
# 2019 MEMBER RESOLUTIONS

**ADOPTED AT THE 77TH NRECA ANNUAL MEETING**
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# NRECA STATEMENT OF PURPOSE

The National Rural Electric Cooperative Association (NRECA) is the service organization dedicated to representing the interests of electric cooperative utilities and the member-owners they serve.

As democratically governed, not-for-profit businesses, cooperatives are a unique segment of the energy industry. NRECA provides a unified voice to promote and maintain this cooperative business model.

By annual vote of delegates, NRECA members set the organization's policy. Under the direction of the National Board of Directors, NRECA implements the will of the membership expressed in these resolutions.

Adopted by the NRECA Board of Directors 2011

## TABLE OF CONTENTS

# NRECA AND AMERICA'S ELECTRIC COOPERATIVES

The NRECA Member Resolutions are foundational documents which guide the activity and advocacy of the national organization for America's Electric Cooperatives. The issues NRECA's members face are complex and can affect individual electric cooperatives differently. However, electric cooperatives are united in their mission to provide safe, reliable and affordable electric power to member-owners. They work together to maintain adequate energy capacity, meet member-owners needs for access to electricity, provide leadership in communities, and protect the environment. NRECA supports all of its members in their efforts to meet those objectives and works to establish commonsense priorities through enactment of balanced policies. NRECA's members speak with one voice through the Member Resolutions.

A crucial element of the electric cooperative model depends on an engaged relationship with energy consumers. By working cooperatively to meet member needs, America's Electric Cooperatives support consumers who join together to create and operate member-owned, not-for-profit utilities. We promote the concept of a consumer-centric utility. Furthermore, NRECA enables collaboration to occur among its membership in the interest of serving these communities of energy consumers. This activity may take the form of additional utility products or consumer services, community economic development, technology innovation, strong governance and strategic execution, or mutual support for other shared goals. The power of NRECA and America's Electric Cooperatives resides in the participatory, cooperative model and the engaged members who devote their time, effort and talent to these endeavors.

## THE SEVEN COOPERATIVE PRINCIPLES

- *Voluntary and Open Membership* – Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership;

- *Democratic Member Control* – Cooperatives are democratic organizations controlled by their members, who actively participate in setting policies and making decisions;

- *Member Economic Participation* – Members contribute equitably to, and democratically control, the capital of their cooperative;

- *Autonomy and Independence* – Cooperatives are autonomous, self-help organizations controlled by their members;

- *Education, Training and Information* – Cooperatives provide education and training for members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives;

- *Cooperation Among Cooperatives* – Cooperatives serve members most effectively and strengthen the cooperative movement by working together; and

- *Concern for Community* – While focusing on member needs, cooperatives work for the sustainable development of their communities

# NRECA MEMBER RESOLUTIONS

## TAX

### Amend IRS Vehicle Fringe Reporting for Employees of Not-for-Profit Rural Electric Cooperatives

NRECA should pursue the Internal Revenue Code to be amended to recognize rural electric cooperative employees, who put their lives in harm's way daily to restore an essential service and protect the communities throughout the United States of America, similar to first responders who are exempt from the IRS vehicle fringe reporting requirements and exempt from including use of the non-personal vehicles in gross income.

### Energy Tax Policy

We support equitable treatment for cooperatives with other energy providers when tax-exempt financing, interest free loans, or energy incentives exist, or are considered by Congress. Programs, such as the Clean Renewable Energy Bonds, that provide comparable benefits should be available for electric cooperatives.

### Taxation

We seek legislation, interpretation of regulations, judicial decisions, and administrative rulings to ensure that not-for-profit electric cooperatives, CFC and other not-for-profit cooperative partners maintain their tax status and are not adversely impacted by federal tax law.

## HYDROPOWER

### Protection of Hydroelectric Dams

We urge NRECA to oppose dam breaching proposals for congressionally authorized federal multipurpose dams, or efforts to involuntarily breach other hydroelectric dams, which may impact the reliability as well as the economic and environmental benefits of the nation's hydropower system.

## Protection of Federal Hydropower Customers Through Proper Allocation of Dam Repair Costs

We urge NRECA to urge Congress and the Administration to direct the U.S. Army Corps of Engineers to follow the directives of the Dam Safety Act of 1986 in allocating the costs associated with dam safety repairs among multiple project purposes.

## Opposition to the Sale of Federal Power Marketing Administrations

We urge NRECA to oppose the sale, transfer or other disposal of the federal Power Marketing Administrations or any assets of the Power Marketing Administrations. We will continue to work to improve the efficiency of federal power operations, protect the equity interest of preference customers, preserve their competitive stance and resist unjustifiable increases in electric rates to the ultimate consumer.

## The Columbia River Treaty

We urge NRECA to work with its members to support a fair and equitable Columbia River Treaty for Pacific Northwest electricity consumers.

## Support for Preference Power and Full Development of Hydroelectric Power Resources

We urge NRECA to work with Congress to maximize the federal hydropower assets. We support efforts by electric cooperatives to engage in education programs to increase awareness and support for hydropower.

We also urge NRECA to work with Congress to appropriate funding sufficient to fully fund the federal hydropower program to ensure that preference power customers maintain cost based rates, and are not burdened with costs not directly related to generation, transmission and marketing federal hydropower.

With respect to FERC licensing of hydroelectric projects, electric cooperatives should receive equal preference rights along with municipalities and state agencies.

## Protection of Preference Power

We urge NRECA to work with Congress and the U.S. Department of Energy to ensure that no initiative hinders the core statutory mission of the Power Marketing Administrations (PMAs) to market and deliver power to their preference customers.

We support the retention of the historical principles of cost-based federal power pricing and support federal power rates that recover only those costs that are authorized by statute. We urge NRECA to work with Congress to continue to block administrative decisions and others

that abandon the fair, reasonable and equitable principles that have guided the pricing of federal power for nearly a century.

Where federal projects are not authorized for hydropower, we also urge NRECA to work with other preference power customer groups to ensure equitable sharing of benefits and costs when new hydropower developers gain access.

We oppose changes in the allocation or sale of federal or state preference power that would expand rights to this power to non-traditional customers.

We further urge NRECA to oppose any policies that would assign to preference customers a monetary burden resulting from an oversupply event caused by excessive generation, ESA restrictions and state and/or federal subsidies.

We further urge NRECA to oppose any policies resulting from business constructs or structured markets that would assign a monetary burden that exceeds the direct benefits that the preference customers experience.

## Change of Federal Purpose and Reallocation

We urge NRECA to support necessary actions by Congress to require the U.S. Army Corps of Engineers and the Bureau of Reclamation to conform their policies to authorized congressional purposes and to require meaningful due process and consultation regarding all significant modifications in the operation of multipurpose federal resource projects.

## Western Area Power Administration Power Rate Stability

We urge NRECA to support the Bureau of Reclamation, the Corps of Engineers, and the Western Area Power Administration to implement cost-cutting measures, as well as partnering opportunities with preference customers to develop operational, financial, and rate-setting strategies to address ongoing funding issues in their respective hydropower projects.

Due to its special funding provisions, we further urge NRECA to support the Bureau of Reclamation and Western Area Power Administration to implement cost-cutting measures and strategies that improve the status of the Upper Colorado River Basin Fund (Basin Fund) and stabilize the Colorado River Storage Project (CRSP) power rate. We further urge these agencies to work in partnership with CRSP customers to develop operational, financial, and rate-setting strategies that address drought and environmental situations, create a sustainable cash flow and maintain an economical power rate.

## TRANSPORTATION OF COAL

### Bulk Commodity Rail Transportation

We urge NRECA to support legislation to reform the Surface Transportation Board and end certain monopolistic railroad practices that penalize shippers and to repeal the railroads' exemption from certain existing antitrust laws.

### Operation of the Nation's Inland Waterways

We urge NRECA to work with Congress to appropriate funds necessary to complete all of the waterway projects that have been authorized.

We urge NRECA to oppose further increases in user fees beyond those determined by the principles of cost based federal power pricing for the inland waterways. We also urge NRECA to oppose proposals to close, sell, dismantle or otherwise divest the federal government of any lock and dam project financed by the federal government.

## POWER SUPPLY

### Distributed Energy Resources

We support the development of cost-effective distributed energy resources (DER) and integration standards that will provide benefits and minimize risks to member-owners and the grid. We urge NRECA to participate in and/or conduct studies to keep members informed on all regulatory and legislative issues, as well as technologies and business opportunities associated with the implementation of DER. We further urge NRECA to identify and share information related to implementation of rate structures that fairly accommodate DER.

We urge NRECA to work with the Administration and Congress to advance DER technology for the benefit of cooperatives and their member-owners, including funding opportunities such as RUS funding to electric cooperatives to support these technologies and Administration funding of DER research and development initiatives.

We further urge NRECA to participate in and oppose legislative or regulatory initiatives with respect to DER, such as mandates, feed-in tariffs, net metering, and third-party aggregation that would increase rates, degrade reliability or safety, impose other undue economic costs on electric cooperatives, or interfere with the power supply or other contractual relationships between cooperatives.

## Development of a Plan to Meet the Fuel and Infrastructure Requirements of the New Natural Gas Fleet and Complying with Environmental Regulations

We urge NRECA to work with the EPA, FERC, DOE, the natural gas industry, and other industry stakeholders to develop a plan that adequately considers the time required to implement the infrastructure necessary to meet the fuel requirements of the new fleet of natural gas generation, while continuing to meet environmental regulations.

## Pipeline Rate Complaint Reform

We urge NRECA to work with others in support of legislation that provides that, when customers of natural gas pipeline companies, including cooperative utilities, file a complaint with FERC under the Natural Gas Act, Section 5, as to whether rates charged by the pipeline company are "just and reasonable," if the natural gas pipeline company's rates are subsequently determined to be unjust and unreasonable, then the company must pay refunds from the date the complaint was filed.

## Alignment of Gas and Power Markets

We urge NRECA to work with gas and electric industry participants to support the development of standards that promote harmonizing changes to market scheduling and procurement processes that will improve the reliability and economic efficiency of using natural gas as a generation fuel.

## Fuel Mix, Including Renewables

We urge NRECA to support legislation and administrative policy that promotes a diverse fuel mix, including renewables, where cost-effective and reliable.

## Abandoned Mine Land Reclamation

We urge NRECA to seek congressional oversight of and to oppose the use of coal assessments for anything other than coal mine reclamation activities, with regard to the Surface Mining Control and Reclamation Act of 1977.

## Public Utility Regulatory Policies Act (PURPA)

We urge NRECA to support legislation to repeal Section 210 of PURPA in order to reduce regulatory and financial burdens on electric cooperatives.

## Renewable and Environmentally Favorable Energy

We encourage NRECA to support responsible development and cost-effective use of renewable resources and environmentally favorable energy resources by cooperatives and oppose those mandates that undermine a cooperative's ability to decide which resources make sense for the cooperative and its members. We encourage NRECA to support cost-effective ethanol and other biofuels development.

## Nuclear Power

We urge NRECA to undertake legislative and regulatory initiatives to support the continuation and expansion of nuclear power, including increased funding for research and development such as advanced designs of nuclear reactors capable of reusing spent nuclear fuels, and timely licensing and permitting for both large-scale and modular units.

## Spent Fuel and Nuclear Waste

We urge NRECA to undertake appropriate federal legislative and regulatory initiatives to responsibly address spent nuclear fuel and nuclear waste, including allowing the reprocessing of spent nuclear fuel.

## Wholesale Power Contracts

We urge NRECA to support protecting and enforcing wholesale power contracts.

## Electric Industry Restructuring

We urge NRECA to protect the interests of member-owners and their cooperatives by opposing electric industry restructuring efforts that negatively impact the cooperatives' abilities to continue to provide their members with safe, reliable and affordable electric services. Federal and state rules, including rules regarding business models, local control, energy resource ownership, cost allocation, affiliate transaction, and separation of functions, should recognize electric cooperatives' unique size, member-ownership, and not-for-profit characteristics.

## ENERGY MARKETS

### Market Power

We urge NRECA to advocate that state and federal regulators should aggressively enforce state and federal laws to protect consumers from market power.

### Wholesale Market Design

We urge NRECA to support voluntary participation in competitive wholesale markets, open transmission access, transparency, construction of needed new transmission infrastructure, and elimination of undue market power so that wholesale energy markets offer participants and consumers net benefits and ensure that all cooperatives have the ability to safely, reliably, and affordably meet their member-owners' long-term power needs.

### Financial Regulation

We urge NRECA to take an active role in protecting the interests of cooperatives in regulations affecting cooperative products and transactions as the derivatives markets and potential regulations develop and are implemented.

## ENVIRONMENTAL

### Greenhouse Gas Emissions

We urge NRECA to remain actively engaged to ensure that any government action to address greenhouse gas emissions protects the interests of, and minimizes the economic impacts to, electric cooperatives and our member-owners, and allows cooperatives to continue to provide affordable, reliable, and safe electric power.

We also urge NRECA to support research and technology development for projects that can help to economically manage greenhouse gas emissions. Furthermore, we support an open dialogue and efforts to determine the cost effectiveness of greenhouse gas management proposals on future world climate conditions. We urge NRECA to continue educating member-owners of electric cooperatives, policy-makers and the general public of the cost and consequences of government action, as well as cost effective actions to address greenhouse gas emissions while continuing to improve the quality of life in rural areas across the United States.

## Invasive Species

We urge NRECA to support congressional action to limit the further outbreak of invasive species. Costs for prevention and mitigation measures should be paid for by parties that are primarily responsible for the introduction or spread of invasive species or by the broadest possible funding base, the U.S. Treasury. It should not be funded through federal hydropower rates or Power Marketing Administrations.

## Federal Clean Air Regulation

We urge NRECA to take all appropriate actions to protect the interests of the cooperative member-owner by ensuring that EPA's Clean Air Act (CAA) regulations:

- are legal, cost-effective, and sensible,
- address conflicting emissions reduction requirements, and
- address scientifically demonstrable and significant environmental impacts.

We urge NRECA to work with the Administration to protect the interests of electric cooperatives in any effort to revise or repeal the Clean Power Plan.

Additionally, we urge NRECA to examine programs incorporating financial incentives to reduce the costs of compliance with mitigating air emissions and to recommend changes or additions to ensure that these incentives would be equally beneficial to cooperatives, as compared to other electric utilities.

## Superfund

We urge NRECA to seek legislative opportunities to reform the Superfund statute to require EPA to address co-ops' liability concerns and more equitably apportion liability among potentially responsible parties based on the finding of fault.

## Endangered Species

We urge NRECA to work diligently to achieve federal cost sharing provisions for rural electric cooperatives where certain compliance efforts with the Endangered Species Act result in rate increases for members and to oppose the listing of plant and animal species in rural electric cooperative service territories and transmission routes where the costs for compliance are not shared by all citizens. The designation of critical habit for endangered species protection and recovery should accommodate essential electric transmission and distribution corridors and substation/plant sites.

We further urge NRECA to continue educating the membership on this issue and support legislative solutions that would balance rural electric cooperative interests with species protection.

We urge Congress to reauthorize the Endangered Species Act of 1973, and in so doing, to make procedural changes to make the Act more efficient, effective, and less costly, with the goal of finding a balance that accommodates essential economic activities. To ensure fair and sensible

application of the Act, scientific information must be thorough, balanced and based on scientific standards and impartial peer review.

We urge NRECA to seek legislation to clarify that electrocution, contacts, or collisions by avian species do not qualify as an intentional "taking" of protected avian species. We urge NRECA to continue communication and education programs for electric cooperatives and employees, applying best available practices, including design and technology for avian protection.

## Social Cost of Carbon

We urge NRECA to oppose the use of ambiguous or arbitrary environmental externalities such as the social cost of carbon in the regulatory process or other policy determinations. NRECA should educate the membership on this issue to get the grassroots support we need to achieve the goal.

## Clean Water Act Regulatory Implementation

We urge NRECA to take all appropriate actions to protect the interests of electric cooperatives and their members to ensure that any Clean Water Act requirements allow utilities as much flexibility as possible to meet environmental goals to enhance water quality through scientifically sound, cost-effective methods.

## Solid Waste and Hazardous Waste

We urge NRECA to advocate for legislative and regulatory solid waste and hazardous waste programs that are scientifically sound, cost-effective, and balance member-owner interest and environmental protection. We support non-hazardous regulation and beneficial reuse of existing and future coal-combustion residues.

## Fish, Wildlife, and Avian Mitigation

We urge NRECA to work with the U.S. Fish and Wildlife Service and other federal agencies to ensure that their rules and requirements respecting fish, wildlife, and avian mitigation are clear, reasonable, consistent, and cost-effective.

# TRANSMISSION

## Western Area Power Administration Transmission Infrastructure Program

We urge NRECA to support elimination of the Western Area Power Administration's (WAPA's) Transmission Infrastructure Program (TIP) and underlying authority, and the rescission of any unspent funds.

## Transmission Planning and Cost Allocation of High Voltage Transmission Facilities

Electric cooperatives believe that transmission planning for high voltage transmission facilities for all forms of affordable generation should focus on the needs of load serving entities and result from an open planning process. Planning regions should determine the benefits to be considered in allocating costs of high voltage transmission facilities. Absent regional agreement, costs should be allocated among those entities that benefit initially and over time and are taking service from the transmission providers imposing the charge. Benefits should be tangible and non-trivial and related to the reliability and economic delivery of power, and at least roughly commensurate with allocated costs. We urge NRECA to only support legislative or regulatory efforts that are consistent with these principles.

## Federal Siting, Permitting, Eminent Domain and Private Property Rights

Electric cooperatives believe that the rights of permitting, siting and eminent domain authority for transmission projects come with the responsibility for serving the public interest. We urge NRECA to oppose federal eminent domain unless it is used to create or enhance a high voltage transmission system, planned through a regional process, that will benefit member-owners within that region.

## Federal Energy Regulatory Commission Jurisdiction

We urge NRECA to oppose efforts to subject electric cooperatives, not-for-profit, member-owned utilities, and federal power marketing agencies, involuntarily, to FERC jurisdiction under FPA Sections 205 and 206.

## Regional Transmission Organizations

Electric cooperatives believe that membership in Regional Transmission Organizations (RTOs) should be on a strictly voluntary basis. We urge NRECA to oppose any legislative or regulatory efforts to require cooperatives to join RTOs. If electric cooperatives are in regions that establish RTOs on a voluntary basis, we urge NRECA to work with those cooperatives to ensure the RTO rules are established to be fair and non-discriminatory and to protect the interests of load-serving entities.

## IMPACTS AND COSTS OF LITIGATION

### Citizens' Lawsuits

We urge NRECA to support legislation to modify federal agency procedures that allow for what is commonly called "Sue-and-Settle" citizen lawsuits to be filed and settled without all the parties impacted, the public, states and stakeholders being aware of, or allowed meaningful participation in the proceedings. The goal of legislation would be to allow all stakeholders the opportunity to be informed and heard throughout the process.

### Equal Access to Justice Act

We urge NRECA to support legislation to restore transparency to Equal Access to Justice Act (EAJA) payments through tracking and reporting requirements on all attorney reimbursements and creation of a searchable, online database of all EAJA payments so the information can be easily accessed.

### Tort Reform

We urge NRECA to engage with Congress to enact tort reform legislation that would provide balance in our judicial system that has been overburdened with costly lawsuits.

## EMPLOYEE BENEFITS

### Health Care

We support policies that ensure all member cooperatives, regardless of their size and location, have access to affordable comprehensive and flexible health care and insurance programs for current and former employees and their dependents.

We urge NRECA to explore opportunities to contain the rising premium cost of its group medical program, fully recognizing that tradeoffs in the level and quality of service may be necessary. We further encourage NRECA to continue to operate a national health insurance program for our membership. We also urge NRECA to ensure the continuation of a structure under the Internal Revenue Code that allows for it to provide a nationwide group medical plan.

### Employee Retirement Benefits

We urge NRECA to support legislation to protect the ability of co-ops to offer the Retirement Security Plan and support policies which would provide opportunities and protect our employees' ability to save for their retirement through 401(k) plans and other investment vehicles.

We urge NRECA to study alternatives to help reduce the cost pressures faced by electric co-ops participating in NRECA's defined benefit RS Plan.

# GOVERNANCE

## Co-op Governance and Ethics

We urge NRECA to continue to provide leadership in identifying appropriate governance practices. We urge all electric cooperative boards and management to continue their strong record of implementing policies and practices that reflect the highest degree of transparency, ethics and accountability, and to communicate those good governance practices with their membership and the public.

## Selection of CEO/General Manager

We encourage NRECA to assist boards of directors in understanding the implications of selection of a CEO/general manager, including:

- Exercising the appropriate level of due diligence, risk management and effort;
- Including a criterion that the successful candidate possess an understanding of and support for the cooperative principles and how cooperatives do business;
- Considering the value of using NRECA or other professional executive search services; and
- Considering the use of market-based total compensation to enhance attraction and retention.

# MANAGEMENT

## Developing New Consumer-Centric Business Models

We urge NRECA to identify, educate and recommend potential business models or processes for electric cooperatives to consider in adapting to the ongoing evolution from a commodity-centric model to a consumer-centric model that not only provides members with safe, reliable, affordable electric service but also offers other related products and services that increase member value while optimizing the entire system, including distributed energy resources, for the benefit of all of a cooperative's member-owners. Our goal is to place the cooperative community in the best position possible to deal with the ever-changing energy markets, technology, consumer expectations, and political and social landscapes.

## Strategic Advantages of Developing Market Intelligence and Segmentation

We encourage NRECA staff to work with distribution, transmission and generation cooperatives, service and statewide affiliates and Touchstone Energy® Regional Partners to gain a clear understanding of current and potential members' demographics, lifestyles, attitudes and behaviors. NRECA is also urged to provide research tools to aid in ongoing and complete exploration and analysis of their perceptions, attitudes and behaviors.

## Public and Member Relations Aspects of Environmental Issues

We urge NRECA to assist rural electric entities to take the following steps when faced with a controversial environmental issue to assure the highest level of public and member confidence, thus building support among members:

- Establish clear, forthright and positive communications in advance of public decisions made by the cooperative on the issue(s);
- Make sure that all statements are concrete, and objectively factual; and,
- Design comprehensive communications plans with adequate staffing and resources and use custom-designed messages with different audiences both among members and the public, and listen to these audiences and make appropriate responses to their concerns and comments.

## Showcasing Electric Cooperative Economic and Community Benefits

We urge NRECA to:

- Assemble and organize data in cooperation with individual cooperatives and statewide associations regarding the direct and indirect benefits and accomplishments of electric cooperatives and showcase this information in a succinct and uniform format to policymakers at all levels of government in an educational campaign;
- Encourage and provide guidance to all cooperatives to develop information and create reports that quantify the economic contributions and investments of electric cooperatives from two perspectives:
  - The economic benefits contributed by electric cooperatives as businesses in their service area and in their states; and
  - How electric cooperatives serve and are serving as catalysts and engines for economic development in local, state and regional areas;
- Keep cooperative directors and employees abreast of community and economic development information, opportunities, and best practices;
- Support continuing efforts to research, measure and understand available sources of financing and funding mechanisms and the impact of electric cooperatives' participation in community and economic development and share this information with members of Congress, the media and all potential sources of financing;
- Explore further opportunities with the National Rural Economic Developers Association and Touchstone Energy® in support of community and economic development opportunities; and
- Continue to support and promote programs and activities that help cooperatives identify and nurture local entrepreneurs.

## Cooperative Communications Programs

We urge NRECA to encourage rural electric systems to participate in time-tested print-, radio-, TV-, mail-, website-, outdoor advertising-, and event-based communications and outreach programs and create new social media and electronic/digital communication programs that are strategically planned, member responsive, and carefully designed to win the loyalty of and raise engagement among all member-owners. We further urge NRECA to encourage rural electric systems to measure, monitor, and evaluate "satisfaction" levels of their members-owners as well as their "perceived value of membership in a cooperative."

## Support of Statewide Publications and Local Cooperative Pages

We urge rural electric systems to adopt the Model Standards for Statewide Publications and the Model Standards for Local Cooperative News Pages to provide effective and efficient publication vehicles for communicating important industry information to their member-owners. We call upon NRECA to:

- Work vigorously to ensure that statewide consumer publications continue to qualify for reasonable, low postage rates,
- Urge every member system to subscribe to its statewide consumer publication,
- Encourage member systems to endorse NRECA's emphasis on statewide publications, and
- Assist statewide consumer publications in researching, developing, and deploying digital and responsive publication tools to better engage cooperative member-owners.

