

Notes to Co-op Nation

August 2, 2013

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

FROM: Jo Ann Emerson

Great Visit with Arkansas and Illinois Co-ops; Hard Work by Transmission Task Force

Many thanks to NRECA Board Vice President and Arkansas Director Mel Coleman and his wife Debbie and Arkansas Electric Co-ops CEO Duane Highley for their hospitality at the statewide meeting. I enjoyed hearing many co-op viewpoints and learning more about the co-ops' Guatemala project. Remember to support Arkansas Electric's Milton Patton on "America's Got Talent" at his [YouTube](#) video, [Facebook](#) page and [Twitter](#) feed.

And, a big thank you to Illinois Board Director Phil Carson and his wife Joyce and Duane Noland, CEO of Association of Illinois Electric Co-ops, for generously hosting me at the statewide meeting. It was great to see old friends and get acquainted with new ones!

I'm proud of the hard work by the Transmission Task Force members who met at NRECA for 1-1/2 days to develop strong, effective positions that NRECA can use to advocate for our members at federal agencies. We also get input from the Task Force throughout the year.

Congressional Recess is Co-op Nation's Chance to Connect Back Home

Your congressional delegations are heading back home for the August recess and it's your chance to connect with them. We have four issues for Co-op Nation to raise at town hall meetings, co-op site visits and other local events: climate change, pension flexibility, coal ash and farm bill. We're putting the finishing touches on talking points that we'll send to your statewides Monday. As highlighted in our Courting Congress [webinar](#), you can engage your congressional leaders in three simple ways: 1. Host on-site visits to electric co-ops; 2. Meet representatives at their district offices; 3. Maximize your town hall attendance.

Senate Energy Efficiency Bill Debate Starts, We're Urging Water Heaters Fix

Our opportunity to fix the Energy Department's large water heater efficiency standards is still very much in play. The Senate started debate on a new, scaled-back energy efficiency bill (S. 1392) and amendments will be considered in September. Thank your 76 House and 18 Senate leaders who signed letters (list attached) on this issue.

Pension Bill Gains Cosponsors, Senators Weigh-in to Maintain Tax Exemptions

Thanks to great leadership from statewide managers, our pension flexibility legislation (S. 1302) has nine cosponsors: Sens. Harkin (D-IA), Roberts (R-KS), Murray (D-WA), Murkowski (R-

AK), Franken (D-MN), Blunt (R-MO), McCaskill (D-MO), Moran (R-KS), and Hagan (D-NC). The bill (fact sheet attached) eliminates the Deficit Reduction Contribution for the Retirement Security Plan, and makes our Pension Protection Act exemption permanent. This is one of your recess issues to work back home.

At the same time, our message on maintaining energy, pension and health tax provisions that impact co-ops got through to the Senate Finance Committee loud and clear. After sending comments on the committee's "blank slate" approach to tax reform, we worked with dozens of senators to ensure our concerns were heard. Many offices sent letters including our comments, while others weighed-in through conversations with colleagues. The prospects for enacting comprehensive tax reform are very low, but we wanted to take advantage of this opportunity.

RUS Urged to Stay Focused on Mission for Rural America

We filed [comments](#) urging that USDA stick to its mission to support rural America and not get sidetracked with a potential rulemaking that would undermine the core mission of RUS. We have strong doubts about ideas for RUS to lend on a "project financing" basis rather than the traditional approach of a system-wide lien on borrowers' total assets. We see a real risk for more non-traditional applicants and higher rates of default by less credit-worthy entities. USDA should not take this path; it could strain RUS's resources and detract from its core mission.

Senate Committee Clears Cybersecurity Bill

Cybersecurity legislation that takes a good step toward providing voluntary standards for the private sector cleared the Senate Commerce Committee on a voice vote. The Cybersecurity Act of 2013 (S. 1353) would perpetuate the role given to the National Institute of Standards and Technology (NIST) under this year's executive order on cybersecurity. NIST would continue to convene industry and government stakeholders to discuss cyber threats and best practices for combatting them. We supported this bill (coalition letter attached) because it respects mandatory standards we already comply with.

Rulings on Freight Rail Issues Provide Little Relief for Captive Shippers

A disappointing Surface Transportation Board (STB) ruling to allow BNSF Railway to include the extraordinary \$8.1 billion "premium" Berkshire-Hathaway paid for the railroad in its rates will hurt rail shippers. STB approved the BNSF premium even though Berkshire-Hathaway failed to get STB's review when it bought BNSF, and short-circuited the process that could have reduced the buyout's impact on shippers. The ruling will artificially inflate costs and make it more difficult for captive shippers to challenge BNSF's rates. At least BNSF must phase in the 31-percent buyout premium over four years. The STB also gave some relief to Basin Electric Power Co-op, the Western Fuels Association and Arizona Electric Power Co-op as a result of their long, costly, successful rate challenges.

In a separate action, the STB took a step in the right direction with a ruling (Ex Parte No. 715) to modify the rules for reviewing railroad rate challenges by shippers, including Stand-Alone Cost (SAC) rules in coal rate cases. However, the STB decision to remove relief limits for medium-sized rate disputes and raise relief in small rate disputes to \$4 million doesn't go far enough to help captive shippers.

Attached: Water heater letters list, S. 1302 fact sheet, cybersecurity letter.