

July 14, 2017

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

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***House Energy and Ag Spending Bills Address Several Co-op Concerns...***

House Appropriations Committee action on FY18 spending bills shows that Congress heard electric co-ops' message on priority issues. The Energy and Water Development bill passed by the House Appropriations Committee rejects a plan to sell Power Marketing Administration transmission assets. The bill blocks the Energy Department from considering "social cost of carbon" rulemakings until an interagency working group is formed. The measure funds the Yucca Mountain (NV) nuclear spent fuel repository.

The FY18 Agriculture bill passed by the Appropriations Committee keeps Rural Utilities Service (RUS) electric loan levels at \$5.5 billion and Guaranteed Underwriter Loans at \$750 million. This was a Legislative Conference priority that co-ops advocated on the Hill. It also maintains Broadband Loan Program funding at \$27 million while consolidating the Broadband Grant program with other rural development grant programs. The bill has \$33 million for the Rural Economic Development Loan Program, funds other rural cooperative development programs, and continues RUS interest payments to co-ops on future "Cushion of Credit" account deposits.

***... Several More Appropriations Bills Advancing in Committee***

Several House spending bills addressing issues important to electric co-ops cleared Appropriations subcommittee reviews and could get full committee votes next week. The Interior and Environment bill lifts procedural hurdles for EPA and Corps of Engineers to withdraw the WOTUS rule. It includes language to prevent an Endangered Species Act listing of the greater sage-grouse. It also requires EPA to maintain the current 75 ppb ozone standard and delay enforcement of a tighter standard.

The Labor-Health and Human Services bill provides \$3.4 billion (level funding) for the Low Income Home Energy Assistance Program. The State-Foreign Operations bill has language to ensure U.S. Agency for International Development funding is dedicated to rural electrification. Cooperative Development Program funding is maintained at \$12 million in a bill that cuts overall spending by 10 percent. Support for Power Africa program funding will be included in the committee's bill report.

***Electric Co-ops Support Senate Carbon Capture Tax Credit Bill***

NRECA supports Senate legislation to extend and expand the carbon capture utilization and storage tax credit. The bill was introduced by Sens. Heidi Heitkamp (D-ND), Shelley Moore Capito (R-WV), Sheldon Whitehouse (D-RI) and John Barrasso (R-WY). NRECA CEO Jim Matheson attended the lawmakers' press conference to show electric co-op support and Sens. Heitkamp and Barrasso recognized the co-ops. The bill would maintain credits already in place,

increase the value of the credit, clarify eligibility criteria, and make the credit assignable to other entities involved in a project. We continue to work with senators to get nuclear tax credit legislation (S. 666) passed, and also continue our efforts to pass legislation extending tax credits for geothermal and other energy sources.

### ***NRECA Tells Electric Co-op Story on Electrification in Developing Countries***

NRECA International Senior Vice President Dan Waddle highlighted NRECA's strong partnership with the U.S. Agency for International Development's (USAID) Power Africa initiative to boost rural access to electricity in African countries during a Hill briefing. House Foreign Affairs Chairman Ed Royce (R-CA) and USAID Power Africa Coordinator Andrew Herscowitz highlighted NRECA International as a successful partner in this initiative.

### ***Court Rejects PJM Capacity Market Rule, Sends It Back to FERC***

The D.C. Circuit Court of Appeals vacated a Federal Energy Regulatory Commission (FERC) order approving PJM Interconnection's "minimum offer price rule" for capacity auctions and sent it back for further commission review. The court [ruled](#) FERC overstepped its authority in 2013 by partially accepting a PJM compromise with stakeholders on issues like a self-supply exemption for load-serving systems, and also requiring PJM to make major changes that created very different market rules. It doesn't matter that PJM agreed to the changes, the court said, because the generators challenging FERC's action had no opportunity to comment on these very different market rules. NRECA and others filed a brief supporting FERC in the appeal, seeking to protect the self-supply exemption.

It's the first time an appeals court has blocked a regional transmission organization's capacity auction rules. Depending on what FERC does on remand, it could affect the PJM capacity auctions since 2013 and future PJM auction rules. Until FERC acts, PJM will continue the existing market rules. It's unclear what FERC and PJM will do. The uncertainty is heightened by FERC lacking a quorum and unable to act until at least two new commissioners are seated. Two nominees are waiting for Senate confirmation, and President Trump said Thursday he will nominate Kevin McIntyre, an energy attorney in Washington, D.C., to be FERC chairman.

### ***NRECA Urge Focus on Reliable, Reasonable Service in FERC Market Rules Update***

NRECA filed comments with FERC on conflicts that Eastern Regional Transmission Organizations face between federal wholesale power market rules and state policies that reward nuclear and other generation (AD17-11). NRECA continues to urge FERC to take a "proactive, planned and negotiated approach" to addressing the issue. With a broad range of views on FERC's role and what approach to take, we stressed FERC should provide a set of principles for guidance and a process for RTOs to develop market design changes. FERC should not issue any specific requirements and should allow each RTO to develop specific market rules. Our position endorses [comments](#) by Mike Cocco, Old Dominion Electric's Senior Director of RTO and Regulatory Affairs, at FERC's May technical conference on this issue.

### ***NRECA Supports Delay of Power Plant Wastewater Rule Deadlines***

NRECA filed [comments](#) supporting EPA's [proposed rule](#) to delay [power plant wastewater](#) (Effluent Limitation Guidelines) regulation deadlines and also endorsed Utility Water Act Group comments on the issue. We're urging EPA not to enforce most deadlines until after it completes

its reconsideration of the 2015 wastewater rule. Postponing the deadlines is very important for electric co-ops facing deadlines for significant and irrevocable financial commitments to comply with the rule that is likely to be changed. EPA started the reconsideration at the request of the utility sector and Small Business Administration Office of Advocacy, which emphasized significant flaws in the rule. NRECA actively participates in the Utility Water Act Group.