## Postal Legislation

We urge NRECA to seek legislation to ensure that nonprofit postal rates are kept as low as possible while striving to improve efficiencies in delivery services. We support continuing efforts before Congress and the Postal Regulatory Commission to protect the interests of nonprofit mailers and rural citizens.

## Rural Electric Magazine, Electric.coop, and Cooperative.com

We urge NRECA to encourage every system to subscribe to the Rural Electric (RE) Magazine for all employees. We also urge NRECA to further encourage member systems' employees and leaders to regularly visit Electric.coop and Cooperative.com, both free online resources, as well as sign up for the weekly Electric Co-op News email updates.

## Rural Electric Mascot Willie Wiredhand

We urge NRECA to continue to allow the use of Willie Wiredhand as a mascot.

## OPERATIONAL ISSUES

### Stranded Assets and Economic Impacts

We urge NRECA to work with its members and other appropriate stakeholders to address stranded assets such as power generation, transmission and distribution facilities, and oppose initiatives that would result in significant stranded assets and have negative economic impacts on rural communities.

### Safety Issues

We encourage NRECA's continued support of safety by:

- Strengthening the Rural Electric Safety Achievement Program (RESAP);
- Identifying measures to enhance safety and engaging cooperative leaders regarding these measures;
- Promoting member system participation in RESAP;
- Promoting member system participation in the Commitment to Zero Contacts program;
- Providing safety education and training; and
- Advocating for appropriate safety regulation before Congress, regulatory agencies, and industry safety groups.

### Promoting the Benefits of End-Use Electrification

We urge NRECA to engage the membership, industry stakeholders, policymakers and regulators on the economic and environmental benefits of electrification. We further urge NRECA to support analysis to quantify and communicate the benefits of increased electrification of the economy. Promoting electrification throughout the economy has the potential to provide a wide variety of economic and environmental benefits to local communities and the nation while increasing electricity sales for electric cooperatives.

### Agricultural Implement Heights Limitations

We urge NRECA to support the education of agriculture-related associations, implement manufacturers, dealers, end consumers, and regulators, to inform them of the safety issues associated with equipment exceeding the minimum height standards of the electrical distribution system as set by the National Electrical Safety Code.

We ask NRECA to work with related associations and other utility groups to educate manufacturers to limit the design height and production of agriculture equipment to meet these current minimum heights to reduce costs to cooperative members and eliminate electric contact hazards.

We further ask that NRECA educate its member-systems, legislators, regulators, implement dealers, end-users, and the general public to the rules regarding clearances over roadways.

## Limited English Proficiency (LEP) Compliance Matters

We urge NRECA to provide enhanced compliance support to its members related to Limited English Proficiency (LEP) requirements. This would include, but is not limited to providing material that explains the requirements, assisting cooperative members in determining the necessary actions and providing services to help cooperatives meet the requirements related to LEP.

## Prepay Metering

We urge NRECA to protect prepay metering from all federal regulatory and legislative initiatives that would negatively impact the ability of electric cooperatives and non-profit public power electric utilities to provide these programs.

## Unmanned Aerial Systems (UAS)

We urge NRECA to seek any congressional legislation and regulatory action necessary while monitoring Federal Aviation Administration (FAA) rules and guidelines that will allow the UAS industry to grow and prosper in rural America as a tool for the electric industry. The commercialization of the UAS industry requires regulators, legislative leaders and electric cooperatives to work in cooperation by integrating small unmanned aerial systems into the national air space. We request NRECA support in nurturing the use of this technology by electric cooperatives to the benefit of member-owners.

## Accounting and Auditing Standards

We urge NRECA to support the development of cost-effective accounting and auditing standards that yield transparent financial statements that accurately reflect the financial position of the electric cooperative and to support broad principle-based accounting standards with meaningful internal controls.

## Impact of Regulations on NRECA Members

We urge NRECA to support regulatory actions that are consistent with the intent of the law, offer net benefits, and are in the best interests of NRECA member systems. We also urge NRECA to support agency compliance with the Small Business Regulatory Enforcement Fairness Act.

## Bankruptcy Protection

We urge NRECA to seek legislation to prevent electric cooperatives and their members from subsidizing commercial and industrial members that file for bankruptcy by strengthening Bankruptcy Code Section 366(c) to better protect electric cooperatives.

## Use of Chemicals

We urge NRECA to support the careful and knowledgeable use of chemicals in the safe, economical and effective operation and maintenance of electric cooperatives.

## Electric Service Across Federal and State Lands

We urge NRECA to pursue legislative and regulatory action so that electric cooperatives are granted timely permitting and access to federal and state lands to perform necessary construction, relocation, vegetation management, maintenance and restoration on electric utility rights-of-way, and to protect the infrastructure investment made by electric cooperatives to serve their communities.

As it relates to easements and permits for electric lines, we urge NRECA to support the removal of a strict liability standard in favor of an ordinary negligence standard.

## Territorial Integrity and Loan Security

We affirm the rights of rural electric systems to serve areas in which they initiated service. In cases of municipal annexation, condemnation, or other attempts to acquire rural electric system facilities, financing with RUS or tax-exempt securities should be limited to those cases where the change in service territories is mutually agreed upon. We support legislation that would prohibit the use of federally subsidized tax exempt securities to finance the acquisition of facilities of rural electric systems.

## Electric Service on Indian Reservations

We recognize that providing electric service on Indian Reservations poses unique and sometimes difficult circumstances, including specific territorial disputes. We urge NRECA to develop and support policies to move toward the uniform regulation of electric utilities on Indian reservations (other than tribally owned electric utilities) consistent with state law.

We also seek improved working relationships and education efforts between cooperatives and tribes. We support legislative options that will more clearly define the relationship and benefits of rural electric cooperatives on reservations.

## Takeover Threats

We urge NRECA to support vigorously the defense efforts of the board of directors, management, or members of any threatened cooperative by:

- Encouraging rural electric systems to become proactive and develop positions of strength against hostile takeovers by, but not limited to:
  - Giving serious consideration to cooperative governance;
  - Adopting and implementing anti-takeover policies;
  - Updating the financial plan;
  - Adopting appropriate bylaw and policy changes;
  - Participating in scientific surveys of member satisfaction and needs; and
  - Conducting competitor analyses at least annually.
- Encouraging those systems not currently contributing to the National Rural Utilities Cooperative Finance Corporation "System Integrity Fund" to consider doing so in the future, as it can provide vital financial support to threatened systems;
- Urging the Rural Utilities Service (RUS) to continue supporting borrowers in their efforts to fight off takeovers by refusing to allow non-RE Act preference borrowers, such as investor-owned power companies, the privilege of assuming RUS loans.

## Military Base Utility Privatization

We urge NRECA to seek legislative and regulatory action providing NRECA members a fair and equal opportunity to participate in the privatization of military utility systems without unintended adverse consequences.

## Using Secure Communications Services

We encourage NRECA to:

- Educate policymakers on the critical need for advanced telecommunications services in operating electric cooperatives reliably and efficiently;
- Help ensure that cooperatives maintain security at their facilities and meet federal standards, rules and regulations by training their employees and directors in the secure use of telecommunications and information technology as well as appropriate cybersecurity protection related to these technologies;
- Work to protect Internet customer and business information privacy and be a resource to electric cooperatives in realizing the full value of their Internet presence;
- Encourage and support the continuing development of Cooperative.com and its cooperative professional communities and for NRECA members to use these communities on a daily basis; and
- Explore, expand and recommend to its members the use of the internet, teleconferencing, webcasting and other multimedia communication capabilities.

### Telecommunications and Information Technologies Support for Electric Cooperatives

We urge NRECA to provide education and training programs to help cooperatives adopt and educate their employees about the integration of telecommunications technologies and information systems. We also urge NRECA to continue its support for the development and adoption of interoperability standards.

### Telecommunications Services for Rural America

We urge NRECA, NRTC, and member systems to consider partnerships with telecommunications providers and other organizations and to provide assistance and information to member cooperatives in obtaining and promoting available federal broadband and cell funding where these services are lacking. Partnerships such as these can benefit electric cooperatives' internal operations and their member-owners.

We encourage NRECA, NRTC, and their rural partners to identify opportunities, and work towards securing benefits for electric cooperatives from the Connect America Fund and other funding sources whether in regulatory proceedings or emerging legislation. We support federal legislation that provides financing incentives for the installation of the infrastructure necessary to support these technologies.

We urge NRECA, through its education and training programs, to provide courses, programs and materials that offer a thorough education into the kinds of technologies available, how they can be applied to cooperative business practices, how these technologies can support community economic sustainability and what entities might be appropriate partners in providing those services.

## RELIABILITY AND INFRASTRUCTURE PROTECTION

### Ensuring Adequate Federal Funds to Combat Wildfires

We urge NRECA to support enactment of legislation, and/or regulatory action, to establish wildfire funding mechanisms to ensure adequate and equitable funding to prevent and fight major wildfires.

### Bulk Electric Reliability Standards

Electric cooperatives are committed to providing reliable, safe, and economical electricity to our member-owners and strongly support reliability of our nation's electric grid. We urge NRECA to work with cooperatives, NERC and FERC to ensure that cooperative positions/interests are properly considered in reliability standards development and other related reliability issues. NRECA should monitor and provide information and education to cooperatives on NERC reliability standards development and resulting NERC compliance issues.

## Responsibility to Protect Electric Infrastructure

Electric cooperatives support the need for timely and actionable information from federal government intelligence sources on threats and vulnerabilities, and acknowledge and support limited new authority for FERC to direct industry action if there is a specific and imminent threat to the bulk power system. FERC directions to industry should only remain in effect until the threat subsides or upon FERC approval of related NERC reliability standards. We urge NRECA to work with Congress, appropriate federal agencies and industry groups, advocating that any physical, cyber or operational security guidelines and standards they develop consider the unique nature and geography of cooperatives and apply any protections cost-effectively. We also urge NRECA to assist in educating member cooperatives on methods to identify and evaluate physical, cyber and operational risks to members' facilities.

## Communications Spectrum

Electric cooperatives believe that access to sufficient and affordable communication spectrum is critical to cooperatives' business operations. Processes for allocating communication spectrum must reflect a level playing field, and we must protect communications, including GPS systems, from harmful interference. We urge NRECA to oppose any proposals that would authorize the FCC to require "bidding" for the communication spectrum necessary for any utility operations.

## Safeguarding Local Control – FCC and Pole Attachments

We urge NRECA to oppose any legislation or vesting of regulatory authority over pole attachments with the Federal Communications Commission (FCC).

We urge NRECA to seek policies that protect electric cooperatives from FCC regulation by engaging – with NRECA resources and with like-minded coalition partners – when legislative and regulatory actions arise.

## Disaster Assistance

We urge NRECA to continue working with the Administration and Congress to maintain electric cooperatives' eligibility for FEMA funding and ensure FEMA policies that facilitate the expeditious delivery of funds. We further urge NRECA to work diligently to establish clear and concise rules and criteria relating to FEMA assistance to minimize future uncertainty, ambiguity and risk to electric cooperatives. We urge NRECA to encourage FEMA to develop and uniformly implement policies for determining eligibility for public assistance and the extent of permanent restoration of disaster damaged facilities.

Finally, we urge NRECA to work with FEMA to assure that FEMA will not deobligate funds if the decision to deobligate funds is due to a reinterpretation of FEMA policy or a reconsideration of information existing at the time of the initial determination to approve a project and that it do so in a manner that is consistent with the intent of the Stafford Act and FEMA's governing regulations and policies.

## MEMBER-OWNER SERVICES AND ASSISTANCE

### Electric Cooperatives Support of Electric Vehicle Policies

We urge NRECA to support policies and investments that incent production and deployment of electric vehicles and charging infrastructure, encourage transportation electrification that can optimize electric grid infrastructure, improve management of electric loads, and integrate renewable energy resources.

Specifically, we urge NRECA to advocate for federal legislation to remove the 200,000-vehicle limitation and phaseout of Section 30D the Electric Vehicle Tax Credit, and seek an extension of current tax credits.

### Broadband for Rural America

We urge NRECA to take a prominent leadership and advocacy role in the U.S. Congress, with the Administration, and at the Federal Communications Commission (FCC) to ensure cooperatives have the ability to provide broadband voluntarily, on their own or in partnership with other local providers, in rural America.

Leadership from NRECA is critical to present a unified voice for America's electric cooperatives by working together with other rural/industry advocates such as the Utilities Technology Council; the National Rural Telecommunications Cooperative and other groups who share electric co-op interests in rural America.

### Privacy of Member-Owner Data

We urge NRECA to oppose all regulatory and legislative initiatives that would require cooperatives to disclose personally identifiable information about their member-owners to third parties for non-essential or non-operational purposes without the member-owners' consent.

### Memberships' Need for Diversified Services

We urge NRECA to oppose any legislation or regulation that would limit a cooperative's ability to engage in a specific business enterprise that might add value for the benefit of the member-owners and the local community.

### Low Income Home Energy Assistance

We urge NRECA to work with Congress to continue authorization for the Low Income Home Energy Assistance Program (LIHEAP) under the U.S. Department of Health and Human Services, and recommend it be fully funded.

## EDUCATION

### Director, Management, and Workforce Development

We urge NRECA to continue to enhance its education and training curricula and delivery mechanisms to ensure cooperative directors, management, and workforce have the necessary skills to excel throughout their service to their cooperatives. We also urge NRECA to help its member systems recruit, develop, and retain an adequate and competent workforce to maintain a strong and viable electric cooperative service network to meet the needs of member-owners.

### Educating our Youth and the Washington Youth Tour

We urge NRECA to continue to sponsor and support youth programs, including the Washington Youth Tour and Youth Leadership Council, and to support and encourage the development of complementary programs by its member systems. We also urge NRECA in all its youth programs to teach about rural electric cooperatives and the realities of operating an electric grid, which provides affordable and reliable electric power, and to work with member systems to develop educational materials and activities geared toward youth. We encourage NRECA to engage like-minded organizations, including universities, to develop programs that highlight the organization and benefits of electric cooperatives and public power districts and the realities of operating an electric grid. We further urge NRECA to develop processes to maintain relationships with the youth as they become tomorrow's leaders.

### Education Regarding the Cost of Compliance with EPA Regulations

We urge NRECA to continue to monitor, investigate, analyze and report on anticipated EPA regulatory compliance costs to the membership.

## POLITICAL ADVOCACY

### Affordable, Reliable, and Safe Electric Power through Cooperative Grassroots Advocacy

We urge NRECA to continue helping its member systems and member-owners speak with a loud and unified voice to inform policymakers that all citizens should have access to affordable, reliable, and safe electric power through grassroots campaigns.

### The Importance of Coordinated Outreach

We urge NRECA and its member systems to continue to communicate with allied interest groups for their continued support, including various national, state and local consumer organizations, farm organizations, and other groups, to further cooperative interests in local policies, state, or national legislation.

### Action Committee for Rural Electrification – ACRE®

We urge NRECA to continue to support the Action Committee for Rural Electrification (ACRE®) as a voluntary vehicle through which the interests of the rural electrification program can be promoted and as a means by which rural people, through thousands of small contributions, can support candidates for Congress who support rural electrification. We further encourage NRECA to urge all directors, eligible employees, and member-owners of rural electrics to participate as individuals in the ACRE program and in our political processes.

*Editor's Note: Contributions to ACRE® are not tax deductible. ACRE qualifies as a multi-candidate political action committee and is registered with the Federal Election Commission. Contributions to ACRE are voluntary and will be used for political purposes. You have the right to refuse to contribute without reprisal. Federal law prohibits contributions from foreign nationals. Any contribution guidelines are merely suggestions. You are free to contribute more or less than the suggested amounts, or not at all. NRECA will not favor or disadvantage anyone by reason of the amount contributed or a decision not to contribute. The IRS and FEC require this notice.*

## SUPPORT FOR ALLIED ORGANIZATIONS AND INDUSTRIES

### Support for USDA Rural Development Programs

We urge NRECA to support the continuation and funding of Rural Development programs at the U.S. Department of Agriculture and work to ensure that Rural Development is treated as a high priority within USDA.

We support the Rural Utilities Service (RUS) and its mission of enabling the building and maintaining of essential electric infrastructure through the Electric Loan Program. We urge NRECA to support adequate RUS electric loan levels and staffing. We also urge NRECA to support engineering and technical standards and encourage staff and the Transmission and Distribution Engineering Committee to explore modernization of RUS construction standards and propose timely updates to RUS.

## Cooperation Among Cooperatives

We support the sixth cooperative principle of cooperation among cooperatives and urge NRECA to support policies that promote and protect the cooperative brand and the cooperative business model.

We further urge NRECA to work with its member systems to develop educational materials and sponsor education programs that educate our youth, member-owners, directors, employees, community leaders, and political officials regarding the cooperative business model and encourage involvement of all members.

## Support for NRECA International

We urge NRECA to work with Congress and the Administration to secure sufficient funding for rural electrification in the U.S. government's foreign assistance program and that this funding be directed through NRECA International.

## Touchstone Energy®

We urge NRECA to continue encouraging electric cooperatives to join the Touchstone Energy® Cooperatives already united under a single national brand.

## Support of the National Rural Utilities Cooperative Finance Corporation

We urge NRECA's continued support of the National Rural Utilities Cooperative Finance Corporation (CFC) as an important lender for many rural electric cooperatives. We urge NRECA to oppose legislation that would substantially damage CFC and put at risk the investment of its member systems.

## National Rural Telecommunications Cooperative Legislative Issues

We urge NRECA to continue promoting and supporting NRTC with the goal of improving advanced telecommunications services and access for NRECA members.

## Support of Utilities Telecom Council

We urge NRECA to work in partnership with the Utilities Telecom Council (UTC) in appropriately addressing regulatory, legislative and technical issues to ensure that cooperatives' telecommunications access and needs are facilitated and protected. We urge NRECA to endorse and encourage membership, support, and participation in UTC regional and national programs and activities by electric cooperatives.

### Support for Electric Cooperative Bar Association and Lawyers' Activities

We urge NRECA to continue to support and urge all member systems to encourage their attorneys and paralegals to join the Electric Cooperative Bar Association and to attend continuing legal education seminars affecting the rural electrification program, as well as other technical programs that will enhance their understanding of the business and legal issues confronting the cooperatives they represent.

### Public Power Support

We urge NRECA to encourage electric cooperatives, public power districts, and other entities that are the beneficiaries of publicly generated power to undertake or continue communications and other programs that are directed to member-owners, the general public, and legislators to obtain a greater understanding and appreciation of the benefits that publicly generated power, public utility districts, nonprofit cooperative and community-owned utilities provide to the nation.

### Investment to Strengthen Rural America

We urge NRECA to support legislative initiatives to promote adequate investment capital in programs, such as, but not limited to REDL&G, and institutions serving agriculture and rural America.

## MISCELLANEOUS POLICY ISSUES

### Regulatory Reform

We support reform of the federal regulatory process to make the development of regulations more accountable and balanced to the best interests of the country by better recognizing costs imposed by regulation, weighing costs against benefits and improving the checks and balances within the process. We believe regulations should not stifle innovation and cause excessive and unjustified financial and other burdens on those affected by them and should have the costs and benefits reviewed and affirmed in an open and transparent process.

### Federal Land Use Management

We urge NRECA to work with Congress, the Administration and all federal agencies charged with maintaining our public lands to ensure that current use levels of federal lands for electric cooperative purposes are not diminished within the ability of the land and its resources to withstand such uses, and that unacceptable fee increases and regulations are not adopted, creating economic hardship to our cooperatives. We further urge NRECA to support public lands initiatives that help expand local management to protect economic opportunities for cooperatives.

# COURTESY RESOLUTIONS

## Honoring Electric Cooperative Workers' Roles as First Responders

We honor the service provided by rural electric cooperative workers as they provide critical support to police, fire, sheriffs and other organizations in responding to emergencies.

## Recognition of the Military Service of Electric Cooperative Employees and Directors

The member cooperatives of NRECA pay special recognition and honor to electric cooperative employees and directors who have served or who are presently serving our country in active military duty around the world.

## Appreciation

We express our thanks to the many people who have contributed to the success of this Annual Meeting. In particular, we are grateful to the Electric Cooperatives of Florida for acting as our hosts, and the distinguished speakers and others for their contributions to the success of this meeting. Our thanks also to the Orange County Convention Center and the city of Orlando, Florida for their cooperation and assistance.

## General Memorial

This year has seen the loss of good friends and fine leaders in the rural electric program. We are appreciative of the contributions made by these workers during their lifetime and acknowledge our debt to them. In recognition of the example they have set for all of us, we join now in a moment of silent prayer.

# RESOLUTION POLICY BACKGROUND STATEMENTS

The NRECA Member Resolutions Process requires that resolutions be written as clear and concise policy statements. Policy background statements are intended to serve as an educational and historical reference.

Writing and updating the background statements is a collaborative effort between the NRECA membership, cooperative leaders that serve on the various Regional Resolutions Committees and Member Standing Committees, and NRECA staff. The background statements are reviewed and approved by the National Resolutions Committee.

NRECA members may recommend changes to the background statements by contacting a National Resolutions Committee member, or by emailing resolutions@nreca.coop. Recommendations will be considered by the National Resolutions Committee at their June and January meetings.

For a current list of National Resolutions Committee Members, please visit: https://www.cooperative.com/nreca/member-resolutions/Documents/Secure/2019%20National%20Resolutions%20Committee.pdf.

