

Notes to Co-op Nation

December 20, 2013

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

FROM: Jo Ann Emerson

Energy Tax Ideas Need Work; Senate Chairs May Shuffle

Senate Finance Committee Chairman Baucus (D-MT) released a draft energy tax proposal this week that would consolidate nearly all existing energy tax credits into two “technology-neutral” tax credits. The credits would be based on how “clean” the generation source is, measured only in terms of greenhouse gas emissions. Based on our initial review of the proposal, we cannot support it because it does not include comparable incentives for not-for-profit utilities like electric co-ops. We’ve had to fight this battle many times before when Congress has provided incentives for sources like nuclear power and renewables, and we’ll work to make sure that any energy incentives do not leave co-ops behind.

The day after Chairman Baucus released this plan, the President nominated him as Ambassador to China – making any kind of tax reform even less likely. This will also cause a significant shuffle of committee chairs, with current Energy Committee Chairman Wyden (D-OR) likely moving to the Finance post, and Sen. Landrieu (D-LA) most likely taking the top Energy seat. Until now, Baucus’ tax overhaul push had put another tax extenders package with energy incentives on the backburner. Chairman Wyden and other senators are working to renew a tax extenders package that expires this month and we could see legislation early next year.

‘All-of-the-Above’ Campaign Update: Waiting for GHG Rule - Keep Up Grassroots Pressure!

It’s now exactly three months since Environmental Protection Agency Administrator Gina McCarthy signed the draft rule setting CO₂ limits for new power plants, and it has yet to be formally published in the *Federal Register*. With such a long delay in publishing the rule, rumors abound that EPA is working hard to strengthen its justification that any new coal-based power plant must capture and store CO₂. That’s all the more reason we need to keep up our push to get our members and the general public to weigh in with EPA.

Please remind your employees, directors, and most importantly member-consumers to visit Action.coop to send a strong message that the EPA’s regulatory efforts are off track. And don’t forget that we’ve developed a site we can use with allied organizations and others outside the co-op family (the “tellePA.com” site) to broaden our base of support. TellePA.com has performed well in a South Carolina pilot using Facebook to request public comments. Use the Grassroots [Toolkit](#) talking points, graphics and other materials to help reach our goal of 1 million messages to EPA by the 2014 Annual Meeting. (Action.coop message counts attached.)

Farm Bill Conference Report Expected When Congress Returns

House and Senate Agriculture leaders continued to meet this week and we expect a final conferees meeting when Congress returns the week of January 6. A final conference report could see floor action the following week. While the House passed a one-month extension of current law, the Senate did not. The Rural Utilities Service Electric Loan Program will not be affected when the current law expires this month.

Innovative CRN Electric Grid Cybersecurity Project Gets DOE Grant

We're really excited about a new Cooperative Research Network (CRN) electric grid cybersecurity project that won a multi-million dollar Energy Department grant. CRN takes an innovative approach of using high-performance artificial intelligence to "learn" normal utility operations and immediately detect any system changes. Novel attacks are not a problem to this type of system and co-ops can easily set up and maintain these smart systems. This idea sparked strong cybersecurity community interest and we're working with outstanding partners including Honeywell, Intel, Pacific Northwest National Laboratories and Carnegie Mellon University.

New Department of Homeland Security Leader Confirmed

We look forward to working with Jeh Johnson, who the Senate confirmed as Homeland Security Secretary on a 78-16 vote. We'll continue to work with the department on cybersecurity and Federal Emergency Management Agency policies that help electric co-ops keep their power systems secure and reliable.

Co-ops Participate in Advisory Review on Potential PCB Rule Changes

We're taking advantage of an opportunity to influence potential EPA rule changes, as they're being drafted, for electricity sector equipment that use polychlorinated biphenyls (PCBs). NRECA and two electric co-ops are participating in EPA's Small Business Advocacy Review on two potential rulemakings for changing current rules on PCB and PCB-containing transformers and contaminated porous surfaces (i.e., concrete). We want EPA to consider the cost impacts of any changes in these regulations. We recommend any rule change allow use of equipment with PCBs for the service life. Any rule change should also allow continued use of contaminated porous surfaces that are not an unreasonable risk.

EPA Asks Court to Extend Wastewater Rule Deadline

We welcome EPA's request to extend a federal court deadline to issue final wastewater discharge limits for coal-based power plants. EPA says it can't issue the final rule by May 24, 2014, and the agency is discussing a new date with environmental groups in the sue-and-settle agreement. The rule will apply to all power plant bottom ash and fly ash sluice water, flue gas desulfurization scrubber wastewater and non-chemical metal cleaning water. It's no surprise EPA needs more time in this rushed rulemaking, since there are multiple and significant analytical errors in EPA's justification for this proposal.

We've asked for changes to reduce harmful cost impacts, especially at small utilities like electric co-ops. If the errors were corrected in the final rule, EPA would be hard pressed to justify dry-handling of ash or biological treatment of scrubber water. The agency didn't review small

business impacts, which could be significant for coal units and their distribution co-op owners.

Happy Holidays... Looking Forward to More Co-op Nation Successes in 2014

With legislative and regulatory action slowing, I won't send another *Notes to Co-op Nation* update until January 10. I want to thank the NRECA Board of Directors, member co-ops and staff for your hard work and also your support as I joined the electric co-op family. You worked hard and realized some great achievements. I'm excited about sharing in more of your successes in the upcoming year.

Attached: Action.coop message counts.