

September 29, 2017

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

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***Co-op CEO Highlights Innovation and Technology; NRECA Issues New 51<sup>st</sup> State Report***

Holy Cross Energy (CO) CEO Bryan Hannegan put a [spotlight](#) on electric co-ops' innovation and use of new technologies to meet shifts in consumer demand during a House subcommittee hearing on utility sector challenges to keeping up with the fast-changing grid. Hannegan stressed that co-ops continue to adopt advanced technologies and offer more energy programs to empower their members, while also upholding the co-op mission to provide affordable, reliable electricity. New technologies and consumer preferences for flexibility are driving the shift from a hub-and-spoke grid to less centralized infrastructure with the use of more distributed resources.

Responding to several subcommittee questions, Hannegan said co-ops focus on their member needs and are part of the communities they serve. Co-ops make decisions on deploying new technologies based on local factors and member feedback, including overall costs, members' willingness to pay and the financial risk to the co-op. He urged Congress to ensure that energy legislation on these issues recognizes that co-ops must continue to maintain local control over their decision-making process.

In related news, NRECA issued a new report on "[The Role of the Consumer-Centric Utility](#)" as part of the ongoing 51<sup>st</sup> State Initiative sponsored by the [Smart Electric Power Alliance](#). The report builds upon other NRECA [reports](#) highlighting the consumer-centric utility concept and the value of local control that is a key electric co-op principle.

***GA Co-op CEO Emphasizes Co-op Farm Bill Priorities***

Coweta- Fayette EMC (GA) CEO Chris Stephens urged Senate Agriculture leaders to ensure electric co-op priorities are addressed in farm bill legislation. Stephens' hearing [testimony](#) stressed co-ops' support for the Rural Utilities Service electric loan, broadband and economic development programs. Co-ops use these programs to ensure affordable, reliable power for rural Americans and support rural economic development that drives economic opportunity across rural America and bolsters the economy. He noted that co-ops use the rural energy programs to invest in efficiency, renewable and grid modernization to meet members' changing demands. NRECA stressed co-op priorities in letters to the [House](#) and [Senate](#) Agriculture committees.

***Golden Spread Electric Co-op Leadership Team Visits NRECA***

NRECA was pleased to host Golden Spread Electric Co-op (TX) [CEO Mark Schwirtz and his senior leadership team](#) for meetings with NRECA staff on strategic issues ranging from solar generation to co-op communications, legislative and regulatory affairs and cybersecurity. It was also an opportunity for the Golden Spread leadership team to attend an NRECA staff town hall

meeting and talk about the challenges the G&T faces in meeting the demand of its 16 member co-ops and anticipating future opportunities to enhance service. It was the first time such a large group of co-op senior staff visited out offices to discuss ways to advance our shared goals.

### ***NRECA Discusses Co-op Positions with New FERC Commissioners***

NRECA CEO Jim Matheson met with Federal Energy Regulatory Commission Chairman Neil Chatterjee and Commissioner Robert Powelson to explain electric co-op positions on wholesale power markets and related issues. The discussion included the importance of electric co-ops being able to self-supply generation for their service areas, preserving state and local control over distributed energy resources, and co-ops' proactive efforts on cybersecurity protection for their systems. Chatterjee and Powelson took their commission seats in August.

### ***Tax Reform Plan Announced; Linked to Budget Deal***

It's unclear whether energy tax proposals will be considered in the tax reform framework issued by congressional Republicans and President Trump. NRECA is working with members of Congress to advance proposals to extend and modify tax incentives for geothermal heat pumps, new nuclear generation and carbon capture utilization and sequestration. The push on tax reform legislation is an attempt to pivot off the health care reform debate. House Ways and Means Chairman Kevin Brady (R-TX) says Republicans agreed on a budget deal that lays the foundation for tax reform. The tax framework comes after months of negotiations, and the path to a final plan will be long and difficult. Republicans say they are aiming to have a bill on the President's desk around Thanksgiving.

### ***Urge House Members to Cosponsor Pension Bill, Include in Tax Reform Legislation***

Working with electric co-ops, NRECA continues to urge House members to support bipartisan legislation that would protect NRECA's Retirement Security Plan, and other co-op defined benefit pension plans. Continue to urge co-op employees to go to [Action.coop](https://www.actioncoop.org) to ask their House members to cosponsor the [Rightsizing Pension Premiums Act of 2017 \(H.R. 3596\)](https://www.congress.gov/bills/115/3596).

### ***Democratic Lawmakers Outline Broadband Proposal that Bridges Rural Gap***

NRECA attended a House and Senate Democrats event to announce a \$40 billion broadband infrastructure proposal that would boost broadband access in rural communities. Reps. Cheri Bustos (D-IL), Terri Sewell, (D-AL), Rick Nolan (D-MN) and Ann Kuster (D-NH) were joined by Sens. Debbie Stabenow (D-MI), Jon Tester (D-MT), Joe Manchin (D-WV) and Ed Markey (D-MA) to outline the proposal as part of a broader economic initiative. The broadband proposal could be included in an infrastructure package if Congress considers such legislation later this year or next year. NRECA welcomes the proposal that recognizes the need for federal investment in broadband deployment, and issued a [statement](#) offering to work closely with Congress to address the digital divide. NRECA is also advocating this issue at the Federal Communications Commission, and CEO Jim Matheson serves on a [Broadband Deployment Advisory Committee](#) launched last January.

### ***NRECA Suggests End-User Clarifications in CFTC's 'Project KISS'***

NRECA joined not-for-profit electric association comments with recommendations on the Commodity Futures Trading Commission's (CFTC) project to reduce regulatory burdens and

costs. CFTC's "[Project KISS](#)" (Keep It Simple Stupid) initiative is aimed at making agency rules clearer and reducing costs to comply. NRECA's recommendations include clarifying three "reporting" requirements for commodity swaps by commercial end-users, such as electric co-ops. NRECA is asking CFTC to provide one definition of commercial end-user, and clarify that there is no requirement to report commodity swaps under bilateral contracts between commercial end-users. NRECA is also asking CFTC to clarify what data commercial end-users must report.

### ***NRECA Supports WOTUS Repeal Plan***

NRECA sent comments supporting an EPA and Army Corps of Engineers proposal to withdraw a Waters of the U.S. (WOTUS) rule issued in 2015. That rule is stayed under a nationwide court order, which blocked the rule from taking effect. NRECA supports the proposal to eliminate the 2015 WOTUS definition and reinstate the prior regulation. Withdrawing the rule is the first in a two-part process to reconsider the rule. A final decision is expected later this year. EPA and the Corps of Engineers will likely issue a new WOTUS proposal in 2018.

### ***Co-op Rate Guide Volume Two Available***

NRECA and the Cooperative Finance Corp. issued the second volume of the new [Retail Rate Guide](#) designed to help electric co-ops consider various rate design options. The new edition builds on volume one by focusing on how to determine the revenue requirement, developing a cost-of-service study and interpreting the results. Volume two is most relevant to electric co-op engineers, finance professionals and rate design experts.