# TAX

## Amend IRS Vehicle Fringe Reporting for Employees of Not-for-Profit Rural Electric Cooperatives

*The service provided by employees of rural electric cooperatives are similar to the critical service provided by police, fire, sheriffs and other organizations in responding to emergencies. In many cases rural electric cooperative employees, like other first responders, use a non-personal vehicle to restore electrical service following storms, to disconnect electrical service due to fires and flooding, to provide in-person crisis communication, flag for public safety and various others duties.*

*Employees of not-for-profit rural electric cooperatives risk their own safety and personal property in the execution of their duties to provide essential electricity to the public on a daily basis. Employees of rural electric cooperatives are always 'on call' and stand ready to come to the aid of the citizens of the United States of America 24 hours every day. The immediate response of employees of rural electric cooperatives is a necessity in protecting the health and safety of the public during almost every public emergency situation. Employees of rural electric cooperatives are a vital part of every community serving as volunteers in schools, churches, non-profits, and community organizations. Employees of not-for-profit rural electric cooperatives consistently join both career and volunteer first responders to aid the public in the event of an emergency using a non-personal vehicle.*

*The IRS has determined, in its regulations, which vehicles are qualified non-personal use vehicles; home to office commuting is taxable, but home to service location in a proper vehicle is not. Employees of rural electric cooperatives who drive qualified non-personal use vehicles should be exempt from the IRS vehicle fringe reporting requirements and should be exempt from including their use of the vehicles in gross income when the conditions for that vehicle type are met:*

1. *Clearly marked vehicles, when the employee is required to use the vehicle for commuting and is on call at all times. Personal use (other than commuting), if allowed, must be permitted for and confined to within the physical jurisdiction of the employee's obligation to respond to an emergency. A cooperative vehicle is clearly marked if painted insignia or words (other than mere markings on a license plate) make it readily apparent as a cooperative vehicle.*
2. *Unmarked cooperative vehicles used by cooperative employees, including commuting, to respond to an emergency situation. Recreation and vacation trips do not qualify as authorized use.*

   *For more information, please see pages 22-24: https://www.irs.gov/pub/irs-pdf/p15b.pdf.*

## Energy Tax Policy

*NRECA should pursue comparable benefits for cooperatives and entities that can't use corporate tax breaks such as accelerated depreciation and tax credits.*

*A comprehensive shift in the generation mix is driven by tax credits for wind and solar generation that creates an artificially low price for those resources. This may be disruptive for not-for-profit entities like cooperatives, and therefore are disadvantaged when it comes to the tax credits that are driving the construction of wind and solar by for-profit entities. This is especially*

*critical for those states with renewable portfolio standards. NRECA should advocate for renewable energy incentives that are beneficial to electric cooperative member-owners.*

*In 2017 Congress passed tax legislation which made significant changes to corporate taxation. NRECA was successful in retaining the deduction for interest expense for taxable electric cooperatives. In 2018, Congress passed legislation which retroactively reinstated many renewable tax incentives through December 31, 2017. Additionally, the investment tax credit for fiber optic solar lighting systems, small wind energy and qualified fuel cells were extended so long as construction began by 2021 with total phase out occurring in 2023.*

*However, the Production Tax Credit was made available retroactive to January 1, 2017 so long as construction began by December 31, 2017 for closed and open loop biomass, geothermal, municipal solid waste, landfill gas, qualified hydropower, and marine and hydrokinetic renewable. The tax credit for PV, solar water heating, solar space heating/cooling, solar process heat, was kept at 30 percent though 2019, falling to 26 percent in 2020, then 22 percent in 2021 and 10 percent in 2022 and future years. The tax credit for hybrid solar lighting, fuel cells, small wind follows the same schedule except in 2022 the credit is 22 percent and it's not available in future years. The tax credit for geothermal heat pumps, microturbines, combine heat and power systems is 10 percent and is phased out after 2021. The tax credit for geothermal electric is 10 percent per year for all future years. The tax credit for large wind is 18 percent in 2018 and 12 percent in 2019 with a phase out after 2019.*

*Tax-Exempt Financing. A number of NRECA members are public power systems and are eligible to issue tax exempt bonds. In addition, generation and transmission cooperatives have utilized billions of dollars in tax exempt bonds for pollution control facilities. Tax exempt financing should be pursued as an option for electric cooperatives, which can best serve their member-owners by utilizing this alternative. Congress should create tax exempt financing for electric cooperatives.*

*IOU Tax Subsidies. Investor-Owned Electric Utilities (IOUs), which on average serve 34 customers per mile of line, charge electric rates that also include amounts for presumed federal tax liabilities. Prior to 2018, IOUs collected taxes based on the 35 percent corporate tax rate. The Tax Cuts and Jobs Act of 2017 reduced the corporate tax rate to 21 percent.*

*IOUs have used and continue to use provisions of the federal income tax code to reduce their current income tax liabilities. The major tax benefits used by IOUs have included accelerated tax depreciation and investment tax credits.*

*The federal income tax law generally allows IOUs to set rates as if the company paid federal income taxes based on reported financial earnings. The difference between taxes collected from customers and actual tax payments made to the government – known as deferred taxes – is supposed to be repaid to the government over the remaining life of the facilities generating the deferred taxes.*

*Investment tax credits are permanent reductions in income tax liabilities computed as a percentage of new facilities investment. While investment tax credits have been repealed, IOUs continue to carry substantial investment tax credit balances in their financial statements. While other types of corporations have generally been provided accelerated tax depreciation and investment tax credit in the income tax law, these tax benefits were conferred to spur additional facility investment in a competitive business environment.*

*As rate regulated businesses operating as monopolies, however, IOUs are required to build plant facilities to meet the needs of their service areas. They are provided a virtually guaranteed profit on their facilities investment by their rate regulators. IOUs do not have the*

*investment risk attendant to competitive businesses. Legislation should require expeditious return of: deferred taxes to the government; excess deferred taxes to the ratepayers; and investment tax credits to the ratepayers.*

**Taxation**

*A legislative proposal introduced in Congress in prior years would eliminate the federal income tax exemption for not-for-profit cooperatives with revenues in excess of $25 million. Such a change in the tax code would impose an inequitable direct cost on member-owners that is not required of customers of other electric utilities. As not-for-profit corporations, electric cooperatives do not generate "profits" which can be used to pay income taxes. We oppose any change to the Internal Revenue Code which would subject electric cooperatives to a tax on income.*

*In order to continue meeting the credit demands of its member utility systems at the lowest possible cost, it is essential that the National Rural Utilities Cooperative Finance Corporation (CFC) maintain its not-for-profit tax status. Because CFC must compete with government sponsored lenders, the non-taxability of CFC is a critical issue.*

*CFC is a not-for-profit cooperatively owned finance organization and returns to its members any margins exceeding the cost of operations. As a cooperative, CFC generates no profit. We support legislation to maintain CFC's tax-exempt status and oppose any legislation which would endanger it.*

*During times of budget constraints the Administration and congressional leaders continue to look for new sources of revenue and frequently consider proposals that would have a drastic effect upon electric cooperatives. In the past, members of Congress have discussed a "carbon" tax, a unit tax on fossil fuels. Such a proposal would fall disproportionately upon the energy industry and energy producing states. In particular, such a tax would cause electric rates for member-owners of electric cooperatives to increase and would have a crippling effect upon the coal industry and other carbon-based industries. We oppose proposals similar to a "carbon" tax on fossil fuels and urge Congress to reject such proposals as a possible source of revenue.*

*Also discussed in the past has been new "energy" or "BTU" taxes. Such proposals would impose a tax on all energy in the country regardless of form or method or place of production. These proposals would also cause electric rates for member-owners of electric cooperatives to increase. We oppose any such tax proposals which would impose a burden on our member-owners through increased rates.*

*Royalty Rates on Federal Coal. The new rule on federal royalty rates for coal (12.5 percent for surface mined coal and 8 percent for coal mined underground) was finalized in May 2014. Since fuel costs are approximately half of the power production costs of electric generation, utility consumers end up paying the bill. We do not believe Congress ever intended such a burden to be placed on electricity providers or their consumers. We support a legislative solution to set a modest response to the huge increases faced by utility consumers. Such a proposal should embody a cap on surface-mined federal coal at a flat 6 percent of the value of federal coal. This increase would still generate vast revenues for the royalty program, of which one-half of the proceeds are returned to coal-producing states in which federal coal leases are located. A legislative proposal should also include a cap on the royalty rate for coal obtained from underground mines at 6 percent, to ensure equitable treatment for all federal coal leases.*

*Tax-Exempt Status for Cooperative Group Self-Insured Pools. Certain cooperative electric membership corporations have pooled their resources and formed statewide group self-insured pools to collectively insure their workers' compensation insurance needs in an effort to reduce the ultimate incurred workers' compensation costs to those cooperatives. The ultimate objective for these workers' compensation self-insured pools is not a profit motive; rather, the ultimate goal is reducing the overall cost of workers' compensation to an affordable cost. All excess premiums (surplus) generated by the group self-insured pools are returned to members once all claims have been closed out and appropriate reserves and special regulatory funding stipulations are no longer required. Returned premiums (surplus) are paid out in the form of cash dividends or allocated capital credits.*

*Pool members, as cooperative electric membership corporations, are non-taxable due to their cooperative status. Cooperatives could, if large enough, set up an employer self-insured program whereby the reserves and earnings on these reserves would be considered non-taxable as they relate to member operations. However, the Internal Revenue Service had deemed group self-insured pools be treated as a taxable entity for federal income tax purposes and taxed accordingly. This creates an adverse distinction between cooperative group self-insured pools and cooperative employer self-insured programs.*

*The Internal Revenue Code should be amended to provide a tax-exempt status for cooperative group self-insured pools by allowing these group self-insured pools to allocate surplus earnings to pool members thereby moving the tax burden, if any, to the cooperative members of the pool rather than the pool itself, thus extending the same privileges to cooperative group self-insured pools that individual self-insured cooperative employers enjoy. While the suggested change to the tax code is the most direct way of achieving cost efficiencies, staff is also directed to explore other methods of obtaining the same results.*

# HYDROPOWER

## Protection of Hydroelectric Dams

*The removal of federal multipurpose dams or other navigational and impoundment facilities is a shortsighted and irresponsible proposal that would create potentially disastrous economic impacts, new environmental issues and imperil the reliability of the nation's entire hydropower system.*

*In addition to depriving the nation of clean, renewable hydropower generated by multipurpose dams, the breaching of multipurpose dams would wreak havoc on commerce dependent on barges and other waterway navigation, threaten the potable water supplies of hundreds of towns and cities, unravel decades of wildlife mitigation efforts, and with regard to farmland irrigation, render large sections of the country dependent upon these impoundments barren and unproductive. In addition, at a time when the nation's electric utility industry is undergoing massive changes and concerns about reliability are paramount, breachings not only endanger the reliability of the power supply but could add millions of dollars to a region's power bills. The breadth and scope of the impacts are staggering.*

*Removing the broad set of benefits provided by clean, renewable hydroelectric power from the nation's inventory of electric power resources, especially at a time when the demand for high-quality grid-balancing and baseload resources is rising, would require the replacement of that electricity with less environmentally friendly resources. We urge NRECA to oppose proposals to breach dams where such proposals would have severe economic and community development impacts as described herein.*

## Protection of Federal Hydropower Customers Through Proper Allocation of Dam Repair Costs

*In the Dam Safety Act of 1986 (Title XII of P.L. 99-662), Congress provided direction to the U.S. Army Corps of Engineers on how to allocate costs associated with structural repairs caused by dam safety concerns. The language reads, in part, that when "costs incurred in the modification … of dams and related facilities … the cause of which results from new hydrologic or seismic data or changes in state-of-the-art design or construction criteria deemed necessary for safety purposes … 15 percent of the modification costs shall be assigned to project purposes in accordance with the cost allocation in effect for the project at the time work is initiated…" Congress recognized that cost-sharing among sponsors that benefit from dam operations – such as water supply utilities, irrigators, hydropower facilities, etc. – is required of many project purposes, and major expenses associated with safety repairs could have a crippling economic effect on those charged with recovering such costs.*

*Unfortunately, experience has shown that the Corps has not been following the directives of the Dam Safety Act of 1986. For example, recently the Corps determined that Wolf Creek Dam on the Cumberland River in Kentucky was in danger of failure because it was built on bedrock of water soluble limestone, which over time had deteriorated, threatening downstream communities. While law is clear that only 15 percent of the costs associated with the very expensive repairs should have been allocated to project purposes under the provisions of the Dam Safety Act of 1986, the Corps allocated 100 percent of the costs to project purposes, which would have resulted in a major increase in the rates charged for hydropower from the project to repay these costs.*

*Although Southeastern Power Administration (SEPA) was allowed to implement a five-year rate using its determination of the proper application of the Dam Safety Act, there continues to be uncertainty over future application of the Act. In response to a December 2015 GAO report, the Corps agreed to clarify its applicable engineering regulation, but did not agree to change its position.*

*In light of the Corps' disregard of statutory directives, Congress and the Administration should direct the Corps to follow the directives of the Act in allocating costs associated with dam safety repairs.*

## Opposition to the Sale of Federal Power Marketing Administrations

*Energy generated at federal hydroelectric facilities is purchased by more than 1,000 member-owned utility systems that serve homes, farms, businesses and industries in 34 states. The continued reliable and efficient marketing of this energy greatly reduces the nation's dependence on foreign resources and is therefore vital to the national security.*

*The federal power customers are systematically repaying the federal investment in hydropower to the U.S. Treasury, with interest, and all operation costs on an annual basis. The rates paid by federal power customers also support the multipurpose nature of federal resources development, contributing a significant amount of revenue to assist the repayment of irrigation costs, salinity control, recreation, and fish and wildlife mitigation programs.*

*The sale, transfer or other disposal of the federal Power Marketing Administrations or the federal power plants and related facilities would:*

- *Compromise the operation of multipurpose projects, interstate and international nature of these projects;*
- *Threaten member-owned utilities with uncertainty of supply and significantly higher power rates;*
- *Undermine the ability of member-owned utilities to provide reliable electric service at competitive rates and thereby reduce competition in the electric utility industry; and*
- *Abandon existing repayment agreements between the United States and federal power users.*

## The Columbia River Treaty

*The Columbia River Treaty is an agreement between Canada and the United States guiding the development and operation of some water resources in the Columbia River Basin for flood control and power needs. The Treaty was implemented in 1964 and recently passed its 50th anniversary. The earliest the Treaty could have been terminated was 2024, although notice would had to have been given by 2014, 10 years in advance, which neither country has done. Terms and conditions for ongoing flood control will need to be renegotiated, regardless of whether the Treaty is terminated or not.*

*The U.S. Army Corps of Engineers and Bonneville Power Administration (BPA) together represent the U.S. as the "U.S. Entity" in Treaty discussions with Canada. The Corps operates many of the federal dams in the Columbia River basin, and BPA markets federal hydropower to regional utilities, including many electric cooperatives. After conducting studies on the costs and benefits of the Treaty, the U.S. Entity sent a regional recommendation to the State Department*

*on December 13, 2013. That recommendation is now under a federal, interagency review being coordinated by State.*

*In its current version, the Treaty obligates the United States to send power benefits to Canada in an amount that can exceed $350 million annually. This is referred to as the Canadian Entitlement. This cost is paid by ratepayers in the Northwest who buy their electricity from BPA and the Mid-Columbia Public Utility Districts and has a clear impact on power rates paid in the Northwest.*

*Analysis by the federal agencies indicates that the United States only receives a fraction of the reciprocal benefit originally anticipated by this arrangement. Much has changed in the river system since the 1960s, especially fisheries management procedures that have reduced the original downstream power benefits of the Treaty. In addition, much of the flood control allowance received from Canada expires in 2024 even if the Treaty continues. Meanwhile the United States would remain obligated to pay the Canadian Entitlement unless the Treaty is terminated or renegotiated. The December 13, 2013, U.S. Entity recommendation to State acknowledges that "[b]ased on the present formula developed in the 1960s, the estimated value of the Canadian share of the downstream benefits in 2024 is significantly greater than anticipated, and far exceeds the value of coordinated power operations under the Treaty."*

*We are very concerned about the lack of balance in the current Treaty implementation, and its impact on power rates. We believe that payments to Canada for power benefits should be directly attributable to the current value the U.S. receives and not attributable to the antiquated and distorted assumptions made upon Treaty inception in 1964. Continuing the Treaty as currently implemented is not equitable, and is not in the interests of electricity ratepayers or the United States in general. If progress cannot be made with Canada in this matter, we feel that the United States must provide notice of termination or seek new agreements with Canada to provide more balance, and more benefits for U.S. citizens.*

## Support for Preference Power and Full Development of Hydroelectric Power Resources

*The critical need for clean renewable energy in our nation demands the full development and use of hydroelectric power resources. Rural electric cooperatives are member-owned organizations and as such have equal preference rights as municipalities and state agencies in all matters regarding generation except licensing of hydroelectric projects under the Federal Power Act. When Congress originally included municipal and state agency preference in hydroelectric licensing procedures, no rural electric cooperatives were in existence. Since that time, Congress has consistently indicated that rural electric cooperatives should receive equal preference along with municipalities and state agencies in such matters as power outputs from federal projects.*

*Unlike many other federal programs, appropriations for the federal power program are repaid to the U.S. Treasury by federal power customers. As a result, the federal power program pays its own way. The rates charged to federal power customers cover: the cost of repaying capital investments including renewals and replacements, with interest; power-related annual operating and maintenance costs of dam operations; transmission, and marketing of federal power; and financial support of some non-power related authorized project purposes.*

*Historically, Congress has applied deficit reduction measures that curtail appropriations for the federal power program, despite the fact that all of the costs of the federal power program*

*are repaid to the United States. These curtailments have threatened the reliability and efficiency of these hydropower assets.*

*Congress should provide sufficient appropriations to conduct basic operations and maintenance, renewals, replacements and upgrades. Without sufficient appropriations, the reliability of federal hydropower generation is threatened at a time when renewable energy resources are increasingly important.*

*Continued federal appropriations must remain the primary source for sustaining the federal power program, but should not preclude alternative funding methods supported by customers to complement these appropriations. Legislation is needed to fully fund the federal power program, with safeguards that:*

- *Ensure congressional oversight and determination of proper funding levels for power budgets of the U.S. Army Corps of Engineers, the Bureau of Reclamation and the Power Marketing Administrations;*
- *Ensure the active involvement of federal power customers in the development of annual work plans and spending levels of the agencies involved in the federal power program;*
- *Ensure that each Power Marketing Administration Administrator, in consultation with federal generating agencies and federal power customers, determines the appropriate annual funding levels;*
- *Ensure that federal power customers are not burdened with new costs or costs not directly related to the generation, transmission and marketing of federal power; and*
- *Ensure that any additional power generated is marketed subject to federal preference law.*

*Many electric co-ops in the Pacific Northwest are involved in the Northwest River Partners Clean Hydro Initiative to raise awareness about the hydro system. These proactive efforts are critical to maintaining valuable hydropower resources. NRECA has been supportive of these efforts and we urge all regions that are dependent on hydropower to build allies as well.*

## Protection of Preference Power

*The Power Marketing Administrations (PMAs) are federal agencies, housed within the U.S. Department of Energy (DOE), with the responsibility to market electric power, primarily from multiple-purpose water projects operated by the Bureau of Reclamation and the U.S. Army Corps of Engineers. The four federal PMAs – the Bonneville Power Administration (BPA), the Southeastern Power Administration (SEPA), the Southwestern Power Administration (SWPA) and the Western Area Power Administration (WAPA) – are important sources of power for rural electric cooperatives who were some of the first purchasers of federal hydropower.*

*By federal statute, electric cooperatives and public bodies are given preference in the sale of power from these federal facilities. Flood Control Act of 1944, § 5, 16 U.S.C. § 825s (2012). Today, more than 600 rural electric cooperatives in 34 states are PMA preference power customers. For this reason, NRECA is focused on ensuring that our Nation's federal hydropower infrastructure and the PMAs remain a vital part of America's energy backbone.*

*The PMAs are unique entities spanning geographically diverse regions of the nation. They have differing authorizing statutes, many of which have been layered over time as new projects were constructed. Since each PMA region is unique, PMAs have been statutorily headquartered in the geographic areas in which they serve. This is why federal power customers*

*favor regional decision-making as opposed to "top-down" management from Washington, D.C. In addition to being regionally based, another key feature of the federal power program is that it pays its own way. Unlike most other federal agencies, the PMAs are required by law to recover through rates funds appropriated for power-related costs.*

*Regulatory Efforts to Undercut the PMA Mission in Favor of Achieving Administration Policy Outcomes. On March 16, 2012, former DOE Secretary Steven Chu sent a memo to the Administrators of the four PMAs that proposed major changes to the way they do business. The proposed changes threatened to impose drastic economic burdens on federal hydropower customers by: pushing the PMAs to increase preference customer costs in order to promote the development of non-hydro, intermittent renewables; asking the PMAs to focus on operational issues currently being addressed (such as reliability and cyber security); altering the PMAs' rate structures to incentivize programs for energy efficiency, demand response, and electric vehicle deployment; and "improving" collaboration with owners and operators of the grid through steps such as entering into an energy imbalance market (EIM) – a FERC-regulated entity that would feature a bid-based market (as opposed to cost-of-service rates) that could be a precursor to a regional transmission organization (RTO) in the West. Although the memo supposedly died with former Secretary Chu's departure from DOE in 2013, NRECA continues to remain vigilant as many of the principles it espoused live on.*

*Guiding Principles for the Protection of Preference Power. Changes to existing policies contemplated by any federal agency that affects PMA governance and the federal power program as a whole should be made only after a full and open public process with opportunities for PMA customers to provide meaningful input. Furthermore, any new agency guidance or rulemakings must be consistent with three simple principles: affordability; fairness; and upholding the core statutory missions of the PMAs.*

*Affordability. As not-for-profit entities, electric cooperatives provide the most affordable and reliable electricity possible to their member-owners. Simply put, every time the input costs increase for a co-op, electric bills must also increase to make up the difference. If policy changes are made that increase the costs of PMA-marketed electricity, customer rates will also increase.*

*Fairness. The federal transmission system the PMAs use to market power is paid for through rates charged to users and beneficiaries of the system. NRECA supports the construction of new transmission infrastructure – including poles, wires, computers, people, and other components – where it makes sense. However, these investments should be made to improve system performance and reliability, not to give one type of generator or customer an advantage. The cost of capital improvements should be borne by the beneficiaries. This long standing practice of assigning costs based on benefits received should be maintained (aka the "beneficiary pays" principle).*

*Upholding the PMAs' Core Statutory Mission. While agency directives to compel the PMAs to become involved in a wide range of businesses including test beds for cyber security, advancing electric vehicle deployment, and energy efficiency may be valid policy goals, directing consumers, and taxpayers to foot the bill for these pursuits is well outside of the PMAs' statutory mission. NRECA believes it is bad public policy, and sets a poor precedent to use the PMAs as technology laboratories, ignoring their primary mission of marketing federal hydropower.*

## Change of Federal Purpose and Reallocation

*The U.S. Army Corps of Engineers and the Bureau of Reclamation operate numerous multipurpose federal resource projects. We recognize the need at times to modify the operations at these multipurpose federal resource projects consistent with congressionally authorized purposes. However, we oppose changes in operations if the result is a decrease in the capacity and energy produced by these projects, unless the following elements are included:*

- *Assurance that preference customers' contractual benefits will be preserved or that they will receive, in both the short- and long-term, adequate compensation in the form of replacement costs for loss of capacity, energy and flexibility as a result of reallocation of the reservoir to any new or existing project purposes;*
- *Enactment of a system of fees or other payments from the beneficiaries of any reallocation of the reservoir so that the current repayment schedule for the project is maintained without additional burdens being imposed on preference customers;*
- *Assurance that any agreement is consistent with and protects originally authorized purposes and is not implemented unless and until changes may be approved by Congress; and*
- *Case-by-case congressional approval of reservoir and project cost reallocation to assure that the commitments described by this resolution are kept.*

## Western Area Power Administration Power Rate Stability

*Several of Western's projects have experienced issues of unilateral federal spending decisions and construction time lines that increase costs and rates unnecessarily. Partnering with Preference Customers in the areas of procurement, operations, and construction are needed to keep the projects in good repair and ensure the project rates are at the lowest possible cost consistent with sound business principles.*

*One such project, in particular, is the federal Colorado River Storage Project (CRSP). The CRSP hydropower and delivery systems were authorized by Congress in 1956 as a multipurpose project with the Upper Colorado River Basin Fund (Basin Fund) established as a special "revolving fund" to provide adequate funding to assure operational reliability and rate stability. CRSP power revenues are deposited in the Colorado River Basins Power Marketing Fund (CRBPMF) and are available to defray annual operating costs without further appropriation. Amounts in excess of annual operating costs flow to the U.S. Treasury and are applied to repayment of federal investment in the CRSP storage features and participating irrigation projects. Unfortunately, over time, the operating and environmental costs have increased and the power generation revenues have decreased resulting in an occasional funding shortfall.*

*A portion of the costs associated with the Colorado River Salinity Control program, the Glen Canyon Adaptive Management Program and the Upper Basin Endangered Fish Recovery Programs has been funded through the Basin Fund. Although these expenditures are non-reimbursable and therefore are not repaid through power sales, they are a drain on the Basin Fund.*

*Reduced power generation from the CRSP (especially at Glen Canyon Dam), costs associated with environmental programs and experiments, and wholesale power market conditions have resulted in unstable, unsustainable cash flow conditions in the CRBPMF. This problem is considerably worse during extended low water periods.*

*Several short-term actions have been taken to help mitigate the Basin Fund cash flow problems, including rate increases and reduced power deliveries to CRSP customers so as to minimize the amount of high cost power purchased to replace reduced CRSP generation. Federal cost-cutting measures coupled with long-term assurance of adequate funding are now needed to protect the solvency of the Basin Fund, as Congress originally intended.*

# TRANSPORTATION OF COAL

## Bulk Commodity Rail Transportation

*Many of the nation's member-owned utility power plants are dependent upon coal as a fuel for the generation of electricity. The cost of fuel at these power plants represents the second-largest expense after capital costs, and often, the rail transportation cost component of coal delivered to these plants is greater than the price paid for the coal at the mine. One of the main customer groups of member-owned utility power plants, America's farmers, also depend on rail shipments to move their grain and other bulk agricultural products to market, and along with other bulk commodity shippers, over the last decade have experienced unacceptable deterioration in the availability, quality and price of service provided by railroads. Shippers of bulk commodities, like grain and coal, are very often captive to the railroads because of their lack of economically viable transportation alternatives, and they are frequently captive to a single railroad either at the point of origin or destination, or both.*

*We believe that the Surface Transportation Board (STB) should be authorized and required by act of Congress:*

