

May 5, 2017

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

Core Co-op Programs OK in Final FY17 Spending Package

The FY17 omnibus spending package Congress passed this week includes funding for core electric co-op priorities. Rural Utilities Service (RUS) electric loan levels remain at \$5.5 billion, with \$750 million for the Guaranteed Underwriter Loans. The Rural Economic Development Loan and Grant Program received a \$9 million increase to 42 million. The bill also creates a new RUS Refinancing Pilot Program to allow co-ops to refinance up to \$600 million in Federal Financing Bank loans. Under this new pilot program, distribution and G&T co-ops will be able to roll loan prepayment penalties into their new loans. We will have to have work closely with RUS as they begin to implement this new pilot program.

The Power Marketing Administrations and Low Income Home Energy Assistance Program stay funded around last year's levels. The omnibus increased funding for the U.S. Agency for International Development's Cooperative Development Program from \$11 million to \$12 million, which helps NRECA's International Program. We'll face a hard push in the FY18 appropriations debate to ensure that funding continues for core co-op programs and critical international infrastructure development projects.

House Passes on Health Care Reform Bill that Delays Cadillac Tax

The House passed health care overhaul legislation (H.R. 1628) to "repeal and replace" the Affordable Care Act (Obamacare) by a 217-213 vote. Of particular note for electric co-ops, the bill would further delay the "Cadillac Tax" on employer-sponsored health plans from 2020 to 2025, and doesn't include any additional taxes on health care benefits. The bill now goes to the Senate for consideration. While NRECA welcomes the Cadillac Tax delay language in the "American Health Care Act" we continue to urge [full repeal](#) of the tax.

House Passes Bills on FEMA Disaster Relief Issues

The House passed three bills to address concerns with the Federal Emergency Management Agency's (FEMA) disaster relief program. H.R. 1678 would set a three-year limit on FEMA's ability to reclaim (deobligate) disaster relief funds after a final expense report is filed. Currently, FEMA can take back funds several years after it reassesses completed projects. H.R. 1665 would require FEMA to consider severe local impacts when recommending disaster declarations. Weighting severe local impacts will help ensure areas receive disaster relief assistance. NRECA will urge the Senate to pass them. Another bill would direct FEMA to modernize its grant programs and provide a website for applications.

House Committee OKs Small Business Cybersecurity bill

Small businesses could get more federal information on reducing cybersecurity risks under a bill (H.R. 2105) the House Science Committee passed on a voice vote. The legislation requires the National Institute of Standards and Technology to share cybersecurity guidelines and other resources with small companies. It's aimed at ensuring all small businesses have information to adequately monitor and protect their computer systems. This is not intended to replace existing resources for small businesses that are part of critical infrastructures, like the Electricity Information Sharing and Analysis Center for electric co-ops. A Senate companion bill (S. 770) cleared committee review in April.

Co-ops Push for Hydropower Licensing Reforms, Highlight Infrastructure Priority

Electric co-ops joined other hydropower advocates in urging Congress to ensure that FY18 federal hydropower program funding remains adequate and hydropower projects are included in federal infrastructure initiatives. At a House Appropriations subcommittee hearing, Arizona statewide Federal Government Relations and Regulatory Director Jorge Canaca, Mid-West Electric Consumers Association Executive Director Bill Drummond and Southwestern Power Resources Association Executive Director Nicki Fuller emphasized the Power Marketing Administration's important role in serving co-ops. Ratepayer charges and fees cover all program operations and there is no cost to the government. Testimony also urged Congress to continue to reject proposals to sell the PMAs to the private sector.

During a House Energy and Commerce subcommittee hearing on energy infrastructure legislation, hydropower advocates urged Congress to pass legislation to fix the hydropower relicensing process to fix an ineffective regulatory framework that delays projects and hikes costs. Congress is considering bills to address regulatory barriers and improve collaboration with state and local governments on hydropower permitting.

Co-op: Keep FERC Focus on Reliable, Reasonable Service in Updating Market Rules

An electric co-op was among several voices [urging](#) the Federal Energy Regulatory Commission (FERC) to take a "proactive, planned and negotiated approach" to addressing conflicts the Eastern Regional Transmission Organizations face between federal wholesale power market rules and state policies that reward nuclear and other low-carbon generation. At a two-day [technical conference](#), Mike Cocco, Old Dominion Electric's Senior Director of RTO and Regulatory Affairs, said FERC has used that approach and it helps to avoid actions that lead to lawsuits and more state regulations. He recommended FERC stay focused on reliable service at just and reasonable rates; set market rules that honor co-ops' long-term plant investments to self-supply power; and allow regional flexibility. He also asked FERC to strive for policies that can hold up as markets change.

The conference allowed FERC to get input on the issue while it lacks a quorum with most seats on the five-member panel vacant. Senate leaders have asked the President for nominations to fill enough seats to restore the quorum lost in January. Commissioner Colette Honorable may step off in June after deciding not to seek another term, leaving only Acting Chairman Cheryl LaFleur.

WOTUS Rule Repeal Goes to OMB Review

The Office of Management and Budget is now reviewing an EPA and Army Corps of Engineers [proposed rule](#) to remove the 2016 language re-defining the Waters of the U.S. (WOTUS) rule. It's the first in a two-step process to withdraw the 2016 WOTUS rule and then follow up with a proposal for a narrower definition of what qualifies as a Water of the U.S. subject to the Clean Water Act. EPA plans to move quickly to repeal and replace the rule, and has asked state and local officials to send ideas and input by June 19. Reversing the 2015 rule will take time, and environmental groups will likely file legal challenges to block the effort.

Lawsuit Challenges EPA's Hold on Power Plant Wastewater Guidelines

An environmental coalition filed a lawsuit to reverse EPA's [stay](#) on compliance deadlines for a [power plant wastewater](#) regulation (Effluent Limitation Guidelines) the agency is now reconsidering. The Sierra Club-Waterkeeper Alliance lawsuit's claim that EPA stayed the rule without public comment underscores the importance that these regulatory reviews follow the legal requirements. EPA's actions are a response to [requests](#) by the Utility Water Act Group (NRECA actively participates) and Small Business Administration's Office of Advocacy. The Small Business Administration identified electric co-ops as small entities needing relief from the rule. We expect resistance at every step in efforts to bring common sense to regulations that impact electric co-ops. We'll make every effort to ensure electric co-op views are heard.

NRECA Sends Request to CFTC on Reporting Rules

NRECA sent the Commodity Futures Trading Commission (CFTC) a request to consider recommendations in our 2012 comments on proposed Ownership and Control Reporting rules. NRECA also urged CFTC to evaluate how its many types of reporting rules (e.g., transaction, position and ownership and control reporting rules) impact commercial end-users of energy swaps and other derivatives. Our comments urge CFTC not impose unnecessary, overlapping and inconsistent requirements, and emphasize the President issued executive orders for federal agencies to reduce, and not increase, regulatory burdens. For questions, or if your co-op gets a CFTC "special call" letter, contact NRECA's Russ Wasson by [e-mail](#) or at 703.402.2510.