

March 17, 2017

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

NRECA CEO Meets with EPA Administrator, White House Staff

NRECA CEO Jim Matheson met with Environmental Protection Agency Administrator Scott Pruitt to discuss the impact that EPA rules have on electric cooperatives and to encourage him to reach out to electric co-ops as he works to change the direction of EPA. Matheson emphasized that electric co-ops are ready to work with the Administration on balancing pro-growth and environmental policies and support efforts that reduce regulatory burdens on co-ops.

Matheson also returned to the White House to meet with the President's rural/agriculture advisor about electric co-op priorities and our suggestions for the Administration's infrastructure initiatives. The session followed up on last week's White House session on addressing rural needs in the infrastructure package that the Administration and Congress are considering. Along with offering suggestions on potential initiatives the Administration could send to Congress, we also outlined ways to fix regulatory and policy barriers to infrastructure development to address needs in rural America.

White House Budget A Mixed Bag for Programs Important to Co-ops

The "skinny" [budget](#) proposed by President Trump includes some good news for co-ops as well as some challenges to programs important to co-ops and our member-consumers (summary attached). The budget does not propose any changes to the RUS electric loan program or the Power Marketing Administrations, but NRECA is concerned about impacts from some other proposals. It would eliminate the Rural Economic Development Loan and Grant Program and Low Income Home Energy Assistance Program. Along with cuts for the Federal Emergency Management Agency Pre-Disaster Mitigation Grant Program, the proposal would add a new 25-percent non-federal cost match for preparedness grants. The proposal would also reduce or shift U.S. Agency for International Development funds used by NRECA's International Program.

The \$1.15 trillion budget proposal is a starting point in the annual appropriations process. The Administration will develop a more detailed budget in May, and Congress will develop its own spending plan and detailed spending bills this summer to fund various programs, agencies and departments for the fiscal year that begins on October 1. Many members of Congress expressed concern over different proposals in the budget. There is a long road ahead, and NRECA will work to make improvements to the budget.

Co-op CEO Urges Congress to Untangle Hydropower Project Regulations

Cordova Electric Cooperative CEO Clay Koplin urged Congress to pass legislation to fix an "ineffective regulatory framework" that delays hydropower projects and hikes costs. Regulatory

barriers and lack of accountability have doubled Cordova Electric's construction timelines and costs for two hydroelectric projects, including one to replace a major portion of electricity from a diesel facility, he said during a Senate Energy and Natural Resources Committee hearing. Regulations need to be streamlined, conflicting requirements untangled, and collaboration with state and local governments improved. Koplín said IRS codes must be clarified to recognize hydroelectric projects are renewable resources. Committee Chairwoman Lisa Murkowski (R-AK) said she wants to streamline federal hydropower licensing and relicensing requirements.

Committee Ranking Member Maria Cantwell (D-WA) also raised concerns that the President will sign an executive order giving the Homeland Security Department the lead federal role on all cybersecurity infrastructure. She sent a [letter](#) urging the Administration to make the Energy Department the lead agency on cybersecurity for the energy sector.

Agriculture Secretary Confirmation Hearing Next Week, NRECA Supports Perdue

Agriculture Secretary-designate Sonny Perdue's nomination will go before the Senate Agriculture Committee next Thursday. Democrats have signaled they won't block Perdue's nomination, though committee Ranking Member Debbie Stabenow (D-MI) said she won't make a decision on the nomination while she is still reviewing the paperwork. NRECA issued a [statement](#) supporting Perdue's nomination when it was announced in January. Perdue, a member of Flint Energies in Georgia, understands electric co-op issues and our mission to enhance the quality of life in the communities we serve. NRECA joined more than 600 rural and farm organizations in a letter supporting Perdue's nomination. A hearing [webcast](#) will be available.

Co-op Application Rejected Due to No FERC Quorum

Too many vacancies on the Federal Energy Regulatory Commission resulted in an electric co-op's application being rejected, without prejudice, for lack of a quorum. FERC denied East Kentucky Power Cooperative's waiver request on transmission access requirements because the commission cannot consider major and contested cases with three of five seats vacant. The decision forces East Kentucky to restart the costly application process. FERC has lacked a quorum since former Chairman Norman Bay resigned in February, and it's not clear when the President will nominate new commissioners to fill the current vacancies. Congressional energy leaders have pushed for the President to send nominations to the Senate for confirmation votes.

Updated Rate Design Guide Available with New Rate Communications Guide

Check out the updated NRECA and the Cooperative Finance Corp. [Retail Rate Guide](#) designed to help co-ops think through various rate design options. It's accompanied by a communications guide, "Introducing A Rate Change to Consumer-Members," developed to help co-ops roll out a new rate structure.

Attached: NRECA summary of FY18 budget request