- *To establish trackage rights – within and for an appropriate distance outside terminals and interchanges – in order to encourage rail-to-rail competition, in cases where injury to competition can be shown or where service has been denied or is materially impaired;*
- *To establish reciprocal switching within, and for an appropriate distance outside of, terminals in order to encourage rail-to-rail competition where injury to competition can be shown or where service has been denied or is materially impaired;*
- *To require railroads that hold a customer captive to provide that customer a fair and reasonable rate for moving its traffic either to or from a competing railroad;*
- *In reviewing and conditioning railroad mergers, to affirmatively promote rail-to-rail competition where practicable and when it is in the public interest; to give strong weight to matching rates produced when actual rail-to-rail competition exists;*
- *To require carriers to timely respond to rate requests from a shipper when they are made, and the STB should be authorized to prescribe a maximum rate for a movement to a captive shipper so that the rate prescription is available when the shipper has to move the traffic;*
- *To set rail rates that provide fair and reasonable return on investment determined by the actual costs of the railroad to provide the requested service to any shipper where meaningful competition does not exist. Any rates so set should be subject to judicial review to determine that the cost upon which rates are based are supported by evidence in the record of the proceeding before the STB; and*
- *To authorize, when petitioned, the removal of agreement provisions that prevent short-line railroads from delivering traffic to any railroad.*

*NRECA opposes efforts by railroads to embed acquisition premiums into the regulatory rate base, artificially increasing rates for shippers without any appreciable benefit. The STB is the only federal agency that permits passing these premiums onto rate payers. Congress should adopt legislation excluding acquisition premiums from the regulatory rate base to protect shippers from higher rates.*

*We also believe that the statutory provisions that exempt railroads from the antitrust injunctive actions, as well as the judicially developed Keogh Doctrine that limits antitrust damage remedies, should be repealed by act of Congress.*

## Operation of the Nation's Inland Waterways

*The locks and dams on the nation's inland waterways are an integral part of the nation's transportation infrastructure. The waterway system has provided economic benefit beyond calculation for over half a century. However, the system needs to be modernized.*

*For example, the locks on the Upper Mississippi River Waterway system above Alton, Illinois are now 70 years old, well past their life expectancy of 50 years. The new Alton lock is a 1,200-foot lock capable of handling the modern 15-barge tow as a single unit. The old locks on the Upper Mississippi above Alton are 600-foot locks that require barge tows to be split to traverse each lock in sections, and to be reassembled after traveling through each lock. The lost time and efficiency has a direct transportation cost, and an indirect cost because the inefficiency allows the railroads to increase their rates. One barge tow can transport more than 20,000 tons of coal – about the same as the capacity of 870 semi-trucks. More barges mean fewer trucks and less congestion on our highways.*

*Low-cost transportation spurs industrial, agricultural and other economic development and facilitates our abundant supply of coal to offset the use of foreign oil and to move our agricultural products to market.*

*Waterways user fees were adopted to cover the costs of construction and rehabilitation of the system. We believe the imposition of more user fees would serve to increase the costs of goods shipped on the waterways, increase the cost of electricity, and decrease the competitiveness of agricultural products in the international market place.*

# POWER SUPPLY

## Distributed Energy Resources

*Distributed energy resources (DER) are assets that may provide electric cooperatives and member-owners an alternative to power generated by large, central-station power and they may otherwise impact the operation of the system. DER includes energy efficiency, distributed generation such as solar photovoltaic panels and combined heat and power, demand response, electric vehicles, energy storage and microgrids. The future of DER is an important issue for electric cooperatives. DER technologies are advancing rapidly and have the potential of bringing benefits and challenges to electric cooperatives and their member-owners.*

*Cooperatives support utility-operated demand response programs because such programs can improve cooperatives' load profiles, reduce their exposure to market risks, and lower costs for all member-owners on the system. Similarly, energy storage can help to overcome difficult technical problems caused by fast fluctuation of energy delivered to the grid from renewable resources. Energy storage is typically made up of, but not limited to: thermal storage; batteries; pumped hydro; compressed air; and fly-wheel technology. Remote communities sometimes have difficulty receiving power through an overloaded transmission system. Energy storage may allow them to purchase power at non-peak times at a considerable reduction in cost and have the power available for their communities at peak time without having to purchase it at expensive times on the transmission network. Electric cooperatives also support energy efficiency investments that benefit co-op members.*

*Electric cooperatives are encouraged to develop policies regarding end-user DER and engineering requirements, including safety, reliability, costs and rates, and coordinated and integrated on a G&T or regional market-wide basis where applicable. We urge NRECA to facilitate these discussions, keeping G&T and distribution cooperatives informed and educated on the latest issues.*

*Electric cooperatives support the responsible development of DER. Care must be taken, however, in the design of federal, state and local laws in order to preserve the safety, reliability, and affordability of energy services that cooperatives provide to their member-owners. As DER gains increasing market penetration, cooperatives and other utilities are facing a variety of technical, operational, policy, and economic challenges in integrating those resources into their systems. Federal and state programs that either mandate DER implementation or specific compensation and cost-recovery mechanisms can undermine cooperatives' ability to continue to affordably and reliably meet the needs of all members. Likewise, federal efforts, such as FERC Orders 719 and 841 and state efforts to allow retail member-owners and third parties to sell DER to other consumers or into markets, thereby bypassing cooperatives may result in degradation of system reliability, negatively affect long-range planning and the ability to provide affordable, reliable service to all members. Such efforts also can pose a threat to the viability of the cooperative business model and the G&T-member-owner relationship.*

**Development of a Plan to Meet the Fuel and Infrastructure Requirements of the New Natural Gas Fleet and Complying with Environmental Regulations**

*New natural gas-fired generation capacity continues to grow and to displace other fuel sources for electric generation, especially coal. The power industry's reliance on natural gas for generation will increase significantly due to the low cost of natural gas, coal plant retirements – which may be due to environmental regulations or market forces, and the intermittent nature of wind and solar generation which requires gas or other sources for back-up generation. This increased reliance on natural gas may create reliability risk if sufficient operationally flexible natural gas infrastructure cannot be constructed prior to the early plant retirements or conversions to natural gas.*

*Lead times to construct new facilities are longer than ever, and continue to face siting and construction challenges. According to the Energy Information Administration (EIA), an interstate natural gas construction project will take approximately three years from the time it is first announced until the new pipeline is placed in service. Large, complex projects can take even longer to complete. The timeline to identify a generation need, receive regulatory approval, and place the new generation in service can take between six and eight years. In addition, NERC has estimated that it can take up to 15 years to build a new 500 kV electric transmission line.*

*NRECA should work with industry stakeholders, legislators, and regulators to ensure that safe, reliable, and affordable electric service is maintained, taking into account the time required to develop the necessary new natural gas-fired generation and associated pipeline infrastructure.*

**Pipeline Rate Complaint Reform**

*As natural gas generation continues to increase as a share of our nation's energy portfolio, NRECA must work with other energy-related trade organizations, to ensure that natural gas rates charged by pipeline companies remain reasonable, which will assist cooperative utilities in maintaining fair and reasonable rates for their members.*

*Current law treats electric and gas customer unequally when it comes to the ability of FERC to protect customers from being over charged. Under both the Natural Gas Act (NGA) and the Federal Power Act (FPA), FERC has jurisdiction over complaints that existing rates (whether transmission or pipeline) are unjust and unreasonable.*

*Under the FPA, as amended, if a complaint is filed and FERC rules that the electric rate the customers have paid was unjust and unreasonable, FERC has the authority to set the new just and reasonable rate back to the date when the complaint case was filed. If the consumer complaint is successful, affected customers receive refunds (including interest) of the overcharge from that date.*

*FERC does not, however, have the same authority under the NGA as it has under the FPA to provide for reimbursement to a gas customer that has been determined to have been paying an unjust and unreasonable rate after a complaint has been filed. The gas customer will begin to pay the new just and reasonable rate only when FERC has concluded the complaint case, which means that the pipeline is able to retain all overcharges from the time the complaint is filed until it is finally resolved. This is likely to be a period of several years at best. And, under the current system, the pipelines have every incentive to prolong resolution of these cases as much as possible.*

*Even if a customer is willing to challenge a rate under the flawed system, it may be uneconomical for the overwhelming majority of customers. Complaint proceedings can cost between $500,000 and $1,000,000 per case, can take up to two years to resolve, and the only relief available from FERC is a prospective rate reduction. The pipeline would be permitted to keep all of the consumers' money that it over-collected from the time the complaint was filed until the complaint was resolved through a final FERC order. The current system virtually guarantees that pipelines are overcharging their customers despite the NGA mandate that pipeline rates be just and reasonable.*

*Because pipelines can continue to charge excessive rates without fear of refunds if such rates are found unjust and unreasonable, complaint proceedings by consumers are rarely initiated and, if they are, the pipelines use every technique at their disposal to prolong the proceeding to maximize the amount of overcharges they are allowed to keep.*

## Alignment of Gas and Power Markets

*During the winter of 2013-2014, a combination of extreme cold temperatures, snowfall, and wind, which persisted through January, February, and March and was popularly labeled the "polar vortex," challenged both the electric and natural gas industries to maintain reliable service. This challenge will be further exacerbated by the retirement of both coal and nuclear units over the next years, which increases dependency on natural gas.*

*There are both economic and operational disconnects that exist between the natural gas and power industries. These differences in industry processes create obstacles to optimal economic dispatch of gas-fired generators and could threaten the power industry's ability to maintain a reliable electric grid as dependence on flexible natural gas-fired generation grows in the future. Many NRECA members are actively engaged in industry processes to work on harmonizing the differences between natural gas and electric operations.*

## Fuel Mix, Including Renewables

*Constantly shifting energy, environmental and regulatory policies over the last half-century have affected the nation's mix of fuels used for electricity generation. This clearly demonstrates the need for a comprehensive, long-range national energy policy that encourages fuel diversity and the use of domestic fuels including oilfield-stranded gas, waste coal, coal bed methane, and power generated from renewable resources such as hydro, landfill methane, manure digesters, wind, solar, biomass, wood, geothermal, hydrokinetic, etc.*

*Electric cooperatives support efforts to facilitate the use of domestic coal, oil and gas resources, nuclear energy, renewables, as well as conservation, energy efficiency, and demand management, giving proper and appropriate recognition to the potential impact on the environment while also recognizing the positive impact of these resources on national energy security and the nation's economy.*

*Domestic Gas and Oil Resources. The United States imports of petroleum have fallen significantly in recent years, due to additional production domestically. Much of the oil we still import comes from sources that are subject to disruption, and we must continue to develop additional domestic petroleum resources if it is to continue to reduce dependence on foreign petroleum sources. National energy security depends upon the development of new and existing domestic oil and gas resources. Oil and gas production activities and cost impact the overall*

*national economy and natural gas in particular impacts the cost to generate electricity. Appropriate policies are needed to facilitate the exploration and determination of value of domestic oil and gas resources throughout the United States and its territories, including the Arctic National Wildlife Refuge and other areas, giving proper and appropriate recognition to the possible impact on the environment while recognizing the positive impact of resources on the national energy security and the nation's economy.*

*Clean Coal Technologies. Coal is one of America's most abundant natural resources, and accounts for a significant portion of electricity generated in the United States. Known coal reserves in the United States play an important role in our nation's energy needs for the foreseeable future.*

*Given our long-term commitment to the environment, cooperatives have been and will continue to be actively engaged in research and development of efficient ways to utilize coal and reduce emissions. The intermittent nature of most renewable resources necessitates that coal continue to be a valuable and important component of an increasingly diverse domestic fuel mix to help keep America energy independent for the generation of electricity.*

*We support the development of clean coal technologies and securing federal funding for such developments. We support a diverse energy policy that includes clean coal, and ensures that coal remains a viable low-cost domestic resource for the generation of electricity. Congress and the Administration should receive NRECA information on the economic impacts and technical feasibility of renewable energy generation and energy conservation to policymakers and the membership. Congress and the Administration should require the Department of Energy, EPA and other federal agencies to devise a comprehensive national energy policy based on fuel diversity that recognizes the use of all domestic resources and the reconciliation of energy and environmental objectives. Congress and the Administration should also ensure that any national energy policy provides appropriate funding for research and development and incentive to fully utilize domestic resources. These programs should be made available to all segments of the industry on an equitable basis.*

*Renewable Energy Development. The numerous interests advocating for increased development of renewable energy, coupled with the concerns of some advocates over the impact renewable energy sources have on endangered or protected species, have created public policy conflicts. There are a number of states that have policies requiring electric cooperatives to develop renewable energy and the transmission lines to move it to load centers. However, other policies make siting, financing and construction of renewable and transmission assets very difficult.*

*This has been particularly true in the case of siting new wind resources. For example, some wildlife advocates strongly believe that wind towers compromise avian and bat populations. In some cases, wind projects are being delayed and potentially derailed as federal agencies work at cross purposes. A similar trend is developing in regions without wind resources, where cooperatives have worked steadily to develop other renewable energy projects and associated transmission lines.*

*Indeed, any renewable project could face hurdles from laws and regulations that seek to protect a species. Cooperatives should not be left in the middle of competing policies, unable to progress on developing cost-effective renewable energy. Lawmakers should recognize and solve these dilemmas before considering renewable energy mandates or standards.*

*The Need for a Diverse Fuel Mix to Ensure Reliability. The changes in environmental regulations have been cited by many owners of coal-fired generating facilities as the reason for*

*their decisions to retire coal-fired units. Retirements of coal and nuclear facilities will place our nation's grid reliability at risk. Congress, FERC, EPA, and other federal entities need to address the drivers of potential coal and nuclear plant retirements, especially in light of those fuels' superior performance during the winter of 2014. The combination of current and potential environmental regulations and economic price signals results in a compelling reason to retire coal plants – and retirement is a costly and permanent action. Based on what is now known about the performance of coal and nuclear units during the 2014 "polar vortex," it seems certain that even if the units currently slated for retirement are replaced with natural gas capacity, removing these units from the grid will certainly compromise reliability.*

## Abandoned Mine Land Reclamation

*The Surface Mining Control and Reclamation Act of 1977, Public Law 95-87, imposes the Abandoned Mine Land fee on all coal produced in the United States. Proceeds from this fee are to be used to restore lands disturbed by coal mining prior to 1977. Effective October 1, 2012, each ton of surface mined coal is assessed at a rate of 28 cents per ton. Coal mined underground is assessed at 12 cents per ton and lignite at 8 cents per ton. These rates are effective until September 30, 2021.*

## Public Utility Regulatory Policies Act (PURPA)

*Section 210 of the Public Utility Regulatory Policies Act (PURPA) of 1978 requires utilities to interconnect with and sell back-up power to qualifying facilities (QFs), including certain renewable generators under 80 MW in capacity and certain cogenerators. PURPA also requires utilities to purchase energy that QFs make available to them at the utilities' "avoided cost," or the price that they would pay for power were they not buying it from the QFs. As implemented, PURPA imposes financial burdens on the electric utility industry that exceed any benefit that PURPA may provide. The development of competitive wholesale electricity markets, abundance of natural gas, and thriving renewable energy sectors all have contributed to this transformation. Requiring utilities, including cooperatives, to purchase power for which there may be no need and at prices set well above market artificially drives up the cost of electricity for all member-owners, imposes burdens on cooperatives, and is no longer necessary to support the development of renewable energy or cogeneration. While Congressional efforts to amend Section 210 to bring it more in line with the current electricity market are a step in the right direction. Congress should repeal Section 210 of PURPA in its entirety.*

## Renewable and Environmentally Favorable Energy

*Electric cooperatives support power developed from renewable resources that naturally replenish, utilize residual materials or recycle waste. Renewable resources range the gamut, including all hydro (low-head, high-head, and hydrokinetic), landfill methane, coal bed methane, geothermal generation, manure digesters, municipal solid waste, wind, solar, biomass, wood and others. Electric cooperatives also support power developed from environmentally favorable atypical fuels like waste coal, oilfield-stranded gas, gas derived from gasification of solid fuels, and other salvageable BTU resources if they are cost-effective domestic sources of energy that can be used to efficiently generate electricity while minimizing environmental impacts. Prudent*

*use of renewable and environmentally favorable resources could help the economies in parts of rural America and in certain areas have the potential to create value for cooperative member-owners and help put the nation on a course towards a sustainable energy strategy.*

*Ethanol and biofuels are also renewable resources for the transportation sector, and the industry has matured to become a significant source of fuel for the country. As demand for transportation fuel increases, the role of ethanol and biofuels will become more important in meeting that demand and helping the nation achieve energy independence. Moreover, electric cooperatives have added significant infrastructure to power ethanol and biofuels facilities. Those loads help to reduce costs for the membership as a whole.*

*Policy Goals. Resources native to one territory or region of the country may not be available in others, and the cost-effectiveness of renewable energy varies widely both among and within various regions of the United States. A federally mandated one-size-fits-all policy, such as a Renewable Portfolio Standard, will not translate into developing the most effective, thriving or dynamic use and application of the inherent resources that are available to different segments of this country and could produce disparate rate impacts.*

*The responsibility and the decisions on which renewable and environmentally favorable resources will best serve and benefit the majority of a cooperative's member-owners, should reside with that cooperative, working in close coordination with its power supplier.*

*We support the development of a national energy policy and legislation that will:*

- *Promote the responsible development and use of cost-effective renewable resources;*
- *Provide appropriate funding for research, development and demonstration projects for renewable and environmentally favorable energy and cutting edge technologies for coal, wind to hydrogen conversion and other energy resources;*
- *Include incentives to fully utilize domestic resources that are available to all segments of the industry on an equitable basis. Investor-owned utilities receive federal tax credits for the production of electricity using renewable resources. Rural electric cooperatives and municipals, being not-for-profit entities, cannot use these tax credits. If Congress extends or authorizes new tax credits, any legislation should include incentives for cooperatives equivalent to incentives provided for investor-owned utilities;*
- *Classify nuclear (existing, new, and incremental) as a renewable-equivalent resource if State and Federal Renewable Portfolio (or Energy) Standards were to be adopted;*
- *Classify demand-side management, energy efficiency, combined heat and power, waste-heat recovery, air source and geothermal heat pumps and hydroelectric power from projects, both large and small, existing and future, as renewable resources for state and federal Renewable Portfolio Standards and with respect to credits towards the provision of "green power" to members;*
- *Treat biomass generation resources in EPA GHG regulations as carbon neutral from a carbon-accounting standpoint;*
- *Not impose mandates on electric cooperatives if they would undermine local board control of power supply decision-making, threaten system reliability, or unduly raise the cost of electricity for members; and*
- *Not jeopardize the safe, reliable and economic operation of existing generating resources or cause environmental violations at existing generating resources.*

*NRECA is encouraged to educate federal policymakers about renewables and environmentally favorable energy and the policies and costs required to integrate such energy*

*into the electric grid. NRECA should also encourage all cooperatives to support research and development to promote the economic utilization of clean and renewable and environmentally favorable fuels. Further, NRECA should make available to policymakers and the membership accurate information on the economic and technical viability of renewable energy generation and energy conservation.*

*In addition to federal policies on the use of renewable resources, many members are expressing an interest in renewable energy and many states and local entities are also passing laws requiring or encouraging the use of renewable resources. Such laws and regulations frequently include tax and cash incentives for renewable resources, funding for research and development, state renewable portfolio standards, feed-in tariffs, net metering requirements, community benefits charges for renewable resources and many others.*

*While rural electric cooperatives support the responsible development and use of cost effective renewable resources, care must be taken in the design of these state and local laws in order to preserve the safety, reliability and affordability of power that cooperatives provide to their member-owners. Thus, cooperatives should work with their wholesale power suppliers, state association and state representatives to develop legislation that promotes the responsible and appropriate development and use of cost effective renewable energy in their states.*

*As renewable resources gain increasing market penetration, cooperatives and other utilities are facing a variety of technical, operational, policy, and economic challenges in integrating those resources into the grid. NRECA should study the best approaches to effectively integrate renewable energy resources into the electrical transmission grid in the most reliable, cost-effective, and equitable manner and should use that information to educate the membership, Congress, and the Administration.*

*In addition, rural electric cooperatives are encouraged to develop appropriate policies on member-owned generation, including renewable energy. These policies should include procedures and contracts for the safe and reliable interconnection of member-owned generation, rates for retail service to members with their own generation, and a policy governing the rates the cooperative will pay for energy produced by member-owned generation. Cooperatives are also encouraged to develop outreach programs to educate state policymakers, local communities and members about renewable and environmentally favorable energy and the policies and costs required to integrate such energy into the system consistent with each cooperative's obligation to provide safe, reliable, and affordable energy to member-owners.*

## Nuclear Power

*Nuclear power plants currently operating in the United States supply a critical portion of the electricity generated. In 2012, for the first time since the early 1980s a new plant with cooperative participation received a combined Construction and Operating License. Cooperatives are in the process of constructing new nuclear generation and are considering other nuclear generation options for the future.*

*Additionally and importantly, nuclear power plants contribute greatly to reduction of carbon dioxide emissions. Also, the nation's nuclear power plants have continued to operate with increasing availability and safety, substantially contributing to keeping fuel costs for the generation of electricity as low as possible. We also have the technical ability to reprocess used nuclear fuel either for long term storage or reuse in advanced molten salt reactors.*

*As a consequence, we urge NRECA to undertake appropriate federal legislative and regulatory initiatives designed to:*

- *Ensure development of federal policies to ensure existing generation I and II nuclear generating plants will continue to provide clean, reliable, safe and affordable electricity, and to facilitate the appropriate expansion of and investment in the next generation of new nuclear power plants;*
- *Provide regulatory certainty in the timely permitting and approval of new nuclear plant construction;*
- *Ensure that cooperatives have the right to participate in the next generation of nuclear facilities, that RUS will have/make appropriate funding available for same, and that energy legislation, including climate change legislation with nuclear provisions, includes cooperative nuclear incentives comparable to those extended to IOUs and municipals;*
- *Appropriately increase funding of research, development and demonstration of clean, safe advanced nuclear technologies, including contributing federal funds for construction of the initial round of generation III+ nuclear generating facilities, and support for research and development of advanced generation IV nuclear technologies – such as the passive safe molten salt reactor that may would be able to reuse spent lightwater reactor fuels or operate on fresh thorium fuel;*
- *Adequately fund the Department of Energy loan guarantee program and ensure that cooperatives, including those that have or intend to obtain undivided interests in jointly owned nuclear units, have access to the loan guarantees;*
- *Support the development of scalable, modular nuclear technology including federal support to move this technology to commercial availability and accelerate federal regulatory approval for licensing and operation.*
- *We urge our federal government to develop a strategic plan to accomplish the above including timing, dates and accountability.*

**Spent Fuel and Nuclear Waste**

*We have the technical ability to reprocess nuclear fuel. We urge NRECA to undertake appropriate federal legislative and regulatory initiatives designed to:*

- *Ensure the Department of Energy takes timely delivery and ownership of the spent nuclear fuel that it is obligated by law and contract to receive;*
- *Ensure timely construction and operation of a permanent National Repository for High Level Radioactive Waste by properly funding the project through release of sufficient consumer-contributed monies from the $25 billion-plus federal Nuclear Waste Fund;*
- *Support private and public interim storage facility proposals to provide additional flexibility for storage of spent fuel;*
- *Support the reprocessing of spent nuclear fuel in order to pursue the ability to more efficiently utilize the energy contained therein and reduce the spent fuel storage volume.*

## Wholesale Power Contracts

*The wholesale power contract between distribution systems and generation and transmission (G&T) systems constitutes the primary security for G&T loans. When this contract is threatened, the viability of the G&T is likewise threatened. In addition, the contract protects the G&Ts' distribution members who could be adversely impacted when premature termination of the wholesale power contract is attempted. There are several ways these power contracts could be endangered, including buyouts, sellouts, bankruptcies, restructuring proposals, and other activities that may unduly shift costs and risks between the members of a G&T without providing the system with offsetting value. Depending on the circumstances surrounding a particular threat to a wholesale power contract, the Rural Utilities Service (RUS), NRECA, the National Rural Utilities Cooperative Finance Corporation (CFC), and other secured or unsecured creditors may have the opportunity to intervene to protect the sanctity of the wholesale power contract. It is of paramount importance that the contract be protected and enforced.*

## Electric Industry Restructuring

*In any discussion of electric industry restructuring, there are certain critical requirements:*

