

Notes to Co-op Nation

September 6, 2013

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

FROM: Jo Ann Emerson

Regional Meetings Open with Great Start at Region 1-4

A big thank you to Regions 1 and 4 for the great regional meeting in Norfolk. There was lots of good discussion about the issues among co-op representatives who filled the meeting rooms. The Virginia co-ops were great hosts! It was a terrific kick-off and I look forward to the Region 5-6 meeting in Minneapolis next week.

New NRECA.coop Highlights the Great Story of Co-op Nation!

Our new NRECA.coop went online this week and I'm proud of the hard work by our team! When you check it out, I hope you have a greatly improved user experience and can quickly find information you want. The new front page features headlines and hot topics important to Co-op Nation and promotes key electric co-op events – like our regional meetings. You'll see more changes on the website as we work to tell the great story of electric co-ops.

RUS Takes Action to Enhance Co-ops' Ability to Aid Economic Development

I applaud RUS for approving NRECA's request for flexibility in the debt coverage and equity ratio calculation for electric co-ops involved in relending programs such as the Rural Economic Development Loans and Grants (REDLG) program. It is notable that RUS Administrator John Padalino acted very quickly on our request and issued a letter (attached) giving borrowers the option to exclude assets and liabilities associated with relending activities such as REDLG and energy efficiency efforts. The Administrator's action will remove any disincentives for our members' participation in these important programs, allowing them to better serve their members and communities. If you have questions contact [Russ Wasson](#).

Congress Coming Back to Tight Schedule and Critical Decisions

Congress returns Monday to focus on the Syria debate. Following that, the Senate could start debate on energy efficiency legislation (S. 1392). We are pursuing an amendment on that bill that will fix problems with the Energy Department's large water heater efficiency standards when used in co-op demand response programs. Like much legislation these days, S. 1392 faces long odds of passing.

With none of the 12 annual appropriations bills passed, congressional leaders are still looking to move an FY14 appropriations continuing resolution by October 1 to avoid a federal government

shutdown. The appropriations bills include funding for key programs like RUS, PMAs and energy research.

EPA to Discuss Process for Upcoming Existing Plant GHG Rule

Environmental Protection Agency (EPA) is beginning the process of talking to industry stakeholders about upcoming carbon dioxide rules for existing power plants. This effort includes a September 12 industry conference call. We don't expect this conference call to produce any new detailed information about the EPA's plans, but we'll be listening to what they have to say about how they're developing the rules they will issue next June. I appointed a task force of 15 co-op leaders from various regions to help us work on climate issues.

Co-op Concerns on Endangered Species Act Raised at Field Hearings

Montana electric co-ops submitted written testimony on Endangered Species Act issues for House Natural Resources Committee regional field hearings on state and local species protection efforts. The co-ops urged lawmakers to focus on local control and voluntary efforts rather than a top-down "Washington-knows-best" approach. NRECA also worked closely with committee staff to get electric co-op concerns raised.

EPA Taking Comments on Reconsideration of Rice Rule for Backup Generators

We're reviewing a new EPA [reconsideration](#) of the Reciprocating Internal Combustion Engines (RICE) rule for small backup diesel generators, which electric co-ops use for demand response, peak shaving and emergencies. EPA is taking comments until November 4. The reconsideration includes the criteria for operating 50 hours a year for so-called "non-emergency" situations, deadline for using ultra-low sulfur diesel fuel and reporting requirements for emergency RICE operations.

Improvements Needed in Utility MATS Rule

We're working get EPA to modify the startup, shutdown and malfunction definitions in the utility Mercury Air and Toxics Standards (MATS) rule during the reconsideration process that started in June. We filed [comments](#) urging EPA to provide more practical definitions of a power plant startup – specifically when a startup period ends. The proposed definitions are too narrow and inflexible to allow for differences in power plant designs that impact startup operations. These are important issues, because utility MATS emissions compliance begins when a power plant startup process ends.

NRECA Opposes Midwest Transmission Markets Proposal

We've asked the Federal Energy Regulatory Commission (FERC) for standing in the review of a new transmission capacity markets proposal by some Midwest generators. We have concerns about the proposal, which is similar to a "minimum offer price rule" approved in 2011 for PJM Interconnection, a regional transmission operator in the mid-Atlantic and parts of the Midwest. Our main concern is the proposal could limit the ability of electric co-ops and other utilities to use their own power resources to meet their capacity obligations.

Attached: RUS letter on debt coverage.