

MEMORANDUM

March 15, 2013

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

FROM: Jo Ann Emerson, Chief Executive Officer

Notes to Co-op Nation:

We alerted you about DOE's "swing and a miss" on large electric water heaters and your response has been outstanding! Today, 17 electric co-op leaders spoke at DOE's public meeting, others participated by webinar and others sent written comments. I really appreciate so many members of co-op nation traveling to Washington at their time and expense to lend their voices on this important issue.

Starting in 2015, DOE has new strict efficiency standards for these appliances, but only proposed to offer conditional one-year waivers to allow continued use of large capacity electric resistance water heaters used in demand response programs. That just doesn't work for electric co-ops. So, we're asking the agency to provide a simpler, minimum five-year waiver so that these effective programs can continue to provide benefits for consumers. NRECA will also be sending written comments by the April 29 deadline, and we're asking for your help in sending comments as well.

House Budget 'Funny Math' Could Threaten RUS Loan Program

The House Republicans released an FY14 budget that allows all federal loan and loan guarantee programs – including RUS loans – to be "scored" using "fair-value accounting." I'd like to rename it "unjust accounting." It's a roundabout maneuver to make budget changes and drive policy decisions to scale back or eliminate programs. This "funny math" gimmick would unfairly target RUS loans, one of the most successful and very low-risk loan programs. RUS loans actually make a lot of money for the government. But, fair-value accounting would make the program appear to cost more on paper and be a greater political risk.

We've put the House on notice that we oppose this plan and are working to keep it out of the Senate's budget plan. We appreciate all the work statewide associations have already done to protect the RUS program during this budget debate.

Meanwhile, How Does Congress Plan to Pay for FY13?

The Senate is working on a different approach from the House spending bill passed last week to cover the last six months of FY13. USDA and several other agencies would get specific spending bills, rather than a general funding extension (continuing resolution) at last year's

levels. However, all agencies, including USDA, would still be subject to sequestration cuts. The House and Senate are scheduled to start a two-week recess next Friday, March 22, so that's when we expect the FY13 spending debate will wrap up. They must act fast with just a week to go.

Electric Co-ops Challenge PJM Rule that Hikes Power Costs

Last year, FERC required PJM to adopt new rules that can interfere with the ability of electric co-ops to provide their own power supply. This can raise our members' costs, so we've gone to court to stop the new rules and prevent other regional transmission operators from adopting these bad ideas. It will be many months before a court ruling is expected.

Utilities Ask CFTC to Extend an Effective Date, Change Reporting Requirements for Rules

We've joined other groups in [letters](#) urging CFTC to make some common sense adjustments to two of its dozens of derivatives rules. We'd like to see the effective date extended for the Reporting Trade Options rule and to modify the reporting requirement on another that concerns physical energy contracts. This is a fairly urgent request; without the extension energy and financial markets could see disruptions, eventually lead to higher costs for member-owners.

Chu Memo Turns One: Progress Made, but More Work Ahead

It's hard to believe, but a year has passed since the Chu memo rocked our world with a proposal to shift the PMAs' focus away from providing hydropower to preference customers at the lowest cost. As a result of your hard work, WAPA will be working on a much scaled-back set of recommendations.

We can't rest yet. The recent recommendations didn't address several additional issues. One is the ongoing WAPA-sponsored "Access to Capital" effort – which just means they want customers to pay more for major projects. We could also see DOE increase the use of third-party financing to upgrade WAPA and SWPA transmission facilities.