

October 20, 2017

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

Senate Passes Budget Plan, Clears Path for Tax Reform Legislation

The Senate passed ([51-49 vote](#)) an FY18 budget blueprint. The measure goes to the House for likely passage next week. Passing a budget (a blueprint on revenues and spending) opens a path for tax reform legislation requiring only a majority vote in the Senate. House Ways and Means Chairman Kevin Brady (R-TX) is expected to introduce a tax bill after meeting with committee Republicans next week. Senate Finance Committee Chairman Orrin Hatch (R-UT) said that committee's tax package is expected out early next month. The two chambers will likely take separate paths on an actual tax bill, and efforts to merge legislation into one package that can pass will be a big challenge.

Senate Moving Second Disaster Relief Installment

The Senate is expected to vote next week on a \$36.5 billion hurricane and wildfire disaster relief package (H.R. 2266) identical to the \$36.5 billion relief bill the House passed. The measure includes \$18.8 billion for the Federal Emergency Management Agency Disaster Relief Fund and more funding for low-interest Treasury loans to Puerto Rico and the U.S. Virgin Islands. There is another \$16 billion in debt relief to the National Flood Insurance Program, and \$576.5 million for fighting wildfires. Senators from several Western states are trying to add [legislation](#) for wildfire funding reforms that would authorize additional funds. Even as the Senate works on this relief package, congressional leaders are considering the timeline for a third relief bill.

RUS Launches Refinancing Pilot Project, Intent Letters Due November 17

The Rural Utilities Service announced the [rules](#) for the 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. The prepayment penalties on the old loan would be added to the principal balance of the new loan. Borrowers can elect to extend the new loan for a term not to exceed 35 years. Letters of intent (not a binding commitment) to participate are due by November 17. Congress passed the pilot program in the FY17 spending package. NRECA worked closely with RUS as the agency implemented the program.

FERC Chairman Outlines Policy Priorities to Address

Federal Energy Regulatory Commission (FERC) Chairman Neil Chatterjee listed several priorities he would like to address during a [speech](#) before the Energy Bar Association. Issues Chatterjee discussed include streamlining and speeding up reviews for pipeline and hydroelectric infrastructure projects, but he noted that the commission's authority is limited. He suggested that

FERC could work to better align electric transmission investment incentives with needs and reconsider transmission incentive policies. Chatterjee said promoting reliable, affordable and resilient electric supply is another priority, and traditional generation retirements and the increase in renewable resources is creating new challenges. He said FERC should consider Public Utility Regulatory Policies Act reforms, noting significant changes in electricity industry since the law was enacted in 1978 and it is often seen as “out of sync” with today’s energy sector.

What initiatives Chatterjee can pursue as chairman will be influenced by when Congress moves the FERC nominations of Kevin McIntyre and Richard Glick, who would fill the two open seats. Sen. Jim Inhofe (R-OK) is holding up the FERC nominees to ensure some EPA nominations are moved to the floor, which is complicating the politics of getting nominees approved.

FERC Announces New 40-Year Hydropower Project License Term

FERC issued a new [policy](#) on licensing hydroelectric projects at non-federal dams, which will give stakeholders more certainty and improve the permitting process. The new policy creates a longer 40-year standard license term for original and new project licenses under FERC jurisdiction. The commission also listed three situations when it could issue a project license for less or more than 40 years. The action is the result of a [review](#) that FERC started in 2016. NRECA joined in on comments filed by the National Hydropower Association requesting a 50-year default standard term. The new policy is effective when published in the *Federal Register*.

Clean Power Plan Repeal Rule Open for Comment

EPA’s [Federal Register](#) notice this week on a proposed rule to repeal the Clean Power Plan started a 60-day comment period until December 15. The proposal would repeal the Clean Power Plan, and allow the Administration to develop a separate “advanced proposal” to solicit comments on what should be in a narrower replacement rule. NRECA will submit comments on the proposed rule on behalf of electric co-ops. NRECA issued a [statement](#) offering to work with the Administration on solutions to protect the environment, give electric co-ops flexibility and long-term certainty, and ensure affordable and reliable power for rural America.

Accounting Board Should Recognize Co-ops’ Historic Accounting on Easements

NRECA sent comments urging the Financial Accounting Standards Board (FASB) to ensure that a new update of the new leasing standard will allow electric co-ops to continue long-standing accounting practices for those land easements which don’t qualify as leases. FASB has adopted a new lease accounting standard (effective in 2020) for contracts on use of property, physical plant and equipment (including land easements). If land easements turn out to be leases, the proposal could affect some co-ops that are lessees and/or lessors in land easements. However, we’re recommending FASB allow electric co-ops to use their historical accounting for easements that don’t qualify as leases.

NRECA Stresses Need for SBA Efforts on Regulatory Reforms

NRECA urged Small Business Administration Office of Advocacy to assist with several opportunities to ease regulations that affect electric co-ops during a meeting to hear recommendations on regulatory reform. Those efforts would include EPA revising regulations on the use and disposal of low-concentration polychlorinated biphenyl (PCB) remediation waste and returning authority to implement the Clean Air Act regional haze program to the states. We

recognized FEMA's efforts to provide cost recovery during disasters, but recommended that existing regulations and policies be consistently applied. We expressed thanks for efforts already started to reconsider several regulations that concern for electric co-ops, including the Waters of the U.S. and power plant wastewater (Effluent Limitation Guidelines) rules.