

January 20, 2016

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

New Administration Starts, Agriculture Secretary Nomination Announced

Donald Trump becomes the 45th President today when he takes the oath of office, and several of his Cabinet picks will quickly follow suit. Trump rounded out his Cabinet appointments yesterday with the selection of former Georgia Gov. Sonny Perdue as Agriculture Secretary. Purdue understands electric cooperative issues and our mission to enhance the quality of life in the communities we serve. Georgia Electric Membership Corp. CEO Dennis Chastain said Purdue has been a strong electric co-op advocate in the state. He is a member of Flint Energies, a distribution co-op. Since 1977, Perdue has owned several agribusiness and transportation companies. There's no word yet on a confirmation hearing date.

The Senate is expected to vote on several nominations today, including many of the President's national security team and some nominees deemed non-controversial. Other nominees will likely get votes next week as the Senate continues to focus on confirming the Cabinet. Other nominations are slowed as lawmakers want more time for review.

Rural Electrification Recognized by Energy Secretary-designate

A highlight of the Cabinet confirmation hearings was Energy Secretary-designate Rick Perry recalling the impact of the local electric cooperative in his hometown of Paint Creek, TX. "I grew up on a dryland cotton farm, 16 miles from a place that had a post office, in a house that had just received electrification – received power from the rural electrification agency...." We'll be sending you a summary of the confirmation hearings by early next week.

Senate Regulatory Reform Hearing Focuses on Small Business Impacts

The Senate efforts to address regulatory reform started with a Homeland Security and Governmental Affairs subcommittee hearing. We're urging Congress to ensure that regulatory reform legislation requires federal agencies to appropriately consider the impacts of proposed rulemakings on small businesses – including electric co-ops. The effort should include putting more enforcement backbone in the Small Business Regulatory Enforcement Fairness Act so that federal agencies take it more seriously. While the House has moved quickly on regulatory reform legislation, Senate consideration will be more challenging.

FERC Moves to Address Electricity Storage and Uplift Payment Costs

We're reviewing two Federal Energy Regulatory Commission actions this week on cost recovery for electricity storage and "uplift" payments to regional transmission operators (RTOs). FERC issued a [policy statement](#) to provide additional guidance on easing barriers to electricity storage

in organized power markets. The statement is intended to enhance competition and ensure just and reasonable rates as RTOs develop market rules specifically for storage resource services and transactions. Commissioner Cheryl LaFleur dissented on the issue, raising concerns that more efforts should be taken to protect consumers.

FERC also issued a [proposed rule](#) to reform uplift cost allocations to enhance transparency and accuracy in the way RTOs determine how those charges are shared. Uplift payments are additional charges by RTOs for “make-whole” payments to generators to ensure they don’t lose money when required by must-run contracts to provide power to RTO markets. FERC began efforts to reduce uplift payments after they became major cost issues for utilities that struggled to meet demand during extreme cold weather in 2013. We’ll provide more analysis of the proposal soon.

NRECA Supports Update of Chemical Safety Regulations

NRECA filed comments encouraging EPA to update the Toxic Substances Control Act (TSCA) reporting and records requirements for small businesses. EPA issued a [notice](#) for input on whether changes to the TSCA definition of “small manufacturers and processors” is needed. The review is required under legislation passed in the last Congress. Our comments emphasize that any update should recognize that the vast majority of electric co-ops meet the Small Business Administration definition of “small utilities. Our position is similar that of the Small Business Administration Office of Advocacy.