- *All member-owners must be treated equitably.*
- *When stranded costs are to be recovered, they should be recovered in a competitively neutral manner, without placing an undue burden on certain groups of member-owners.*
- *All energy providers – not just utilities – must be subject to the same standards as utilities.*
- *All member-owners must have universal access to affordable electric service.*
- *Reliability and safety must not be jeopardized.*
- *Exclusive distribution service areas must be maintained to avoid duplication of electrical facilities.*
- *There must be a transition and educational period if consumer choice or other significant restructuring policies are implemented.*
- *Restructuring should not operate to divest retail end use member-owners of rural electric cooperatives of their ownership interest in and control of their distribution, generation and transmission cooperatives either by restricting the rights of distribution cooperatives to provide services to their retail end use member-owners, or otherwise.*

*As member-owned utilities, we are concerned by efforts on both the state and national levels to restructure the electric utility industry without providing appropriate safeguards for all member-owners. Without such safeguards, these efforts may result in degradation of system reliability, negatively affect long-range planning and the ability to provide reliable service to remaining ratepayers at reasonable cost. Such efforts, whether on a state or national level, threaten to damage both member-owners and their cooperatives.*

# ENERGY MARKETS

## Market Power

*Federal and state regulators including the U.S. Department of Justice (DOJ), the Federal Trade Commission (FTC), the Commodity Futures Trading Commission (CFTC), the Federal Energy Regulatory Commission (FERC), and the Securities and Exchange Commission (SEC) should exercise their statutory authority, including authority under the antitrust laws, the Federal Trade Commission Act, and the Federal Power Act, to prevent the accumulation, consolidation and abuse of market power in the energy industry. We further urge NRECA to call on the federal agencies to deny approval for mergers and consolidations of electric and other utilities or transfers of assets by jurisdictional public utilities that would lessen competition in the electric industry. The burden should be on merging utilities or those transferring assets to prove that their proposed transaction would not lessen competition in the marketplace, thus not harming consumers.*

*NRECA should call on the DOJ, FERC, FTC, CFTC, and the SEC to enforce their rules that protect consumers from manipulation of market prices, which is damaging to the economy. Similar rules already apply to stock markets and commodities markets, both of which have limits to protect the economy of the nation. Safeguards should be developed in wholesale electric markets by those regulatory bodies already empowered to do so.*

## Wholesale Market Design

*We believe that wholesale energy markets should be designed to not add unreasonable costs and to ensure that all cooperatives have the ability to meet their member-owners' long-term power supply needs reliably. To the extent that they promote that goal, NRECA supports voluntary effective competitive wholesale markets, open transmission access, transparency, construction of new transmission infrastructure, and elimination of undue market power.*

*In regions with RTOs, we urge FERC to ensure that any wholesale market design will:*

- *Not increase the delivered cost of energy to native load without clearly demonstrating that offsetting benefits will exist;*
- *Maintain power system reliability;*
- *Improve access to transmission service;*
- *Increase wholesale market choices;*
- *Allow Load Serving Entities to self-supply generation for their load and ancillary services for their members if they wish to;*
- *Increase price transparency, generation and transmission planning transparency, and other process transparency;*
- *Encourage needed transmission construction;*
- *Address seams between RTOs and seams between balancing area authorities; and*
- *Mitigate wholesale market power.*

*Ultimately, any changes proposed to the regulatory structure must benefit and protect all consumers and should not impose unjustly high costs on them. Consistent with the unique relationship between cooperatives and their member-owners, wholesale market structures must not diminish the ability of cooperatives to serve native load at reasonable costs/rates.*

*We believe that effective wholesale markets, open access to the transmission system, and transmission system reliability cannot be achieved unless the industry is able to: build the*

*transmission needed to serve consumers reliably and economically; build it at a reasonable cost that is fairly allocated among consumers; and provide load serving entities fair and open access to that transmission in a manner that allows the Load Serving Entities to serve their consumers over the long term.*

*We believe that, among other things:*

- *Wholesale market structures should not increase FERC jurisdiction over cooperatives, either directly or through reciprocity;*
- *Cooperatives should not be discriminated against if they allow their facilities to be operated by independent transmission providers;*
- *Implementation costs should be minimized;*
- *Adequate long-term physical and financial transmission rights should be reserved for load serving entities including cooperatives;*
- *Regional variations should be allowed when needed for cooperatives and other load serving entities to continue providing low cost and reliable service to their members;*
- *Locational marginal pricing (LMP) should not be implemented unless the affected region has adequate generation and transmission infrastructure and sufficient wholesale competition to support LMP;*
- *If LMP is adopted in a region, adequate long-term financial transmission rights must be reserved for load serving entities including cooperatives, which should not be required to participate in auctions in order to obtain on an ongoing basis the portfolio of financial transmission rights they need to hedge transmission service to their loads; and*
- *FERC should not undermine the RTO scope and configuration requirement in Order No. 2000.*
- *In RTO-administered centralized capacity markets, Load Serving Entities such as cooperatives should first be able to meet their power-supply requirements through voluntary measures such as resource ownership and long-term bilateral contracts – i.e. self-supply their resources – and then turn to the RTO market for residual needs; By themselves, centralized forward capacity markets are inadequate substitutes for the multi-attribute, long-term resource planning practiced by cooperatives on behalf of their member-owners.*

## Financial Regulation

*The financial interests of cooperatives need to be protected as the derivatives markets and potential regulations develop. We believe that the cost to comply with derivative regulations promulgated by the Commodity Futures Trading Commission and others disproportionately impacts our membership compared to other market participants. It is therefore imperative that NRECA proactively address existing and proposed regulations that would result in cost increases for our members.*

# ENVIRONMENTAL

## Greenhouse Gas Emissions

*Many national and international policymakers, industries and environmental groups focus on and continue to work to develop policies intended to manage human contributions of greenhouse gas to the atmosphere in order to address climate change concerns. Because coal remains an important part of the nation's overall electric production (including a significant portion of cooperatives' self-generated power), the NRECA membership has a keen interest in proposals to manage greenhouse gas emissions.*

*Policies to address climate change can have substantial impacts on electric cooperative member-owners; therefore, it is in the interest of all cooperatives to be actively engaged in the debate over sensible climate change policies. NRECA supports the goal of reducing carbon emissions in the United States, but believes the goals and approaches taken should be data driven and should minimize the economic impacts of government action on electric cooperatives.*

*CCS and CCU Technologies. Developing cost-effective technologies to capture and sequester carbon dioxide from power plants has been identified as a critical research and development need to address concerns about climate change. Electric cooperatives are actively engaged with efforts to make carbon capture and sequestration (CCS) and carbon capture and utilization (CCU) technology a viable choice. In order to solve the technological challenges that prevent CCS and CCU from becoming a reality, we must ensure that cooperatives can effectively mitigate their financial risks along a lengthy and complex transaction chain and a stable regulatory environment.*

## Invasive Species

*Invasive species present a host of challenges to ecosystems across the country. Some are particularly threatening to hydropower generation and thermal power plants that use river or reservoir water for cooling. For example, two species of mussels currently pose a serious threat to power generation. These invasive aquatic species attach themselves to hard surfaces, such as ships, fishing boats, dams, pipes and instruments, and can also move about in water as larva. They tend to multiply quickly to form dense colonies inflicting economic hardship on the regions they invade. Zebra mussel-related impacts just to drinking water and power plant facilities in the Midwest and East because of system retrofits and increased maintenance are estimated to be hundreds of millions of dollars.*

*Quagga mussels (dreissena bugensis) were first detected in the Western United States at Lake Mead in January 2007. This destructive aquatic invasive species has spread into the states of Nevada, California, Arizona, Utah, and Colorado. These Western states now face implementing multimillion-dollar control and mitigation programs to protect their water systems, irrigation and hydropower infrastructure. Moreover, these invasive mussels can be unknowingly spread by contaminated recreational watercraft.*

*Invasive species can be found in every type of habitat. In addition to aquatic invasive species, they can be found on land - specifically on croplands, rangelands, fields and forests within electric cooperative service territory. According to the National Invasive Species Council (established by Executive Order 13112 in 1999), invasive plants can increase the severity and frequency of wildfires, cause erosion, negatively alter the amount of nutrient in soils, and as a*

*function of withdrawing water from deep in the soil – reduce the amount available for other uses.*

*One example of a land-based invasive species that has had an outsized effect on electric cooperative line crews is giant hogweed. Found inside a thick, purple stem, the plant's sap is dangerous when it contacts human skin. Mixed with the sun's rays - common work conditions for line crews - chemicals in the sap cause severe burns and blistering. Giant hogweed grows along railroads, roadsides, rights of way, stream banks and uncultivated waste lands. Co-op safety directors continue to urge caution regarding this noxious plant.*

## Federal Clean Air Regulation

*NRECA should advocate regulatory programs that incorporate the following principles:*

- *All regulations should meet their environmental goals in a most cost-effective manner, should incorporate provisions that minimize economic impacts on the electric consumer, allow utilities as much flexibility and local control as possible, recognize the need to provide economic and reliable electric power, and consider the regulatory effects on emerging competitive electricity markets.*
- *Specific programs to address pollutants commonly associated with coal-based electric generation such as sulfur dioxide (SO2), nitrogen oxides (NOx), fine particulate matter (PM2.5), and mercury should avoid overlapping and potentially conflicting requirements and should include provisions that provide adequate timelines and reasonable certainty regarding the installation of additional pollution controls and the imposition of other mandates.*
- *The New Source Review Program should make clear that physical and operational changes at existing generating facilities to maintain reliability or increase efficiency are excluded from new source review requirements.*
- *Regulation of existing sources for CO2 and other GHGs should fall within the limited authority given in the enabling regulatory statute, and should not usurp the role of Congress in setting policy.*
- *EPA should not be permitted to double count environmental and health benefits arising from different environmental regulations such as using the co-benefit of reducing fine particulate emissions (which are already regulated under the National Ambient Air Quality Standards) to justify the regulation of the Utility Mercury and Air Toxics standard.*
- *Programs to address regional ozone non-attainment and regional haze visibility impairment should fully recognize state flexibilities inherent in the State Implementation Plan (SIP) process by allowing states the options to define and enact programs to achieve "reasonable progress" and "best available retrofit technologies" for regional haze. States that comply with the Cross State Air Pollution Rule (CSAPR) should be given full credit for regional haze compliance.*
- *Programs and policies of the Federal Land Managers (FLMs) to "protect air quality related values" (AQRVs) as required under the CAA should be revised to be consistent with CAA provisions, including the limited FLM authorities to regulate and the specified burdens of the regulated to demonstrate CAA compliance.*
- *Programs or plant projects required to reduce traditional criteria pollutants (NOx, SOx, PM) that increase plant heat rates and drive up CO2 emission rates and/or*

*trigger New Source Review should be reconciled to accommodate the conflicting goals of each rule. Each EPA program should account for the impacts of one rule on another when issuing compliance guidance.*

## Superfund

*The Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA or Superfund) authorizes EPA to recover pollution cleanup costs from potentially responsible parties. The Superfund law makes broad categories of persons strictly liable for the costs of the cleanup. Also, it excludes from liability secured lenders, such as mortgage lenders, nonprofits, and government lending agencies, which hold collateral that is contaminated by hazardous substances.*

*Decisions by federal courts have narrowed the exclusion so as to deny protection or to create such uncertainty for secured lenders that virtually no secured loan can be assured to fall within the exclusion. Secured lenders now may be held retroactively liable, when exercising their right to foreclose on their security interest, for actions they have no ability to control and for sums vastly beyond the amount of their credit extension or collateral value.*

*The alteration of the intent of CERCLA has caused lenders to be less willing to make loans secured by certain types of properties or facilities. Small businesses in rural areas and farmers could face increasing difficulty in obtaining financing needed to survive or expand. The stability of rural economies impacts directly on the ability of our rural electric systems to continue to provide quality electric service.*

*Superfund reform is needed. The reauthorization of the federal Superfund law begins amid growing consensus that the program has failed to achieve its original goal of cleaning up the country's worst hazardous sites. Billions of dollars have been spent on Superfund since enacted in 1980, yet only a small percentage of the nation's most hazardous sites have been completely cleaned up.*

*Current Superfund law assesses liability for acts done years ago. The liability is imposed indiscriminately as to fault. Activities done by a cooperative in good faith, according to accepted standards and practices, can decades later be the source of liability for indeterminate sums of millions of dollars. The liability is retroactive and is joint and several among all potentially responsible parties without regard to fault and without any guidelines as to proper division of costs. The current system allows EPA to arbitrarily single out parties to be held responsible. The ability of EPA to force one party to do a cleanup only postpones the inevitable litigation as that party seeks out others to share the cost through the courts. Instead of being a tool for EPA to encourage cooperation, joint and several liability is a disruptive force encouraging inefficiency and prolonged litigation.*

## Endangered Species

*The Endangered Species Act (ESA) of 1973, the landmark environmental law designed to protect endangered and threatened animal and plant species, is subject to reauthorization by Congress. Given the state of the economy, the security of the United States and the effects on rural communities within the United States, we urge Congress to take up consideration of the reauthorization.*

*Likely to be addressed in the authorization process are procedural changes and refinements to make the Act more efficient and effective, and less costly. Part of this debate will focus on finding the proper balance for the accommodation of essential economic activities. The U.S. Fish and Wildlife Service is under court order to consider close to 250 species and already several of those proposed listings will threaten the ability for utilities to construct and maintain facilities.*

*With respect to amendments and refinements, we believe Congress should consider the following:*

- *Good Science: The law requires that every ESA action is to be based on scientific information on a species or its habitat. To ensure fair and sensible decision-making this scientific information must be current, accurate and as thorough as possible. Scientific information can be improved by requiring minimum scientific standards and fair and impartial peer review.*
- *Citizen Participation: Private citizens and communities – especially those directly affected by conservation decisions – should have a greater stake and a more prominent role during the ESA decision-making process. The Act should provide for earlier and more meaningful opportunities for citizens to participate, more citizen involvement in recovery plans, and a more prominent role in the consultation process for applicants for federal licenses and permits.*
- *Equal Access to the Courts: Federal courts have refused to review ESA claims filed by parties asserting economic or social interest. Rather, these courts grant standing to file an ESA "citizen suit" only to environmental advocacy groups and others suing on behalf of a species and allow for recovery of legal expenses incurred in the suit. Automatic recovery of legal expenses incurred by environmental advocacy groups incentivizes suits. This unequal treatment must be eliminated; there should be a fair and even-handed opportunity for both sides to bring actions under the law.*
- *Incentives to Conserve Habitat: The Act should be amended to provide incentives for property owners to conserve, rather than destroy, habitat and to provide regulatory certainty to property owners who voluntarily participate in conservation plans.*
- *Shared Burdens: The ESA itself calls for "encouraging" states and private parties through a system of incentives to implement a program to conserve fish, wildlife and plants "for the benefits of all citizens." Contrary to this statement, however, ESA implementation often has placed the burdens of conservation disproportionately on private land owners, small and rural communities and the employees of resource-based industries. ESA actions have resulted in the loss of property, jobs, agricultural industries and federal and state revenues. If all citizens benefit from species conservation, then all citizens should bear the costs even-handedly.*
- *Cost Effective Recovery Plans: Recovery plans are expensive to implement. Many of the costs are the direct expenses and lost opportunities of private parties and state and local governments. Costs to all parties should be minimized by requiring implementation of the least costly recovery plan that would achieve the recovery of the species.*
- *Homeland Security: Congress has identified our dependence on foreign oil as a Homeland Security issue. In this regard, consideration of actions pursuant to ESA should consider the economic and Homeland Security impacts of listing a species on the nation's domestic energy production.*

*The 2017 Department of the Interior solicitor M opinion reversed the previous Administration's opinion that had asserted that accidental electrocution or death by collision of raptors and migratory bird species was a deliberate 'taking.' We support this approach as it is impractical and prohibitively expensive for lines, poles and aerial equipment to be converted to underground or to be retrofitted to mitigate or eliminate impact to avian species. Balance is needed in the federal government's approach to preserving wildlife at the expense of serving our human population with the most basic of necessities – affordable electric power.*

## Social Cost of Carbon

*An externality is a cost or benefit which results from an activity or transaction and which affects an otherwise uninvolved party who did not choose to incur that cost or benefit. Estimates of environmental externalities are ambiguous and arbitrary, and can artificially skew policy analyses and consequent decisions. While we support recent changes to narrow the scope in the valuation of the Social Cost of Carbon (SCC), we encourage NRECA to track and oppose any efforts that expand, or improperly skew the cost-benefit ratio of the SCC in rulemaking.*

*We further encourage NRECA to fully investigate the SCC to avoid inaccuracies in computations and encourage NRECA to make this important issue the subject of member education at regional and annual meetings.*

## Clean Water Act Regulatory Implementation

*The Environmental Protection Agency under the authorization of the Clean Water Act is required to routinely review regulatory programs. Often the reviews result in new requirements on facilities, including plants owned by electric cooperatives, to upgrade pollution control equipment and reduce or mitigate impacts on aquatic resources caused by power generating facilities.*

*They should minimize economic impacts on electric consumers, they should recognize the need to provide economic and reliable electric power and they should consider regulatory effects on emerging competitive electricity markets. To this end, NRECA should advocate legislative and regulatory programs that incorporate these principles.*

*In particular, NRECA is concerned about and working to minimize burden on members arising from the EPA's and Corps of Engineers' broad definition of Waters of the United States.*

*Electric cooperatives support water legislation and regulations that strike a reasonable balance between environmental protection and other member-owner interests.*

## Solid Waste and Hazardous Waste

*In the course of normal business operations, rural electric cooperatives manage and dispose of a variety of materials that are regulated by several different environmental statutes. The statutes of primary importance in this area are:*

- *Resource Conservation and Recovery Act (RCRA)*
- *Toxic Substances Control Act (TSCA)*
- *Comprehensive Environmental Response Compensation and Liability Act (CERCLA or Superfund)*
- *Federal Insecticide Fungicide and Rodenticide Act (FIFRA)*

- *Hazardous Materials Transportation Act (HMTA)*
- *Emergency Planning and Community Right-to-Know Act (EPCRA)*
- *Pollution Prevention Act (PPA)*
- *Chemical Facility Anti-Terrorism Standards (CFATS)*

*Changes to these laws and regulations can increase the costs of managing and disposing of solid wastes and hazardous materials.*

*NRECA should take all appropriate actions on any new controls on solid waste disposal, and any new controls on hazardous or toxic material management to insure protection of the environment while employing scientifically sound and cost-effective methods. New requirements should incorporate provisions that minimize economic impacts on the electric consumer, allow utilities as much flexibility as possible, recognize the need to provide economic and reliable electric power, and consider the regulatory effects on emerging competitive electricity markets. To this end, NRECA should advocate legislative and regulatory programs that incorporate these principles on the following issues:*

- *Treated wood should continue to be available for use in utility transmission and distribution systems. Appropriate sales or donation programs for used wood products that notify buyers or users of the wood preservatives used should be maintained as an important option for managing used wood products. Used wood products should not have to be disposed of as hazardous wastes. Regulations for the wood preservatives commonly used by utilities – pentachlorophenol (penta), chromated copper arsenate (CCA) and creosote – should balance risks and benefits. EPA's risk assessments under FIFRA should continue to be the sole basis for regulating the use of these preservatives by utilities and they should continue as the basis for REC treated wood management practices.*
- *Coal combustion byproducts (fly ash, bottom ash and flue gas desulfurization materials) should continue to be used for beneficial uses and not be considered hazardous.*
- *Existing coal combustion impoundments closures should be permitted by delegated state agencies with maximum flexibility given for closure plans.*
- *EPA should not significantly modify existing polychlorinated biphenyl (PCB) regulations, should not regulate PCBs under the Resource Conservation and Recovery Act (RCRA) and should not impose new regulations on PCBs unless there is additional scientific evidence demonstrating PCBs are not adequately managed under the existing regulatory framework. Application of the PCB regulations should be standardized across all EPA regions. The regulations and time limits that apply to PCB equipment stored for reuse should incorporate maximum flexibility.*
- *Encourage broad exemption from penalties and exemption from fines for self-reporting.*
- *Strengthen compliance guidance to protect cooperatives from third party citizen suits.*
- *In keeping with the Cooperative Principle of Concern for Community, electric cooperatives support solid waste and toxic and hazardous material laws and regulations that strike a reasonable balance between environmental protection and other member-owner interests.*

## Fish, Wildlife, and Avian Mitigation

*In some areas of the country, the U.S. Fish and Wildlife Service (USFWS) has delayed approval of environmental portions of cooperative construction work plans until the cooperative agrees to take mitigation measures that are economically unreasonable or ineffective. In addition, USFWS requirements for protecting migrating birds are vague and vary by types of electric facilities and by region.*

*Electric cooperatives recognize the value of developing plans to address avian welfare concerns and the need to develop and implement avian action plans. NRECA should work with USFWS to make its rules and requirements for such work plans clear, reasonable, consistent, cost-effective and cognizant of regional differences in migratory bird patterns.*

*We acknowledge the responsibility of the users of hydroelectric power to help protect fish and wildlife and mitigate the impact upon them that results from the construction and operation of multipurpose water projects in a way which also provides for an adequate, environmentally sound, economical and reliable power supply. At the same time we are deeply concerned about the impact of these costs, operating uncertainties and a lack of accountability. For example, scientifically unsupported spill and flow regimes on the Columbia and Colorado Rivers have caused an enormous loss of generation with negligible benefits to fish.*

*Accordingly, we support:*

- *Scientifically based and cost effective programs whose costs are apportioned among all the beneficiaries of multipurpose projects, including state and federal governments;*
- *The reallocation of investment and operating costs for existing projects where there are changes in water releases that redirect the benefits;*
- *Direct participation of public power and electric cooperative interests in mitigation analysis and implementation efforts; and*
- *Cost effective measures must address all causes of endangered fish and wildlife mortality, not just hydroelectric operations.*

*We believe this will best ensure the long-term survival of threatened and endangered fish and wildlife population.*

# TRANSMISSION

## Western Area Power Administration Transmission Infrastructure Program

*The Transmission Improvement Program (TIP) was established in the Energy Policy Act of 2005 and funded under Section 402 of the 2009 American Recovery and Reinvestment Act (ARRA), which amended Section 301 of the Hoover Power Plant Act of 1984. The purpose of TIP was to support development of transmission projects designed to transmit renewable energy by the Western Area Power Administration (WAPA), by providing $3.25 billion in borrowing authority for transmission construction under the American Recovery and Reinvestment Act of 2009 (Recovery Act).*

*With only two projects completed under this program, the program has been underutilized, mainly because financing is not the primary impediment to transmission development. The TIP program and authority should be eliminated and any unspent funds should be rescinded.*

*By design, TIP was intended to support the development of electric power transmission lines with at least one terminus within WAPA's service territory for the express purpose of delivering power generated by renewable energy resources owned and operated by third parties. As such, the TIP program greatly expanded WAPA's mission and created the new and unprecedented role of banker for independent transmission projects. However, in the years since the passage of the ARRA, only two projects have been completed. Since its inception, the program has made less than $300 million in total loans to two transmission projects. As of fiscal year-end 2017, the program held less than $100 million in outstanding loan balances owed to the Department of the Treasury. The need for an independent federal financier of large scale transmission projects to transmit renewable energy has not been demonstrated.*

*Notwithstanding the completion of only two projects over a nine-year period, WAPA continues to promote TIP. WAPA's preference customers have ensured repayment of the federal investment (plus interest) for many decades to support federal power projects and the related electric transmission facilities to deliver that federal preference power. That repayment obligation should not be extended to include repayment of costs incurred by third party borrowers for speculative transmission projects.*

*We urge NRECA to support the elimination of TIP, its underlying authority, and the rescission of any unspent TIP funds.*

## Transmission Planning and Cost Allocation of High Voltage Transmission Facilities

*Electric cooperatives support necessary construction and modification of high voltage transmission facilities (typically 230 kV and above). We believe any federal legislative or regulatory activities to advance such facilities should include the following principles:*

- *Transmission planning should focus on the needs of Load Serving Entities (LSEs) and the ultimate load they serve.*
- *Regional and inter-regional high voltage transmission facilities should be the result of an open, inclusive and collaborative Order No. 890 transmission planning process, in which all potentially affected parties have had an opportunity to participate.*
- *High voltage transmission facilities should be planned to deliver all forms of affordable generation including, but not limited to renewable generation.*

