC 20515

Dear Chairman Lisa Murkowski, Chairman Fred Upton, Ranking Member Maria Cantwell, and Ranking Member Frank Pallone:

On behalf of America's consumer-owned electric cooperatives, the National Rural Electric Cooperative Association (NRECA) commends the House of Representatives and the Senate for moving forward and convening a conference committee to produce a final energy bill. The Energy Policy Modernization Act of 2016 (Senate Energy Bill), S. 2012, and the North American Energy Security and Infrastructure Act of 2016 (House Energy Bill), which recently amended S. 2012, seek to assist the country to meet its ongoing energy needs and to modernize our energy infrastructure. We have identified our priorities for the Energy Bill Conference Committee, and we urge the conferees to adopt them in the final bill.

Both bills include provisions that would streamline the natural gas permit process which is important to the electric utility industry as a whole. NRECA recognizes and appreciates that the House and Senate Energy Bills also include several provisions that would benefit co-ops directly, and we urge that the following provisions be included in a final energy bill.

- Reliability Impact Statement. Section 4301 of the Senate Energy Bill would authorize the North American Electric Reliability Corporation (NERC), in coordination with regional entities, to prepare reliability impact statements (RIS) involving proposed federal rules. NERC's role in working with industry and creating mandatory standards for the bulk power system means NERC is in a unique position to be able to assess federal rules to ensure they do not impair or impede bulk power system reliability.
- Electric Resistance Water Heaters. Section 2301 of the Senate Energy Bill would establish that electric resistance water heaters are included in the Department of Energy's (DOE) electric grid energy storage research program. This section correctly recognizes that these water heaters store thermal energy and are important components of co-op demand response programs.

- Vegetation Management. Section 1116 of the House Energy Bill would require the Bureau of Land Management (BLM) and Forest Service to allow Right-of-Way (ROW) holders to submit vegetation management plans for the inspection and maintenance of vegetation (including hazard trees) in, or adjacent to, the ROW. The language also stipulates that a utility is not liable if the federal government fails to allow the utility to manage vegetation in, or adjacent to, the ROW.
- Fossil Fuel Generated Electricity For Federal Buildings. Sections 3116 and 3117 of the House Energy Bill and Sections 1015, 1016, and 1017 of the Senate Energy Bill would repeal an unwarranted existing law that prohibits co-ops and other electric utilities from providing fossil fuel-generated electricity to new and renovated federal buildings in 2030 and subsequent years. The existing ban would be replaced by stringent energy efficiency requirements for these buildings.

Unfortunately, the House Energy Bill contains provisions that diminish the autonomy of co-ops to make decisions for their consumer-owners. As a result, we strongly urge that the following sections be rejected and not included in a final energy bill.

- Community Solar Facilities. Section 6002 of the House Energy Bill would amend Section 111(d) of the Public Utility Regulatory Policies Act (PURPA) and require co-ops to consider adopting an interconnection standard for community solar projects. A number of interconnection requirements and procedures already exist. First, the Energy Policy Act of 2005, P.L. 109-55, has already required the consideration of an interconnection standard regarding any consumer that the electric utility serves. Second, the Federal Energy Regulatory Commission (FERC) issued Order No. 2006, which established special pro forma small generation interconnection procedures and a pro forma interconnection agreement for facilities of 20 megawatts or less. Due to these requirements and procedures, bill language requiring the consideration of an interconnection standard for community solar facilities is redundant.
- Resiliency, Advanced Energy Analytics Technology, and Reliable Generation. Section 1107 of the House Energy Bill would also amend PURPA 111(d) and require co-ops to consider adopting electric infrastructure resiliency and advanced energy analytics technology standards. Resiliency-related technology deployment decisions require an in-depth understanding of costs, risks, and benefits associated with these technologies and the manner in which they impact the operation of the co-op. Co-ops have already analyzed these factors and made affirmative decisions to integrate resiliency-related technologies into their systems in a reliable, safe, affordable, and sustainable manner. In addition, co-ops continue to upgrade their systems with new advanced energy analytics technology to meet existing challenges. Since the technologies reduce costs and allow co-ops to maintain affordable rates, co-ops are already making significant investments in these areas, which eliminates the need to establish consideration requirements.
- Critical Electric Infrastructure. Section 1104 of the House Energy Bill ignores the process for developing consensus technical standards for electric grid security and reliability already in place under federal law by directing FERC to unilaterally develop

mandatory electric reliability standards to address a single type of threat to the electric grid from electromagnetic pulse (EMP). This directly conflicts with the carefully crafted Federal Power Act statutory structure for developing consensus-based technical standards, which Congress created in the 2005 Energy Policy Act. Conferees must oppose including Section 1104 in the final energy bill to ensure no conflation with current law.

The Senate Energy Bill also contains provisions that would diminish the autonomy of consumer-owned electric cooperatives. The Senate Energy Bill contains several provisions that would authorize DOE to lay the foundation for the intrusion of federal energy policies into decisions involving distributed energy resources (DER), net metering, and interconnection services, which are areas that should continue to be reserved for state and local control. As a result, these policies would challenge the ability of co-ops to provide affordable and reliable electricity to their consumer-owners. To protect co-op decision-making in these and other areas, the following sections should not be included in a final energy bill.

- Model Pathways. Section 2304 would authorize DOE to develop voluntary model pathways for modernizing the grid that could be used to impact activities such as DER integration or the monitoring and control of the advanced electric grid.
- Performance Metrics. Section 2305 would authorize DOE to prepare a report that evaluates the performance of the electric grid. In developing metrics for evaluating and quantifying the electric grid, DOE would consider the appropriate ownership and operating rules for electric utilities to enable improved performance through the adoption of emerging, commercially-available technologies such as DER.
- Model Guidance. Sections 2310 and 2312 would authorize the development of model guidance regarding criteria to be included in future DOE net metering studies and for combined heat and power system interconnection services, respectively.

NRECA appreciates the opportunity to present its views involving the House and Senate Energy Bills. Based on these views, NRECA urges the Energy Bill Conference Committee to produce a final bill that will keep consumers' costs affordable, promote system reliability, and does not impose undue burdens on consumer-owned utilities like co-ops.

Sincerely,



Jim Matheson
CEO, NRECA

CC: Sen. John Barrasso
Sen. James Risch
Sen. John Cornyn
Sen. Ron Wyden
Sen. Bernie Sanders
Rep. Joe Barton

Rep. Ed Whitfield
Rep. John Shimkus
Rep. Bob Latta
Rep. Cathy McMorris Rodgers
Rep. Pete Olson
Rep. David McKinley
Rep. Mike Pompeo
Rep. Morgan Griffith
Rep. Bill Johnson
Rep. Bill Flores
Rep. Markwayne Mullin
Rep. Bobby Rush
Rep. Lois Capps
Rep. Doris Matsui
Rep. Kathy Castor
Rep. John Sarbanes
Rep. Peter Welch
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