

December 9, 2016

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

FY17 Spending Bill Near Final Votes as Congress Wraps Up for Year

An FY17 appropriations continuing resolution (CR) to keep the government funded through next April 28 is waiting for Senate floor votes today after the House passed it on a 326-96 [vote](#). Senate debate may go into the weekend over retired coal miners' benefits. The measure maintains level funding for our core programs. Rural Utilities Service (RUS) electric loans remain at \$5.5 billion, with \$750 million for the Guaranteed Underwriter Loan. The Rural Economic Development Loan and Grant Program funding is \$33.07 million, and the Rural Energy Savings Program level is \$8 million. We'll keep working to ensure these and other co-op programs are adequately funded when the next Congress works to pass a final package.

The House has completed its work for the year, and the Senate will go home after completing the spending bill. This lame-duck session resulted in many items getting kicked into next year, including many we pushed. More details on specific items are below.

House OKs Water Bill with Coal Ash and Easement Renewal Fee Provisions

The House passed (360-61 [vote](#)) a water resources bill with two important provisions for electric co-ops. A Senate vote is expected this weekend. The measure includes language providing state environmental departments the authority to enforce EPA's final non-hazardous coal ash rules, rather than have enforcement come solely through citizen lawsuits. States having this clear permitting and enforcement authority will help provide greater regulatory certainty. The bill also provides co-op relief from Army Corps of Engineers renewal fees for power line easements across Corps' lands. That provision continues a long-standing Corps of Engineers practice of waiving the easement fees. NRECA has urged Congress to pass legislation (letter attached).

NRECA Annual Meeting Features 75th Anniversary Celebration

[Registration is now open](#) for the 2017 NRECA Annual Meeting in San Diego on February 26 to March 1. This year's presentations include presidential historian and best-selling author, Michael Beschloss and tech entrepreneur and venture capitalist Josh Linkner among the [nationally renowned speakers and industry leaders](#). NRECA will be celebrating 75 years of service to our members, and we invite you to join us for a 75th anniversary [celebration](#) in San Diego's Historic Gaslamp District on Tuesday, February 28. We'll again offer the [Next Generation Leaders program](#). Please consider sending a co-op staff member who has never attended an annual meeting.

Energy Bill Stalls, Pushed to Next Year

House and Senate leaders pushed energy legislation to next year. While energy bill conferees

had negotiated up to the last minute and dropped several provisions to send a narrower package to the floor, House Speaker Paul Ryan (R-WI) indicated energy legislation will have to be addressed next year. NRECA will continue to push for our priorities, including language to ensure utilities can do proper vegetation management on utility rights-of-way across federal lands; clarify the North American Electric Reliability Corp. is the lead agency on assessing reliability impacts of proposed federal rules; and repeal a 2007 energy law requirement for new and renovated federal buildings to phase out fossil fuels use by 2030, among other priorities.

Tax Legislation Held for Comprehensive Reform Effort in Next Congress

Tax legislation to extend the residential and commercial tax credits for geothermal heat pump technology stalled and will wait for the next Congress. While this legislation had bipartisan support, Republican leaders decided to hold all tax-related issues for work on comprehensive tax code overhaul. Legislation on tax incentives for nuclear power and carbon capture and sequestration reached a similar outcome.

Congress Pushes All Pension Legislation to 2017

Legislation to protect NRECA's [Retirement Security Plan](#) (RS Plan) from increased future costs, and all other provisions in the [Retirement Enhancement and Savings Act of 2016](#) (S. 3471), was kicked to 2017 as time ran out in the 114th Congress. We're looking ahead to continue our leadership on this issue in the next Congress to reduce federal insurance premiums paid by our RS Plan to the Pension Benefit Guaranty Corp. Thank you to the thousands of co-op leaders and their employees for sending messages to Congress highlighting that increased costs make it more difficult for co-ops to maintain their benefit programs.

Final Defense Bill includes GMD-EMP Language

The Senate cleared (92-7 [vote](#)) a final defense bill (S. 2942) late yesterday with language added at the last minute to protect critical infrastructure from electromagnetic pulses and geomagnetic disturbances. The provision ensures that EMPs and GMDs are included in Homeland Security planning scenarios and assessments, and provided separate and distinct definitions for manmade EMPs and the GMDs that result from solar flares. We worked in the Senate to get the definitions addressed, as well as language to ensure coordination with critical infrastructure owners and operators and federal agencies that have oversight. It also includes our language to protect information shared by the private sector. The bill now goes to the President.

Utility Sector Group Asks Court to Block Flawed Wastewater Rule

NRECA and other partners in the Utility Water Act Group filed opening briefs in a lawsuit challenging a final Clean Water Act rule for power plant wastewater discharges. The utility coalition is asking a federal Circuit Court of Appeals in Louisiana to block the flawed Effluent Limitation Guidelines and send the rule back to EPA for reconsideration. The rulemaking was based on incomplete data, did not consider impacts of other EPA rules, and failed to consider all costs to comply, which could force some power plants to shut down. EPA is not expected to file its response until April 2017.

FERC says MD Co-ops' Petition Premature, No Ruling on Merits in Community Solar Case

The Federal Energy Regulatory Commission (FERC) dismissed two Maryland electric co-ops'

challenge of state regulations that would force them to pay retail rates for excess power from community solar projects. FERC ruled that the petition by Southern Maryland Electric and Choptank Electric was premature, and the issue might be resolved at the state level. The commission didn't comment on case merits and said it does not want to interfere with state Public Service Commission or state court efforts to address the co-ops' concerns.

FERC Proposal Aims to Integrate Electricity Storage, DER into Power Markets

FERC issued a proposed rulemaking that would ease barriers to electricity storage and distributed energy resources in organized power markets, a move intended to enhance competition and ensure just and reasonable rates. The commission said the 139-page proposal would require regional transmission operators (RTOs) to develop market rules specifically for storage resources and distributed energy services and transactions. NRECA will urge FERC to use caution in defining distributed resources as a competing product or wholesale power producer in markets. Among our concerns, this proposal could lead to regulation of distribution co-ops and co-op relationships with their member-owners, and provide an opening for more regulatory and legislative efforts to include distribution co-ops and retail consumers in RTOs.

Attached: Industry letter on water bill