- *Voluntary planning regions established in accordance with Order No. 890 planning principles should be given latitude, consistent with the just and reasonable standard in Federal Power Act Section 205, to determine the range of reliability and economic benefits that should be considered in allocating costs of high-voltage transmission facilities. Individually or in coordination, those planning regions should be permitted to allocate appropriate costs of such transmission facilities to their consumers if they ensure that LSEs are not solely or unduly burdened with the costs of new transmission facilities that others may benefit from as well.*
- *Absent such inter-regional agreement, costs of high-voltage inter-regional transmission facilities should be allocated among those entities that benefit initially and over time and are taking service from the transmission providers imposing the charge. Such benefits should be tangible and non-trivial, related to the reliable and economic delivery of power to consumers, and at least roughly commensurate with allocated costs. Cost allocation should not be based on a top-down (non-Order No. 890) process.*

**Federal Siting, Permitting, Eminent Domain and Private Property Rights**

*During the debates over the Energy Policy Act of 2005, some proposed to grant the Federal Energy Regulatory Commission (FERC) the same plenary authority over the siting of interstate transmission that they have over interstate gas pipelines. While recognizing that there were instances in which added federal authority would be useful, NRECA's members did not support fully pre-empting existing state authority over the siting of transmission facilities. Rather, the members concluded that with the rights of permitting, siting and eminent domain authority comes the responsibility for serving the public interest, and that in most instances, the states were in a better position to protect the public interest. For that reason, they directed NRECA to oppose the granting of federal eminent domain unless:*

- *It is used solely to create an interstate high voltage transmission grid that will help utility systems meet their obligations to the states and their customers; and*
- *The facility for which federal permitting, siting, or eminent domain authority is sought has been specifically reviewed and determined by an RTO-led or other appropriate multi-state regional planning process to be necessary for the reliable and/or economic operation of the regional transmission grid and thus provides benefits to member-owners within the region.*

*The members further urged the federal and state governments to carefully evaluate laws and proposed regulatory or administrative actions that may result in a governmental taking of private property and supported constitutional protection of private property rights and just compensation for a taking.*

*There continue to be discussions at the federal level about the best ways to enable the construction of interstate transmission facilities required to facilitate the construction of large amounts of remote renewable energy, required to reduce transmission congestion on the interstate transmission grid, and required to maintain reliability.*

**Federal Energy Regulatory Commission Jurisdiction**

*Part II of the Federal Power Act is the main federal statute providing for regulation of the electric utility industry in the United States. These provisions were enacted in 1935 and have been amended in larger energy bills several times since. But the key provisions of the 1935 statute remain unchanged. In 1977, the Federal Energy Regulatory Commission was created and given responsibility to administer most of the Act. (A few provisions are administered by the Secretary of Energy.)*

*Part II of the Act provides for FERC regulation of (1) the transmission of electric energy in interstate commerce and (2) the sale of electric energy at wholesale in interstate commerce. This gives FERC regulatory control of all interstate transmission and wholesale sales in the lower 48 states, except for the part of Texas in the Electric Reliability Council of Texas, where the state commission retains authority over transmission and wholesale sales.*

*An important principle underlying Part II of the Federal Power Act is preserving state and local regulatory jurisdiction over important parts of the utility industry. Congress enacted Part II of the Act to curb abusive practices of investor-owned public utility companies by bringing them under effective control and to provide for federal regulation of already expanding interstate commerce in electric power. But Congress intended to preserve state regulation of electric utilities, and wrote into the statute that "Federal regulation, however, [is] to extend only to those matters which are not subject to regulation by the States."*

*Accordingly, the provisions of Part II apply only to interstate transmission and wholesale sales and not to any other sale of energy. All retail sales are left to state or local regulation.*

*Similarly, FERC has jurisdiction over facilities for interstate transmission and wholesale sales, but it has no jurisdiction over facilities for generation, local distribution, intrastate transmission, or transmission of electricity consumed wholly by the transmitter. These facilities are left to state and local regulation.*

*Part II of the Act also excludes certain entities from FERC regulation. An owner or operator of facilities subject to FERC jurisdiction under Part II of the Act is called a "public utility." Public utilities include traditional investor-owned electric utilities, independent power producers, power marketers, independent transmission companies, independent system operators ("ISOs"), and regional transmission organizations ("RTOs").*

*Section 201(f) of the Act excludes several types of entities from FERC regulation as public utilities:*

- *Federal utilities (such as the power marketing administrations and the Tennessee Valley Authority)*
- *Public power utilities run by states or municipalities*
- *Electric cooperatives that receive financing under the Rural Electrification Act of 1936 or that sell less than 4,000,000 megawatt-hours of electricity per year*
- *Any agency, authority, instrumentality, or wholly owned subsidiary of any of the above.*

*These excluded utilities, including most cooperatives, are principally regulated under other federal or state laws. Only specific provisions of Part II of the Act apply to them, as noted below.*

*The key provisions of Part II of the Act are sections 205 and 206, which apply only to public utilities (and not to section 201(f) entities). Under section 205, all public utility rates for FERC-jurisdictional transmission and wholesale sales must be "just and reasonable." Public utilities must file these rates with FERC and any change in rates so that FERC can review them*

*to determine if they are just and reasonable. Under section 206, FERC can order changes to an existing public utility rate: if FERC finds, either on complaint or its own initiative, that a public utility rate or "any rule, regulation, practice, or contract affecting such rate," is "unjust, unreasonable, unduly discriminatory or preferential," then FERC must establish the just and reasonable rate, and can order refunds from the date of the complaint or FERC notice initiating the section 206 proceeding.*

*Because section 206 does not apply to section 201(f) entities, federal courts have held that FERC cannot order section 201(f) entities to provide refunds of rates and charges for wholesale sales or transmission service.*

*The statute does not define just and reasonable or undue discrimination. Courts have given FERC broad discretion in implementing these requirements, enabling FERC to adapt the statute to changing industry conditions over the last 80 years. Thus, in Order No. 888 in 1996, to remedy pervasive undue discrimination in transmission service FERC used section 206 to order all public utility transmission providers to file open access transmission tariffs and unbundle transmission service from wholesale sales. The rates, terms, and conditions for such unbundled transmission service were required to be "comparable" to the transmission service the public utility essentially provided to itself when making bundled retail sales.*

*Because section 201(f) entities are not subject to section 206 orders, FERC could not require them to file such tariffs or unbundle their services. So FERC imposed a "reciprocity" condition in public utility open access tariffs—by taking service, a transmission customer agreed to provide transmission service to the transmission provider. A transmission customer could satisfy this obligation in one of three ways: (1) by adopting its own open-access transmission tariff (and even filing it with FERC voluntarily, which would review it, and if approved, would become a "safe harbor" against claims that the reciprocity condition was not being satisfied); (2) provide transmission service to the transmission provider under a bilateral contract; or (3) obtain a waiver of the reciprocity condition.*

*Despite the exclusion of section 201(f) entities from the most important regulatory provisions of Part II of the Act, later-added specific sections of the Act apply to otherwise-excluded electric cooperatives, including the following sections:*

- *Section 211 (added in 1978) authorizes certain entities to apply for, and FERC to grant, an order requiring a "transmitting utility"— including a section 201(f) entity that owns, operates, or controls transmission facilities used for transmission in interstate commerce for wholesale sale—to provide wholesale transmission service on a case-by-case basis.*
- *Section 211A (added in 2005, and informally called "FERC Lite") allows FERC to compel transmission service by an "unregulated transmitting utility," which is defined as a section 201(f) entity that "owns or operates facilities used for the transmission of electric energy in interstate commerce." Under this section, FERC may require an unregulated transmitting utility to provide transmission service "at rates that are comparable to those that the unregulated transmitting utility charges itself" and "on terms and conditions (not relating to rates) that are comparable to those under which the unregulated transmitting utility provides transmission services to itself and that are not unduly discriminatory or preferential." These requirements do not apply to facilities used in local distribution. Moreover, FERC must exempt from any section 211A orders an unregulated transmitting utility that (1) sells no more than 4,000,000 megawatt hours of electricity per year; (2) does not own or*

*operate any transmission facilities that are necessary for operating an interconnected transmission system (or any portion of the system); or (3) meets other criteria FERC determines to be in the public interest. FERC can revoke such exemption if it finds, after an evidentiary hearing, that the exemption "unreasonably impairs the continued reliability of an interconnected transmission system."*

- *Section 215 (added in 2005) gives FERC authority to approve and enforce mandatory reliability standards for the nation's bulk power system. The bulk power system includes facilities and control systems to operate an interconnected transmission network and electric energy from generating facilities. The bulk power system excludes facilities used in local distribution. The mandatory reliability standards apply to, and FERC has jurisdiction over, all owners, operators, and users of the bulk power system, which includes section 201(f) entities.*
- *Section 221 (added in 2005) provides that no entity, including a section 201(f) entity, shall knowingly report false information relating the price of electricity sold at wholesale or the availability of transmission capacity to a federal agency with the intent to fraudulently affect the data being compiled by the agency.*
- *Section 222 (added in 2005) makes it unlawful for any entity, including a section 201(f) entity, to directly or indirectly use any manipulative or deceptive device or contrivance in connection with the purchase or sale of electric energy or the purchase or sale of transmission services subject to the jurisdiction of FERC, in contravention of rules and regulations in the public interest or protecting electric ratepayers.*

*NRECA has endeavored to preserve the statutory limits on FERC's jurisdiction over electric cooperatives. Nonetheless, with the restructuring of the electric industry and the introduction of RTOs and ISOs, FERC-regulated public utilities and other parties have sought to extend FERC's regulation of cooperatives. This has resulted in FERC actions such as:*

- *Section 206 orders initiating rate investigation of all transmission owners in an ISO or RTO, including section 201(f) excluded cooperatives;*
- *Section 206 orders requiring a cooperative, if it becomes a transmission owner in an ISO or RTO, to agree by contract with the ISO or RTO to provide refunds on the same basis as a public utility transmission owner;*
- *A section 206 order requiring an excluded cooperative that is a transmission owner in an ISO to file a separate tariff for local transmission service that is not provided by the ISO;*
- *A declaratory order that a state or local regulatory authority (including a cooperative board) cannot bar, restrict, or otherwise condition the participation of energy efficiency resources in ISO or RTO wholesale markets unless FERC given them such authority;*
- *A section 206 order adopting regulations to facilitate the participation of electric storage resources in ISO or RTO wholesale markets that appears to prohibit a state or local regulatory authority (including a cooperative board) from barring such wholesale market participation by storage connected to a distribution system or behind the retail meter. This order ignores the substantial burden an electric distribution cooperative would face if a storage resource participates in a wholesale market independently of the rest of the cooperative's load and distribution-level resources.*

*NRECA believes that its historic position of opposing efforts to subject electric cooperatives involuntarily to FERC regulation under section 205 and 206 of the Federal Power Act continues to be good public policy.*

**Regional Transmission Organizations**

*For the purpose of this resolution, the terms RTO and Independent System Operator (ISO) are considered interchangeable. If a region voluntarily chooses to form an RTO, it should be consistent with the following elements:*

- *RTOs should have unbiased governance, operating and staffing structures that ensure accountability to stakeholders.*
- *RTOs should have full authority to control or to direct the control of all of the transmission facilities they operate.*
- *RTOs should cover a rational region large enough to internalize loop flows and ensure reliable operation of the regional transmission system at levels at least equal to those experienced today.*
- *RTOs should operate Open Access Same-time Information Systems (OASISes). RTOs should be required to offer to provide all ancillary services, and to do so at cost-based rates unless and until truly competitive markets for those services develop. Customers should be permitted to self-supply generation for their load and ancillary services if they wish to do so.*
- *RTOs should conduct the regional transmission system planning process, and its goal should be to ensure that all necessary transmission additions and upgrades are constructed. The planning criteria must be established to ensure all customers are treated in a consistent manner.*

# IMPACTS AND COSTS OF LITIGATION

## Citizens' Lawsuits

*"Sue-and-settle" citizen suits have become a loophole used by environmentalists and non-governmental organizations to advance their agendas. These "sue-and-settle" citizen suits often cause major changes in laws, rules, and policies under federal environmental Acts such as the Clean Air Act, the Clean Water Act, and the Endangered Species Act, without providing for meaningful participation by the public, by state agencies whose primacy over environmental programs is being commandeered, and by stakeholders whose jobs and businesses are being impacted.*

*Environmental laws and policies have huge impacts on the health and welfare of all citizens of the United States, affecting not only air and water quality, but also the cost of energy, the cost of living, and jobs and economic competitiveness and well-being at local, regional, national, and global scales. Our environmental laws have been the most successful in the world because they are built on a public process that requires sound science, accountability, public participation, and cooperative federalism that allows states and stakeholders to meaningfully participate in legislative, rulemaking, and enforcement actions and initiatives.*

*Several bills are before Congress to close this loophole and require meaningful participation by the public and stakeholders by requiring notice to, and allowing intervention by, affected states and stakeholders before such friendly lawsuits can be settled, often with the federal agency paying all costs and attorneys' fees.*

*We urge NRECA to support legislative initiatives to close this loophole and allow meaningful participation by the public, states and stakeholders before such cases can be settled, and to require that policy-making be done through the legislative and rulemaking processes and procedures that are essential to sound public policy, democratic government, and the rule of law.*

*The legislation should impose new requirements on consent decrees or settlement agreements in any action by federal agencies to take regulatory action. Such requirements include: (1) publication of the complaint in a readily accessible manner; (2) an opportunity for affected parties to intervene in an action prior to the entry of a consent decree or settlement agreement; (3) referral to a mediation program or a magistrate judge to facilitate settlement discussion after a motion to intervene is granted; (4) an opportunity for public comment on a proposed consent decree or settlement agreement before it is filed in court and public hearing on whether to enter into the consent decree or settlement agreement; and (5) approval by the Attorney General of any proposed consent decree or settlement agreement in cases litigated by the Department of Justice.*

## Equal Access to Justice Act

*The Equal Access to Justice Act (EAJA) is a fee shifting statute passed by Congress in 1980. The law helps individuals and groups with limited means seek judicial redress against the federal government by allowing plaintiffs who sue the government to recover attorney's fees and costs if they "prevail." Plaintiffs need not win in court to be eligible for EAJA payments, a settlement out of court is sufficient.*

*EAJA is funded through a permanent congressional appropriation and is administered by individual agencies. For example, if a plaintiff prevails in a case over the Forest Service, and is*

*awarded EAJA reimbursement, the Forest Service must pay the plaintiff's attorney's fees and costs out of its own budget. There is no known tracking of EAJA funding even though the original EAJA statute provided for annual reports to Congress on the amount and nature of EAJA payments.*

*Due to the reports ending in 1995, there is no congressional oversight of the program. It is nearly impossible to know the full scope of taxpayer dollars spent and to whom the money is going.*

*Environmental groups appear to be the major beneficiaries of EAJA payments. Research conducted by a Wyoming law firm indicates that 13 environmental groups have brought over 1,100 federal cases in 17 states and the District of Columbia, and have collected over $29 million of taxpayer dollars through EAJA. Those numbers do not include settlements, and fees sealed from public view. An independent study from the Virginia Polytechnic Institute and State University discovered similar numbers as a result of a comprehensive Freedom of Information Act request of five federal agencies.*

*The volume of federal cases brought by environmental groups raises questions about possible abuse of the system since the intent of the EAJA was to remove the deterrent to private citizens of limited means to be able to sue the federal government from proceeds of earlier EAJA awards. Furthermore, private citizens who oppose the environmental court filing are forced to intervene at their own expense to argue on behalf of the federal agency without receiving any similar reimbursement. This results in a double blow – interveners must pay to defend their business or property, and then through their tax-dollars, pay to reimburse environmental lawyers. There is no doubt that rural electric cooperatives have been involved in such lawsuits that are not only costly to the cooperative and their members but to have taxpayer dollars pay for the legal fees hits our members twice.*

*Therefore, we urge NRECA to support the passage of federal legislation to redress the abuses of the EAJA. Any such legislation should require the Director of the Administrative Office of the U.S. Courts to report annually to Congress on EAJA court activity, including the number and cost of environmental lawsuits to taxpayers.*

## Tort Reform

*The right of all Americans to seek redress for injury through the court system is recognized as a fundamental tenet of our legal system. However, increasingly, the courts are burdened with questionable lawsuits which, regardless of outcomes, cost a lot of money to defend and create a strain on the judicial system. This increased reliance on the courts to right every perceived injustice has driven liability insurance costs to unreasonable levels. Co-ops are at-cost businesses. These severely increased liability insurance costs inappropriately increase member-owners electric bills, dollar for dollar. Co-op member-owners should not be paying more for electricity because of a legal system that needs to be reformed.*

# EMPLOYEE BENEFITS

## Health Care

*NRECA maintains a trust under section 501(c)(9) of the Internal Revenue Code which makes it possible for member cooperatives to obtain group medical and other insurance coverage on a nationwide basis. The Affordable Care Act (ACA) enacted in 2010 dramatically increased the cost and complexity faced by electric cooperatives for offering group healthcare coverage to their current and former employees and dependents. The NRECA group medical plan, based on its pooling of risk nationally and its long-standing ERISA exemption from state insurance regulation, offers most electric cooperatives an important option when considering how to provide this coverage to its workforce in an affordable and reliable manner. Preservation of these beneficial provisions of the NRECA group medical plan is a key priority for the NRECA staff.*

*One of the biggest threats to the preservation of plan design flexibility and affordability of the NRECA group medical plan is a new 40 percent excise tax on "high cost" plans created under the ACA. Since its enactment in 2010, NRECA has urged Congress to repeal this unfair tax, by educating policymakers on the devastating impact it would have on co-op employees and their families who live in rural communities, where limited access makes the cost of that health care disproportionately higher than in urban areas. Originally slated to be effective in 2018, NRECA helped lead the effort in Congress to delay this ACA "Cadillac Tax" until 2020, which gives NRECA and its coalition partners more time to pursue full repeal for all electric co-ops.*

*NRECA is on the board of the American Benefits Council, a prominent employer-sponsored benefit programs advocate. NRECA is also a founding member of the Alliance to Fight the 40, a broad-based coalition whose sole focus is full repeal of the "Cadillac Tax" for all employers nationwide. No co-op, whether they provide health insurance through NRECA's Group Benefits Trust or from another source, should be penalized for "doing the right thing" for their employees.*

*Despite the fact that Congress recognized electric cooperatives operate in a "high risk" industry and therefore have a higher threshold before being subject to the 40 percent tax, this tax will still unfairly impact our members. Taxing any part of a co-op employee's health care benefits with the 40 percent excise tax or other taxes will leave electric cooperative families with less comprehensive health coverage and/or higher costs.*

*Preserving each electric cooperative's ability to maintain and tailor its employer-provided health benefits package as currently allowed under ERISA, and not taxing employer-sponsored benefits in any manner are fundamental building blocks to ensure the continuation of a structure that allows NRECA to offer a nationwide group medical plan to its membership. To protect and preserve this nationwide program, NRECA should examine all health care proposals and other opportunities to make health care more affordable, reliable and sustainable so that electric co-ops can afford to maintain these critical employee benefits.*

**Employee Retirement Benefits**

*Economic security for working and retired Americans is a national goal that has been supported by both Republicans and Democrats and both the public and private sectors for well over a century.*

*NRECA member cooperatives have traditionally chosen to offer employees both the defined-benefit Retirement Security Plan and the defined-contribution 401(k) Plan. While many believe that providing employees with both types of plans is the best way to provide them with financial security during their retirement, ever increasing funding costs and administrative compliance burdens associated with offering and maintaining these plans is a major deterrent to expanding coverage.*

*Private-employer retirement plans account for nearly half of all national saving. The pension benefits these plans provide make the difference between comfort and subsistence for retirees. Increasing the number of working Americans covered by these plans would thus make good economic policy and good retirement policy.*

*Simplifying the tax code's provisions in this area would do much to make retirement plans accessible to more Americans. This should be done in a thoughtful and informed manner by policymakers, and not in hurried reaction to unusual events, in order to avoid unintended consequences for employees.*

*Eliminating cost volatility and unnecessary administrative compliance burdens in current tax policy would encourage more workers to provide for their economic security through a number of vehicles for personal savings by encouraging expansion of these employer-sponsored benefit plans.*

# GOVERNANCE

## Co-op Governance and Ethics

*The continued success of the electric cooperative business model relies on the competent leadership provided by locally elected boards of directors who operate in a transparent and open manner. Cooperatives rely on directors and management to guide their member-owners through difficult energy capacity and affordability challenges. Such leadership requires that electric cooperative leaders are trustworthy and ethical. NRECA and its member cooperatives are committed to implementing appropriate governance practices and impeccable ethical performance.*

## Selection of CEO/General Manager

*The most important decision a cooperative board of directors makes is the employment of a CEO/general manager. The search for and selection of the best qualified person to manage the large investment of capital and human resources of the cooperative should be of prime importance to the board. Accordingly, every effort should be made to attract and retain qualified and competent executives recognizing that the compensation commitment made by the cooperative will play a critical role in a successful search.*

# MANAGEMENT

## Developing New Consumer-Centric Business Models

*Changes in the electric utility industry are driven by a number of issues including federal and state energy policies, developments in energy markets, changing consumer preferences, rapid advances in energy efficiency, distributed generation and other technologies. Distributed Energy Resources (DER) can augment and enhance traditional central station generation and distribution, or can challenge those traditional models depending on a variety of policy considerations.*

*NRECA should consult a wide variety of stakeholders to ensure that any proposed business models or processes reflect the wide variety of local circumstances, including differing member interests, among cooperatives nationwide.*

*Technological advances in DER, distribution automation, communications, AMI, and other key tools are making it cost effective to offer new energy products and services not previously available to member-owners. As a result, in many parts of the country, G&Ts and distribution cooperatives are evolving from a commodity-centric model that primarily focused on the sale of kilowatt-hours to a more complex consumer-centric model that treats energy as a service rather than a commodity, looks for opportunities to enhance member options and value, and works to optimize the entire system, including DER, distribution, transmission, and larger-scale generation resources, on behalf of all members.*

*NRECA should continue to use the work and suggestions from the NRECA 21st Century Cooperative Committee and The Consumer Centric Utility Future report to guide us in developing new consumer-centric business models.*

## Strategic Advantages of Developing Market Intelligence and Segmentation

*To maintain an active and loyal membership, we must better understand our members' needs and expectations and recognize their lifestyle preferences, attitudes and purchasing behaviors. This knowledge is critical, and cooperatives should use the information as they develop strategic communications programs. A more thorough understanding of these activities will enhance member loyalty and help direct future research and strategic plans for growth.*

## Public and Member Relations Aspects of Environmental Issues

*Public concern about the environment continues to increase. As non-profit local businesses, rural electric systems share these concerns, and how they respond to them is an essential element in determining the level of trust member-owners may have in the institution that serves them. Effective communication programs that accurately reflect the issues at hand and how they are being dealt with are important tools in helping to avoid the polarization that often characterizes environment concerns.*

## Showcasing Electric Cooperative Economic and Community Benefits

*Policymakers have demonstrated their appreciation of information that cooperatives can provide regarding the vital role electric cooperatives play in local and state economies through community and economic development projects. With this information, policymakers can be*

*better prepared to make sound decisions regarding issues crucial to electric cooperatives and to the rural electric program at all levels and in all regions of the nation. America's electric cooperatives are stakeholders in the economic future of their communities, and are therefore in an excellent position to encourage local entrepreneurs. Cooperatives provide the power for business growth and development.*

*Co-ops participate in revolving loan programs that provide start-up, gap and bridge financing for entrepreneurs. Many co-ops are promoting free electronic access to schools, libraries, chambers of commerce, and businesses in their service territories. Some G&Ts are operating regional economic revolving loan funds with their distribution co-ops to help finance small business development, while distribution co-ops also have provided loan funds to foster local development.*

*Numerous visionary cooperatives are working with universities and community colleges on supporting entrepreneurial breakthroughs in renewable energy and energy efficiency, value-added agriculture and the biosciences. Entrepreneurs need encouragement and a network of support. Cooperatives can play a critical role in promoting an atmosphere to nurture local innovation. Co-ops, active on community boards and in service organizations, are in the right position to act as cornerstones in establishing networks or clubs to encourage entrepreneurs.*

## Cooperative Communications Programs

*We acknowledge that communication should be considered valuable, not only as a response to a crisis, but also as an investment of time and effort in relationships that strengthen cooperatives and help them avoid unnecessary conflicts and the related costs.*

*We urge rural electric systems to avail themselves of professional training, peer networking and services to meet new challenges in communications. Electric cooperative employees from many distributions systems, generation and transmission cooperatives, public power districts and related rural electric organizations have met the requirements of, and received credentials as, Certified Cooperative Communicators (CCC). We commend all who have participated in the program and urge member systems to encourage eligible communication employees to seek certification. We also commend the Council of Rural Electric Communicators for its excellent orientation seminar for new electric cooperative communicators, its Spotlight on Excellence recognition program, and the J.C. Brown CEO Communication Leadership Award.*

## Support of Statewide Publications and Local Cooperative Pages

*The ability to maintain a strong rural electrification program, at both the state and national levels, depends on a coordinated flow of information to a grassroots membership. These publications provide an economical vehicle for informing members about their local electric cooperative or public power district, and have continually been a key factor in state and national legislative accomplishments. A vital source of strength for the rural electrification program is the fact that political leaders are aware of the widespread contacts that electric cooperatives have with their members through statewide publications.*

## Postal Legislation

*A strong viable postal service is important to all Americans, especially those who live in rural areas. We are gravely concerned about rising costs that pose a threat to the continued delivery of member publications and the closing of rural post offices.*

## Rural Electric Magazine, Electric.coop, and Cooperative.com

*The official publications of NRECA – Rural Electric (RE) Magazine, Electric.coop, and Cooperative.com – are the foundation of the association's information programs. By providing common platforms for sharing appropriate and helpful practices, cooperative successes, and other important developments, they are essential to maintaining a cohesive national electric cooperative program.*

## Rural Electric Mascot Willie Wiredhand

*In 1951, Willie Wiredhand was developed as a symbol of the neighborly cooperative spirit of rural electric systems and later became a registered trademark of electric cooperatives. Many members relate to Willie as a symbol of the electric cooperative spirit that identifies cooperatives as dependable and trustworthy.*

# OPERATIONAL ISSUES

## Stranded Assets and Economic Impacts

*Electric cooperatives operate under a patchwork of federal and state regulations that have the potential to strand long-term capital investments. Regulations that threaten the remaining usefulness of power generation and other assets can also negatively impact rural communities where those assets are located.*

*Federal and state regulations can take away the use of existing high-value, long-lived assets through excessive costs or unfair limits. The economic repercussions of shortening these assets' useful lives have a profound impact on both electric cooperative members' electricity bills and the communities that are compelled to bear those repercussions. Likewise, regulatory constraints can compel cooperatives to abruptly turn from reliable, affordable business solutions.*

*An example of these detrimental economic impacts on cooperatives and communities is the Pacific Northwest's experience with federal timber lands regulations since the 1980s. Abrupt regulatory changes devalued timber infrastructure and there remains a persistent economic stagnation in rural timber communities today.*

*When a government's regulations harm electric cooperatives or the local economies they serve, the government must address those impacts.*

## Safety Issues

*We believe that a concentrated program to promote and ensure employee and public safety is essential to the operations of all rural electric cooperatives. Therefore every member system is encouraged to participate in RESAP as administered by NRECA. The statewide organizations and area administrators are key to the success of RESAP. The partnership between NRECA and statewides is critical to provide cooperatives with the tools and resources to enhance their safety programs.*

## Promoting the Benefits of End-Use Electrification

*With advances in electric end-use technology and transitions to lower-emitting technologies, there is an opportunity to substitute electricity for other energy sources in many sectors of our economy. For example, further electrification of the transportation sector will result in decreased carbon, nitrogen oxide and carbon dioxide levels. There is increasing recognition that policy goals focused on mandating the reduction of kWh sales can be counterproductive to national economic and environmental goals. NRECA should develop analysis and work to communicate the benefits of electrification to support electricity as a beneficial end-use option in end-uses such as agricultural pumping, space and water heating, transportation, industrial processes and other sectors that currently rely on direct combustion of fossil fuels.*

## Agricultural Implement Heights Limitations

*Agricultural equipment manufacturers are producing equipment with roadway travel heights which exceed the minimum roadway height standard set by the National Electrical Safety Code (NESC). More specifically, John Deere has distributed grain seeders with a travel height of 19.3 feet and the requirement for clearance of distribution lines over roadways is at 18.5 feet. Electric Cooperatives are in the precarious and expensive position of trying to raise every overhead crossing in their services territory to heights that exceed roadway height requirements in the NESC. Even with these efforts, protection from liability is never guaranteed. Furthermore, present equipment heights already far exceed previous code requirements of general conductor heights. This ongoing escalation of elevation is causing undue expense to the overall membership of the cooperatives as they work to protect infrastructure and public safety. If manufacturers continue this trend, electric utilities could see heights that would soon render even current codes and previous mitigation efforts inadequate.*

## Limited English Proficiency (LEP) Compliance Matters

*The Civil Rights Act of 1964 (Section 601 of Title VI) and its implementing regulations provide that no person in the United States shall, on the grounds of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity that receives Federal financial assistance. The Supreme Court, in Lau v. Nichols, 414 U.S. 563 (1974), interpreted Title VI regulations promulgated by the former U.S. Department of Health, Education, and Welfare to hold that Title VI prohibits conduct that has a disproportionate effect on LEP persons because such conduct constitutes national origin discrimination.*

*Executive Order 13166, signed by President Clinton in 2000, requires recipients of federal funding (e.g., United States Department of Agriculture Rural Utilities Service) requirements to examine the services provided, identify any need for services to those with Limited English Proficiency (LEP) and develop and implement a system to provide such services to enable persons with LEP have meaningful access to funded programs. LEP does not include hearing or visual impairments, Sign Language interpreters or Braille, or issues of literacy.*

## Prepay Metering

*Many electric cooperatives and non-profit public power electric utilities are committed to providing prepay metering programs as an additional member service, allowing members to receive power without having to pay a deposit and giving them greater control over their budget and energy consumption.*

*There are currently efforts underway that call for new mandates that prevent cooperatives from providing prepay metering programs. Some of these ongoing efforts are intentional as various policy makers believe the programs harm lower income citizens—when in reality—prepay metering helps by educating them on power usage and how to save money by conserving energy. Other efforts call for mandates that have unintentional consequences that would terminate prepay metering programs.*

## Unmanned Aerial Systems (UAS)

*The continued success of electric cooperatives relies on adopting new technological advances. A technology known as Unmanned Aerial Systems (UAS) which includes similar technology solutions for power-line inspection and GIS system mapping will require NRECA assistance with positive, industry supporting legislative and regulatory action. The rural electric industry business applications of UAS includes such things, but not limited to, storm damage assessment, outage restoration, power-system inspections, troubleshooting and diagnostics, system planning, corridor mapping, vegetation management, inventory pole attachments, thermal imaging, and structural integrity. A remotely piloted vehicle has the ability to examine power-lines from a unique aerial perspective at greater speeds with digital recording capability and thermal imaging options.*

*This industry is in its infancy and will require proper research and development to achieve its ultimate goal of power-line inspection. It will require aerial vehicles of limited weight and size at low altitudes that can be piloted remotely while using multiple sensing devices to guide, direct and carryout the mission of the electric industry. It will also require an educational effort to ensure member-owners understand why a cooperative may choose to use UAS and are as comfortable as possible with the choices that a cooperative may make regarding use of this technology.*

*NRECA recognizes that use of UAS by cooperatives and by others presents both opportunities and risks. For example, there are safety, security and privacy concerns associated with increased operations of UAS, but NRECA believes there is huge cost-saving and stronger grid-resiliency potential through the use of the technology by electric cooperatives. NRECA seeks to balance the risks and opportunities to ensure a safe and efficient framework for UAS operations.*

## Accounting and Auditing Standards

*In recent years, the Financial Accounting Standards Board and the American Institute of CPAs have been increasingly active in prescribing new accounting and auditing standards and requirements that must be applied by electric cooperatives and their auditors. New accounting standards can have a significant impact on electric cooperative financial statements. In addition, increasingly complex accounting standards can add significantly to an electric cooperative's administrative compliance burden. New auditing standards require auditors to take risk into account as part of the auditing process and report on internal controls.*

*As organizations directly accountable to our member-owners, electric cooperatives historically have vigorously endorsed the concept of integrity in all aspects of our operations, including accounting practices and effective internal controls. We, therefore, strongly support the development of accounting and auditing standards designed to yield transparent financial statements that fairly and accurately reflect the financial position and results of operations of electric cooperatives. We believe that fair and accurate financial statements can best be realized by application of broad, principle-based accounting standards in an environment with meaningful internal controls.*

## Impact of Regulations on NRECA Members

*NRECA member systems are confronted daily with burgeoning regulatory requirements, new proposed workplace rules, and new interpretations of existing rules, many of which could adversely affect operating costs and efficiencies of the systems.*

*As governmental agencies draft rules, NRECA should be actively engaged to ensure the interests of electric cooperative members are heard. The drafting of proposed regulations is often critical to the eventual definition of final rules. Effective early input in the writing of rules can be important in shaping the final language of those rules and their future impact on member systems.*

*NRECA, statewides, and member systems need to share resources and coordinate efforts to influence the writing of proposed rules, to communicate the importance of proposed rules to all member systems and to coordinate responses to regulations in conjunction with other affected entities to ensure the best possible outcomes for NRECA member systems.*

*The Small Business Regulatory Enforcement Fairness Act (SBREFA), which was enacted in 1996, establishes enforcement mechanisms to ensure that agencies analyze the impact of new regulations on small businesses and consider less costly and onerous alternatives for regulating small businesses. Most electric cooperatives meet the criteria as "Small Utilities" as defined by the Small Business Administration (SBA).*

## Bankruptcy Protection

*On average, commercial and industrial members account for a substantial share of electric cooperative power sales. While prior federal law tried to protect electric cooperatives and other utility providers when a commercial or industrial member initiated bankruptcy proceedings, courts often ignored or minimized the law. The result was that through paying higher rates other co-op member-owners were at risk of higher costs.*

*The Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 amended federal law to enhance financial protection for utilities serving Chapter 11 bankrupt commercial or industrial customers. Section 366(c) of the Bankruptcy Code requires businesses to make a specific "assurance of payment" that is "satisfactory" to their utility provider such as a cash deposit or prepayment. However, in bankruptcy proceedings, some courts continue to ignore this provision and require utilities to keep these bankrupt businesses running even without adequate assurance of payment.*

*Legislation proposed in the U.S. House of Representatives called for the rescission of Section 366(c). The bill would have eliminated the enhanced protective language and reinforced court decisions requiring electric cooperatives to maintain service without satisfactory or adequate assurance of payment during bankruptcy proceedings.*

*To prevent electric cooperatives and cooperative member-owners from subsidizing commercial and industrial members which file for bankruptcy, we oppose any legislation striking Bankruptcy Code Section 366(c).*

## Use of Chemicals

*We need to continue to utilize chemicals to economically and effectively maintain the rights-of-way, pole treatment and insect control, etc. Curtailment in the use of these products will result in more expensive and less reliable electric power for member-owners.*

**Electric Service Across Federal and State Lands**

*To serve the needs of rural America, our electric cooperatives' distribution and transmission lines cross vast distances of these federal lands, including U.S. Forest Service, National Park Service, the Bureau of Land Management, and federal monuments land. Congress and RUS have recognized that cooperatives assume great expenses in crossing these lands because of extremely low member-owner density, averaging annual revenues of less than $5,000 per mile.*

*It has become increasingly difficult, time consuming, and costly to obtain permits and maintain utility rights-of-way across federal lands. For example, the U.S. Forest Service is including a strict liability feature for fire suppression cost recovery in the granting and renewal of easements and permits for electric facilities. We feel there is injustice in this policy, especially since the federal land management agencies' "Let Burn" policies regularly result in wildfires destroying co-op assets with no compensation.*

*Both the current status of our forests and inconsistent policies by federal agencies related to the management of federal lands negatively impact many of NRECA's member systems. We urge NRECA to pursue opportunities in legislation and regulatory agency rules that will:*

- *Ensure that electric cooperatives are granted timely permitting and access to federal and state lands to perform necessary construction, relocation, prudent maintenance and repairs on utility rights-of-way;*
- *Waive the strict liability clause for fire suppression in utility easement and permit agreements imposed by the federal government, or change the current strict liability standard for these agreements or agreements with other federal agencies to that of ordinary negligence;*
- *Ensure costs incurred by mandated undergrounding of existing transmission or distribution lines on federal land are borne by the federal government; and*
- *Support uniform policies that address federal healthy forest initiatives to promptly salvage logs, reforest and restore catastrophically affected landscapes, which contribute to stable rural economies; enhance the safety of electric cooperative member-owners; preserve the economic and aesthetic value of NRECA member service areas; and protect the infrastructure investment made by electric cooperatives in the communities they serve.*

**Territorial Integrity and Loan Security**

*All rural electric systems should continue to have the right to serve those areas in which they initiated service, and because rural electric member-owners receive the least financial assistance from the federal government of all consumers of electric energy, we support and will defend this right against the taking or pirating of load, territory, or member-owners by any other electric system.*

*The Rural Utilities Service (RUS) Administrator and other appropriate government officials should investigate all territorial infractions and develop and promote measures to protect territorial integrity among all electric systems. Rural electric systems in states with satisfactory legislation should offer assistance based on their experience in helping to develop suitable territorial protection legislation.*

*Rural electric systems have historically undertaken the obligations of the Rural Electrification Act to provide electricity to rural America; therefore, any condemnation or taking*

*of portions of a borrower's system decreases its ability to accomplish this purpose and to repay the RUS loan. We commend RUS for its effective intervention on behalf of RUS electric borrowers. The RUS Administrator and staff should continue to actively pursue a program, including litigation, if necessary, to protect RUS' interest where RUS financed electric systems are threatened by the unwanted takeover of their service areas or member-owners by other electric utilities.*

*We strongly object to the acquisition of rural electric territory or member-owners through the exercise of municipal annexation, condemnation or other powers, except by mutual agreement.*

*In those cases, we urge state and local efforts to develop agreements that resolve territorial conflicts through franchises and other means. Other means should include compensation for both the distribution and G&T systems for their investment required to provide service within the annexed areas as well as lost revenue. Compensation should also provide economic benefits based upon the loss of future growth within the annexed area.*

*NRECA and electric cooperative lenders should work with and present to Congress at every available opportunity the problems electric cooperatives face as a result of territorial erosion. This includes the long-term effects of weakened credit-worthiness of the systems, duplication of tax-supported federal financing, waste of natural resources used to duplicate already in-place utility generation, transmission and distribution systems and impediment for the accomplishment of a federal purpose. Legislation is needed that prohibits the use of federally subsidized tax-exempt securities to finance the acquisition of facilities of rural electric systems.*

*Electric utility sectors in the United States – investor-owned utilities, municipals, rural electric cooperatives, and public power districts – have developed at different times and under different circumstances. Each sector has and will continue to compete with each other to some degree, and probably with other entities as well, for electric load and electric service territory. Municipal utilities and rural electric systems in many areas of the country have had long-standing differences about serving retail load in regulated and non-regulated service territories.*

*Municipal utilities have had in the past the benefit of tax-exempt financing to serve their customers. Municipal utilities now seek the benefits of such financing for private use in a competitive marketplace. These benefits go beyond the original congressional intent for such financing and municipal utilities could use such funding to the detriment of RUS borrowers or rural electric systems with certificated territory under state regulatory jurisdictions.*

*Tax-exempt funding for competitive purposes should be granted only if it prohibits the funding from being used to adversely acquire rural electric load or service territory from a rural electric system RUS borrower or a rural electric system with certificated service territory granted under the jurisdiction of a state utility or service regulatory body.*

## Electric Service on Indian Reservations

*Electric cooperatives provide service on Indian reservations throughout the United States and thousands of Native Americans are electric cooperative members. Many investor-owned utilities also provide service to Indian reservations. State utility commissions approve electric rates for investor-owned utilities and for some electric cooperatives. State law also establishes territorial laws to resolve disputes between utilities to avoid wasteful duplication of expensive electric infrastructure. Typically, the rates set by state utility commissions are based on costs and rates of return for a utility's entire service area within a state, whether that service is*

*provided on an Indian reservation or elsewhere. Likewise, state utility commissions have generally exercised jurisdiction to resolve territorial disputes on Indian reservations when the need arises.*

*This is good public policy because Native Americans residing on Indian reservations receive electric service from cooperatives, are members of electric cooperatives, and are affected by duplication of services on Indian reservations. It is wasteful and inefficient to have uncertain and sometimes inconsistent utility regulations regarding rates, terms of service, duplication of facilities and stranding of investments.*

*In North Dakota, the Public Service Commission (PSC) ruled in 2012 that it lacked jurisdiction to consider a territorial dispute on the Turtle Mountain Indian Reservation involving a complaint by the local electric cooperative for violation of the state's Territorial Integrity Act by an investor-owned utility that reached an agreement with the tribal council to provide electric service to a tribally owned casino that was being served by the electric cooperative. The PSC agreed that this was bad public policy, but the PSC said it was required to recognize the tribe's sovereign rights under federal law and at least one federal court decision. The electric cooperative appealed the decision through the state's court system. In September 2013 the Supreme Court of North Dakota ruled in favor of the PSC, holding that the PSC did not have regulatory authority over a utility's extension of electric service to a facility owned by a tribe and located on the tribe's reservation land.*

*Many electric cooperatives own generation, substation, transmission and distribution facilities located on Indian reservations. Through imposition of fees and taxes and other regulations, some tribal governments have attempted to exercise authority over these facilities and the associated electric services provided by cooperatives. More effective communication is needed between cooperatives and Native Americans. This includes promoting an educational process leading to a clear understanding of tribal members' role in the business of their respective cooperatives, improving working relationships between cooperatives and tribal governments and increasing participation of tribal members in cooperative affairs.*

*The Bureau of Indian Affairs (BIA) should play a key role to facilitate improved working relationships between cooperatives and tribal members and to re-establish BIA's lead role in facilitating and mediating right-of-way negotiations between cooperatives and Native Americans.*

*Additionally, legislative solutions could address:*

- *Creating a new "member-owned electric cooperative" subsection within 25 C.F.R. § 169, to clearly define and differentiate between transmission, distribution and service lines; expressly exempting cooperatives from compensating tribes for distribution and service lines that serve primarily or exclusively tribal members and authorized occupants. Establish fair, reasonable and uniform compensation for rights-of-way of cooperative transmission and distribution lines that go over and across tribal lands and provide minimal or no benefit to the local tribe. Create a non-discriminatory right-of-way cost recovery mechanism. Expressly, provide for non-monetary compensation options, i.e. system improvements, to prevent undue cost-discrimination between tribal and other cooperative members;*
- *Amending 25 C.F.R. § 169.18 to address tenure of approved right-of-way grants to specify the term of certain right-of-way grants for transmission and distribution lines and to amend 25 C.F.R. § 169.5 to establish uniform timelines for the issuance or denial of proposed right-of-way grants to be issued to cooperatives;*

- *Regulatory actions, by tribal governments, on cooperatives as they provide service to non-tribal members receiving service on tribal lands;*
- *Concerns over the precedent for multiple taxation and taxation without adequate representation;*
- *Fees, taxes, and assessments on cooperatives that generate revenue for the provision of tribal government services to which non-tribal members are not permitted access;*
- *Loan and grant programs available to Native Americans that allow alternative energy sources, the use of which benefits a few local members, while harming the majority; and*
- *Hostile buyouts of cooperatives which may harm the equity and service rights of non-tribal members living on tribal lands.*

## Takeover Threats

*We express our unyielding opposition to the hostile takeover or sale of any rural electric system. Should no request come from the cooperative itself, assistance could be provided to any group of members which opposes the sellout or dissolution, or which supports retention of the cooperative form of governance. The CFC "System Integrity Fund" can provide vital financial support to threatened systems and we commend rural electric systems that voluntarily contribute to this fund.*

## Military Base Utility Privatization

*Many electric cooperatives throughout the United States have an opportunity to increase their economies of scale by bidding to acquire electric and other distribution systems on military installations being privatized by the federal government. The military base utility privatization process, however, is complex and sometimes unclear. As a result, uncertainties and unintended consequences may arise for a bidding electric cooperative in such areas as federal procurement regulations and income tax ramifications.*

## Using Secure Communications Services

*Powerful advanced telecommunications services, such as the Internet and teleconferencing (audio, video and web), are major factors in positioning electric cooperatives as a superior network of utilities. With proper privacy controls, these services allow for secure, real-time communications.*

## Telecommunications and Information Technologies Support for Electric Cooperatives

*Electric cooperatives have faithfully served member-owners using sound engineering principles and the highest level of technical and operational skills. Today and moving forward, these foundational skills are still vital. To continue providing the highest levels of electric service to our member-owners we must adopt and embrace advanced telecommunications technologies and the development of the utilities' Smart Grid. It is important for cooperatives to educate their employees about these new technologies and systems.*

*It is important for cooperatives to adopt inter-operability standards, such as the most current version of MultiSpeak®, to facilitate the seamless exchange of data among these various systems such as Geographic Information Systems (GIS), Customer Information Systems (CIS), Advanced Metering Infrastructure (AMI), and Automated Vehicle Locators (AVL). Further, we encourage electric cooperatives to discuss these topics at local and statewide meetings and on Cooperative.com.*

## Telecommunications Services for Rural America

*Telecommunications services support many different kinds of commerce in rural communities and can be invaluable tools for member-owned electric cooperatives. However, appropriate infrastructure must be in place to enable those activities.*

*Despite increased attention to the "Digital Divide," many parts of rural America are still experiencing a lack of broadband service. Electric cooperatives have contributed to bringing advanced telecommunications services to the member-owners. Recent federal efforts have not produced vastly increased access to these services for many of our communities.*

# RELIABILITY AND INFRASTRUCTURE PROTECTION

## Ensuring Adequate Federal Funds to Combat Wildfires

*Wildfires have a devastating impact on natural resources, property, and lives—including electric cooperative facilities and employees. The significant carbon emissions of fires undermine utility efforts to reduce greenhouse gas emissions. Federal wildfire management needs to be overhauled to boost and re-prioritize funding to prevent the raiding of needed fire prevention funds.*

*Large-scale, fires throughout the country are occurring with increasing frequency and severity. Generating units, transmission and distribution lines, communications equipment, and utility buildings can experience devastating effects from wildfires. As well, fires release tons of carbon into the atmosphere, and if the damaged and fallen trees are left to decay, even more tons of carbon are released. Combined, wildfires in the United States equal roughly one-fifth of total man-made emissions.*

*Under federal law, the Departments of Agriculture and Interior forecast fire suppression budgets based on an average of the past ten years' spending. When there is a shortfall, the agencies raid other programs under a system known as "fire-borrowing." This funding scheme is deeply flawed. When budgeted funds are inadequate, as frequently occurs, the agencies take funds from other accounts—including funds that are needed for forest and rangeland management—to prevent future fires and funds needed to properly restore the forest and rangeland after a fire. This cycle of fire-borrowing denies the agencies of critical funds needed to maintain healthy forests and rangelands and leads to a cycle of more devastating fires and continued depletion of forest and rangeland management funds. A long-term funding mechanism ensuring adequate funding for preventing and fighting major fires should be enacted to prevent the need for fire-borrowing and help break the cycle of increasingly dangerous and costly fires.*

## Bulk Electric Reliability Standards

*Currently a significant number of G&Ts and distribution systems are registered in the NERC compliance registry and are required to comply with such standards. NRECA staff should continue to work with NERC and FERC to ensure that the cooperative structure, size and role in the bulk power system is well understood and appropriately taken into consideration in the development of such standards. NRECA should also continue to advocate that materiality to the reliability of the Bulk Electric System must govern cooperative registration on the NERC Compliance Registry, and that audits of compliance with standards be consistent among entities and regions. Overly broad definitions of bulk power system are detrimental to the core mission of protecting reliability. The concept of aggregate impact of systems must be defined so that it is not an arbitrary criterion for inclusion in the NERC compliance registry.*

*NRECA should also continue its efforts to assist cooperatives in developing effective NERC compliance plans, and to inform, educate and coordinate efforts among affected members to comply fully with reliability standards in a manner that improves reliability without causing unreasonable cost or inappropriately impacting the operation of cooperatives. This should include programs to inform members of up-to-date audit and compliance "lessons-learned," reliability "hot topics," and, as appropriate, regional differences related to standards and compliance audits.*

*NRECA staff should also continue to encourage and coordinate cooperative participation in the NERC standards development and other NERC audit, evaluation, and committee processes through the continued facilitation of the review of and comment on proposed NERC standards by affected members, and should continue to encourage the voting on proposed NERC standards by all members. NRECA should continue to work to ensure that cooperatives are not subject to financial penalties that do not bear a reasonable relationship to the seriousness of the violation and the related potential consequences to bulk electric system reliability.*

*Further, NRECA staff should work to ensure that reliability standards that impact cooperatives for the first time include appropriate transition times prior to enforcement penalties becoming effective.*

**Responsibility to Protect Electric Infrastructure**

*Electric cooperatives are aware that the bulk power system is vulnerable to attacks through computer-based and telecommunication networks. Over the last several years, cooperatives have worked diligently to mitigate vulnerabilities and protect their systems from attacks. Cooperatives have also worked closely with the North American Electric Reliability Corporation (NERC), the Federal Energy Regulatory Commission (FERC), the Department of Homeland Security (DHS), the Department of Energy (DOE), and other federal partners on cybersecurity issues. Cooperatives understand that cybersecurity threats or attacks can become national security issues.*

*In nearly all situations, cooperatives can protect the reliability and security of the bulk power system without government intelligence information. However, in the limited circumstances when the industry does need government intelligence information on a particular threat or vulnerability, it is critical that such information is timely and actionable. After receiving this information, the electric power industry can then direct its proven operators and cybersecurity staff to make the needed adjustments to systems and networks to ensure the reliability and security of the bulk power system.*

*Electric cooperatives support the advancement of technical solutions designed to adequately and cost-effectively protect the nation's electric system against physical threats such as earthquakes, floods, geomagnetic disturbances (GMDs, i.e., solar storms) or man-made electromagnetic pulse disturbances (EMPs), etc.; hostile attacks by foreign governments or terrorists whether by physical or cyber methods; and operational security threats.*

*In addition, NRECA should continue to pursue, with Congress and appropriate federal agencies and industry groups such as NERC, UTC, EEI, and APPA, the following:*

- *Updating and educating member cooperatives on methods to identify and evaluate physical, cyber and operational risks to members' facilities and options for mitigating such risks through workshops, webinars and other media;*
- *Coordinating and facilitating member involvement with appropriate federal security agencies and industry groups, including RUS through participating in agency and industry technical conferences and other events;*
- *Ensuring that appropriate information and communication channels to and from cooperatives are open and remain active and functioning, including via email through the NRECA Cyber Security and Reliability Task Forces;*

- *Ensuring that any physical, cyber or operational security guidelines and standards developed consider the unique nature and geography of cooperatives by participating on NERC standard drafting teams and other agency initiatives;*
- *Ensuring that no laws transfer national defense responsibilities to the electric utility sector;*
- *Ensuring that any mandated security activities are appropriately reimbursed and that costs to cooperatives are reasonable and cost effective;*
- *Ensuring that any FERC-approved security riders to FERC-approved tariffs are nondiscriminatory and appropriate for cooperatives; and*
- *Ensuring that all costs associated with ensuring security of federal multipurpose projects including hydropower and delivery system facilities are funded by the federal government as non-reimbursable and non-returnable federal appropriations recognizing the significant public benefits including flood control, navigation, irrigation, municipal water supply, interstate and international compact water deliveries, lake and stream recreation, blue ribbon trout fisheries, river regulation, economic development, fish and wildlife propagation and mitigation, and power generation and transmission.*

## Communications Spectrum

*Rural electric cooperatives must remain vigilant to protect their rights to critical radio spectrum. Specifically, rural electric cooperatives must ensure that Congress and the Federal Communications Commission (FCC) understand the following points:*

- *Rural electric cooperatives are part of the nation's electrical infrastructure. Retaining privately owned wireless networks is necessary to ensure the extremely reliable, safe and secure operation of electric systems. Utilities nationwide require access to sufficient, affordable wireless spectrum for the protection of critical infrastructure.*
- *Rural electric cooperatives, police, fire and rescue organizations use their radio spectrum to perform essential public services for their communities; services that include safety and the protection of life, health and property. Catastrophic storms continue to demonstrate that hardened utility communications systems remain vital links for emergency communications; in some instances, these systems were the only surviving communications links to restore emergency services within the first 24 hours.*
- *The lack of access to sufficient, affordable wireless licenses directly threatens electric system safety and reliability. Due to the inherent limitations of commercial communications networks, rural electric cooperatives rely on their own private wireless systems, and the necessary radio frequencies, to reliably and safely operate their portion of the nation's electric grid.*
- *Auctions are not an appropriate method of allocating the radio frequency spectrum to essential, non-commercial users like rural electric cooperatives. Auctions may be appropriate allocation mechanisms for subscriber-based services.*
- *Congress should not approve any change in the FCC's auction authority that damages the ability of rural electric cooperatives and other providers of the nation's critical infrastructure to build and maintain private wireless systems.*

- *We strongly oppose any proposals that would authorize the FCC to require "bidding" for the spectrum used for any utility operations.*
- *We also oppose leasing or reallocation of radio spectrum used by rural electric cooperatives and other public service entities, and encourage NRECA staff work to maintain the necessary radio spectrum for the electric cooperatives.*

*We urge NRECA to continue to inform its membership of the FCC's impending deadlines for the narrowing of radio frequency bandwidth. NRECA should also educate its membership about the need for timely planning, anticipated equipment shortages, and other operational and budgetary implications of the FCC mandated narrowing bandwidth.*

*In addition, we urge NRECA to work with the FCC and Congress to delay action on any network proposals that are unable to demonstrate that the proposed service does not interfere with GPS signals. We also encourage NRECA to work with any broadband service provider whose deployment plan may pose GPS interference problems to facilitate their access to utility GPS applications for research and testing.*

**Safeguarding Local Control – FCC and Pole Attachments**

*Electric cooperatives are essential service providers that must maintain and manage needed facilities and infrastructure critical to the continuity of electric power system operations and to the delivery of electric power to nearly 42 million members.*

*As electric cooperatives continue to fulfill the core mission of providing safe, reliable and affordable electric service, they must also respond to the changing needs of members and communities by enabling cooperative members to have access to other essential and/or highly desirable services, particularly where such services would otherwise be unavailable, prohibitively priced or inferior.*

*Congress should recognize – in any reauthorization or rewrite of the Federal Telecommunications Act of 1996 – that electric cooperatives need the flexibility to offer their member-owners the services and new technologies without encountering regulatory or tax burdens that reduce cooperative incentives to assist members. Congress must also recognize the right of individual states to identify and set the statutory authorities of utilities regarding telecommunications or other services.*

*In addition, reauthorization of the Telecommunications Act or other telecommunications legislation should preserve electric cooperatives' exemption from Federal Communications Commission (FCC) regulation for pole attachments and limiting the FCC's authority to auction or reallocate radio spectrum used by electric cooperatives for providing energy service without interference or new costs.*

*Any legislation or regulation that would vest regulatory authority over pole attachments with the FCC is bad public policy. Matters relating to attachments to poles and other power system equipment should be contractual issues between interested parties. We must take all necessary measures to oppose any mandated pole attachment regulations. An ongoing problem nationwide with pole attachments and ground attachments is the lack of communication and coordination by telecommunications and cable television providers when they attach to electric cooperative infrastructure.*

*Commonly, cables and ground conductors are attached without the cooperative's knowledge, and/or in such a fashion that they endanger the distribution system through ice, snow or wind loading. Although this is a state-by-state issue, unsafe and unauthorized attachments are*

*occurring nationwide. The NRECA Pole Attachment Toolkit is a valuable asset for providing an array of information to rural electric cooperatives, and it should be updated as needed to reflect changes in law and technology. NRECA should also continue promoting and offering educational opportunities associated with the toolkit.*

**Disaster Assistance**

*When the government declares disasters, federal assistance is made available. Qualifying electric cooperatives may receive financial assistance from the Federal Emergency Management Agency (FEMA) for power restoration. As electric cooperatives account for approximately one-half of the distribution facilities in the United States, this assistance is of utmost importance to our millions of member-owners. Both cooperatives and municipal utilities are eligible for FEMA assistance. Investor-owned utilities utilize the Internal Revenue Code to absorb financial losses and, additionally, are eligible to receive Housing and Urban Development grants for power restoration expenses.*

*In addition to post disaster assistance, mitigation projects are a wise investment of federal funds and should result in long-term federal budget savings by reducing the potential for future disaster damages and losses.*

*We strongly support the continued eligibility of rural electric cooperatives for disaster assistance and mitigation programs. NRECA should continue working with FEMA on developing a standardized, FEMA-approved format for submitting disaster assistance claims, and in the event claims are denied, to require explicit, definitive rationale for the denial of such claims. We also support the establishment of clear and specific standards of eligibility for disaster assistance to which FEMA will be held accountable. These standards should not stray from FEMA's area of jurisdiction.*

*Additionally, FEMA standards should allow for consideration of cumulative financial impacts to co-ops of a series of a natural disasters occurring in a calendar year rather than disasters occurring in a much narrower period or narrower geographical area. Current standards allow reimbursement for natural-disaster-related damages only if the total cost of damage exceeds a per-capita amount. Because of the state-based nature of the damage assessment, FEMA standards fail to take into consideration the total financial impact of damages to electric cooperative facilities occurring in multiple counties, including those counties not declared a disaster area.*

*Major storm impacts to cooperatives and their members occur in not only single, large events within a narrow time period but also in multiple major events over a storm season in a single year. To the cooperative and its members, the financial impact is essentially the same. The FEMA administrator should be allowed to take these types of situations into consideration when determining a request for federal declaration, thus helping prevent rate increases to co-op members or the membership being encumbered for several decades to pay back a loan obtained to repair the utility system.*

*FEMA's criteria for determining the extent to which the permanent restoration of disaster-damaged rural electric cooperative facilities is eligible for funding should be clearly established and implemented nationally. These clear, concise criteria will limit the inconsistent and inequitable eligibility determinations which result in time-consuming and expensive appeals. FEMA should strive to avoid de-obligating funds. Deobligation places a significant financial*

*burden on cooperatives that act in reasonable reliance on the decisions of FEMA and, ultimately, their members.*

*We offer our assistance to FEMA and state emergency management agencies as they implement the provisions of the Sandy Recovery Improvement Act. In the context of reducing costs and otherwise streamlining operations, FEMA has in the past supported legislation that would require electric cooperatives and other not-for-profits to apply for disaster recovery loans from the Small Business Administration rather than continuing to receive FEMA disaster recovery grants, as under current law. In addition to legislation, FEMA has attempted to accomplish this same law change through administrative rulemaking. If either situation arises again, Congress should oppose these changes.*

## MEMBER-OWNER SERVICES AND ASSISTANCE

### Electric Cooperatives Support of Electric Vehicle Policies

*Cooperative utilities see great promise in the electrification of the transportation sector, including electric vehicle (EV) adoption and deployment. As the resource mix of electric utilities becomes less carbon-intensive and other emissions continue to drop, transportation electrification becomes a more attractive policy option to reduce vehicle emissions and improve air quality in our communities. EVs offer an environmentally-beneficial source of load growth and an opportunity to demonstrate our local and global environmental stewardship. Further, electricity used as a transportation fuel reduces petroleum consumption, decreases our need to import oil, and improves our nation's energy security.*

*Cooperative utilities are ideally positioned to partner with the auto industry, electric vehicle owners, municipal and private vehicle fleets, car sharing companies, and communities to offer products and services that encourage EV adoption and provide convenient and grid-friendly vehicle charging options. Many cooperative utilities have found that investments in charging infrastructure, consumer education, and designed rates and incentives encourage EV adoption. These investments depend on continued support for EVs at the federal level and should recognize and be consistent with state law.*

*Both the electric and transportation sectors are impacted by regulatory and consumer pressure to reduce emissions. The electric sector is adapting to these pressures, making strides in its own emission reduction efforts, and poised to assist the transportation sector's move toward the use of electricity as a new low-carbon transportation fuel. EVs represent an opportunity for cooperatives to meet carbon policy challenges and support growing customer demand for EVs, while increasing electricity sales and moderating rate pressures.*

*Several federal policies can affect EV deployment, including tax incentives and fuel efficiency standards. Internal Revenue Code Section 30D provides a credit for Qualified Plug-in Electric Drive Motor Vehicles including passenger vehicles and light trucks. The tax credit is available for the purchase of a new qualified PEV that draws propulsion using a traction battery that has at least five kilowatt-hours (kWh) of capacity, uses an external source of energy to recharge the battery, has a gross vehicle weight rating of up to 14,000 pounds, and meets specified emission standards.*

*For vehicles acquired after December 31, 2009, the credit ranges from $2,500 to $7,500. The credit begins to phase out for a manufacturer's vehicles when at least 200,000 qualifying vehicles have been sold for use in the United States (determined on a cumulative basis for sales after December 31, 2009). Qualifying vehicles manufactured by that manufacturer are eligible for 50 percent of the credit if acquired in the first two quarters of the phase-out period and 25 percent of the credit if acquired in the third or fourth quarter of the phase-out period. Vehicles manufactured by that manufacturer are not eligible for a credit if acquired after the phase-out period.*

*The federal government also regulates fuel efficiency standards, and in 2018 is undertaking an effort to modify the corporate average fuel economy (CAFE) standards. It is very much in the interest of electric cooperatives to have EVs considered when automakers must meet fuel economy standards, and NRECA should work to ensure that changes to those standards reflect and support the ongoing electrification of the transportation sector.*

## Broadband for Rural America

*The Telecommunications Act of 1996 directs the FCC to ensure that communications services and rates in rural areas are reasonably comparable to services and rates in urban areas. The FCC has fallen short of this mandate for too many of our rural communities. Without broadband, our communities are falling further behind.*

*Specifically, NRECA's leadership is needed to advocate for federal funding via the FCC's universal service fund (including the Connect America Fund) and any other federal grant/lending sources such as the Rural Utilities Service (RUS) for electric cooperatives. Electric cooperatives have not historically provided communications services and Members of Congress and regulators need to understand how electric cooperatives are able to leverage their existing infrastructure to deploy broadband and, in so doing, transform their communities. Electric cooperatives have been leaders in rural America for nearly a century – dating back to the 1930s when committed leaders in rural America formed rural electric cooperatives to bring electricity to areas that were being left behind by private utilities whose motive was profit—not service. In many rural areas, we face a similar critical divide today with respect to access to quality, reliable broadband.*

*Large, typically investor-owned, broadband providers are deploying high-speed broadband services in the more populated areas of the country but are bypassing too many of our communities for the same reason investor-owned utilities chose to ignore rural America in the 1930s—sparsely populated areas = nominal or negative profit. Yet, without broadband, our communities cannot survive.*

*Today, like the 1930s, electric cooperatives are answering the call of their communities by bringing light to rural areas that have been left in digital darkness. According to the National Rural Telecommunications Cooperative, there are currently more than 250+ electric cooperatives throughout the country either deploying or studying deployment of broadband in rural America.*

*Access to broadband brings world-class educational opportunities for our children, enhanced health care, and, most importantly, turns economic development initiatives into reality. In short, rural America and its residents should receive broadband services on a level consistent with their urban and suburban counterparts as Congress envisioned when it created the universal service program.*

## Privacy of Member-Owner Data

*We believe in the individual member-owner's right to privacy. We also believe that cooperatives must be able to share such individual member-owners' data with contractors or agents as is necessary for them to perform essential or operational core utility services for the cooperatives and their members.*

## Memberships' Need for Diversified Services

*In an increasingly competitive utility industry, it is important for electric cooperatives to have the flexibility to voluntarily provide local communities with varied customer services. We believe cooperatives should have the right to pursue any business enterprise that will assist in meeting community needs, including energy, telecommunications, propane, natural gas, Internet service, or any other desired service that can be accomplished through adherence to cooperative principles. We commend NRECA for developing cooperative business models that can guide diversification of services.*

## Low Income Home Energy Assistance

*A significant number of rural electric members experience difficulty paying their energy bills. LIHEAP serves as a safety net for low-income households. Many rural electric systems member assistance programs refer distressed members to agencies that administer the U.S. Department of Health and Human Services' LIHEAP. In addition, some rural electric cooperatives have established a volunteer fund and/or contribute funds to help leverage LIHEAP funds.*

*Further, LIHEAP, as authorized by Congress, includes an incentive program to award greater amounts of LIHEAP dollars to those areas that leverage LIHEAP funds with capital from other sources. We encourage systems to consider establishing a voluntary fund for providing financial support to leverage LIHEAP funds.*

# EDUCATION

## Director, Management, and Workforce Development

*The ever-evolving electric utility industry demands rapid, informed decision making from boards and management. In addition, the competencies of boards, CEO/managers, and employees are scrutinized by member-owners, regulators, lenders, rating agencies, and others.*

*To meet these demands and strengthen competencies, an effective program of leadership development and technical education is critical to the success of electric cooperatives.*

*NRECA continues to devote resources to create and deliver educational programs to assist cooperative leaders in developing their technical skills and management and leadership competencies. NRECA is committed to using time-tested best practices, as well as emerging research and learning technologies, to design and deliver its education programs. This includes tapping the expertise of other organizations and individuals throughout the cooperative network and using a competency-based framework to align and adapt program content to evolving learning needs of members.*

*In addition, in the coming years, half of the U.S. electric utility workforce will be eligible to retire and the need for maintaining skilled personnel within the electric industry will impact electric cooperatives. National demographics are such that the quantity of qualified workers will decline, resulting in greater competition for employees.*

*NRECA should continue to strengthen its resources that assist cooperatives in: determining compensation, identifying means to attract and retain a qualified workforce, and in implementing career development and succession planning that enhances employee personal growth and performance.*

## Educating our Youth and the Washington Youth Tour

*It is more vital than ever that today's young people understand and support the rural electrification program, for they are tomorrow's leaders and member-owners. These individuals can play an important, dynamic role as advocates for rural electric cooperatives, not only among the cooperatives but in their communities at large. The NRECA Washington Youth Tour and Youth Leadership Council provide opportunities to help grow our future leaders, while educating them about the realities of the modern (and historic) electrical grid and its complexities and importance in our society.*

*Another opportunity for educating America's youth lies in school classrooms, and it is important that material presented in school classrooms is relevant to the changes in today's electric industry, heighten student knowledge of the cooperative business model, and unveil the importance of electricity in today's economy. Others have been proactive in presenting different perspectives on the future of electricity generation in America. Unfortunately, some of those perspectives are not grounded in the reality of operating a reliable electric grid. While renewables like wind and solar will continue to complement base load generation, they will not replace traditional sources of electricity generation (coal, hydropower, geothermal, nuclear, and natural gas) in the short-term. This reality needs to be conveyed to the current generation of K-12 youth.*

*NRECA encourages members to consider resources already available that can support their youth education efforts. For example, the NEED Project (National Energy Education Development Project) has developed K-12 curriculum addressing both renewable and*

*nonrenewable sources of energy. Several universities offer K-12 energy education programs and resources including the University of Wyoming School of Energy Resources and the University of Wisconsin at Stevens Point. A list of various educational offerings is maintained by the Department of Energy's Office of Energy Efficiency & Renewable Energy at: http://energy.gov/eere/education/teach-and-learn. Also found on this page is a link to the new Energy Literacy Framework, that was released by DOE in March 2017. The framework is a set of essential principles and concepts for energy education for learners of all ages.*

**Education Regarding the Cost of Compliance with EPA Regulations**

*Because of the escalating costs of existing and anticipated additional EPA regulations and the substantial potential increase in electricity costs to electric cooperative members, it is essential that the NRECA membership be fully informed about such costs of compliance with any additional EPA requirements, particularly those related to SO2, NOx, particulates, mercury, regional haze and CO2. If additional emission reductions are mandated, it is imperative that such requirements be based upon sound science with targeted results since the economic impacts of new rules may cause extreme hardships, especially for the electric cooperative segment of the industry that utilizes coal and natural gas for a significant percentage of its generation capacity.*

# POLITICAL ADVOCACY

## Affordable, Reliable, and Safe Electric Power through Cooperative Grassroots Advocacy

*Today, while electric cooperatives remain focused on this core mission, they are facing many challenges as they pursue the most responsible solutions to provide their member-owners with affordable, reliable, and safe electric power. The only way that these challenges can be met is with grassroots programs.*

*We support NRECA's Grassroots Advocacy Unit and its programs as a coordinated effort between the local distribution cooperatives, G&Ts, statewide associations, and NRECA to help member systems identify advocates among members, employees, retirees, and cooperative youth, as well as other co-op friends and supporters, and educate them on how to become strong advocates for cooperatives' legislative and community objectives.*

*We urge statewides and individual cooperatives, their directors, managers, employees, and members to work together with NRECA's Grassroots Advocacy Unit to undertake formal political action planning programs to establish an effective network of advocates and to educate themselves and other consumer groups on legislative and policy issues of concern to co-ops on a local, state and national level.*

## The Importance of Coordinated Outreach

*In recent years, it has become apparent that states are moving ahead of the federal government in many areas of environmental and energy issues. Increasingly, state elected officials use their national service organizations to share policy ideas and goals. NRECA, in coordination with the statewide and G&T cooperative organizations, should monitor where state elected officials are actively working, in issue areas important to electric cooperatives, on model policies and resolutions that can evolve into state legislation or regional or national agreements. NRECA should actively present cooperative viewpoints at the meetings where such policies and resolutions are debated and voted upon, such as the National Association of Regulatory Utility Commissioners (NARUC), National Association of State Energy Officials (NASEO), National Governors Association (NGA), and the National Council of State Legislatures (NCSL).*

## Action Committee for Rural Electrification – ACRE®

*Editor's Note: Contributions to ACRE® are not tax deductible. ACRE qualifies as a multi-candidate political action committee and is registered with the Federal Election Commission. Contributions to ACRE are voluntary and will be used for political purposes. You have the right to refuse to contribute without reprisal. Federal law prohibits contributions from foreign nationals. Any contribution guidelines are merely suggestions. You are free to contribute more or less than the suggested amounts, or not at all. NRECA will not favor or disadvantage anyone by reason of the amount contributed or a decision not to contribute. The IRS and FEC require this notice.*

## SUPPORT FOR ALLIED ORGANIZATIONS AND INDUSTRIES

### Support for USDA Rural Development Programs

*While many electric cooperatives utilize the RUS as a key source of capital, many other programs within the Rural Development function are important to electric cooperatives and the communities they serve. Electric cooperatives are committed to the future of rural America, and we support the advancement of programs offered through USDA Rural Development, and urge the continuation of coordinated efforts among the Rural Business Service, Rural Housing Service, and RUS to direct technical and financial assistance to the improvement of living and economic conditions in rural America. The FY18 Budget Proposal suggested eliminating or dramatically scaling back several key Rural Development programs and NRECA should continue its advocacy to ensure Rural Development programs are treated fairly in Administration budget proposals and Congressional spending bills.*

*To continue providing top-quality service to our member-owners, electric cooperatives will need a continued strong partnership with the RUS. Electric cooperatives strongly support RUS and continuation of the agency's mission for building essential electric infrastructure through financing of generating resources, electric transmission and distribution lines, and other facilities needed to furnish affordable and safe electric service. Electric cooperatives also support RUS' mission of investing in local economic development projects. RUS and the U.S. Department of Agriculture (USDA) should have the resources to recruit and retain competent personnel as authorized, and to fully employ available contract resources necessary to meet their mission in a timely fashion.*

*The very small federal investment in the RUS electric loan programs, coupled with efficient management by cooperative businesses make the electric cooperative infrastructure strong, stable and dependable today. The high quality of the electric co-op infrastructure is also due to uniform engineering standards established by the federal government. Co-op infrastructure was built to withstand exposure to harsh elements and weather-related disturbances common to sparsely populated areas of this country.*

*Although some cooperatives have seen a portion of their service territories transformed into urban areas, for the most part electric co-ops are the sole providers serving far-flung, sparsely populated areas with below-average income levels.*

*Due to significant uncertainty regarding the timing of power supply project financing, it is very difficult to project a precise level of required funding. Congress should make adequate financing available for power supply facilities to the extent that needs are documented in applications for both new starts and deficiencies consistent with the intent of Congress. We urge RUS to continue to make 100 percent electric loan guarantees in the full amount of the project and not reduce it by any particular basis or arbitrary percentage. Furthermore, RUS financing must continue to be made available for capital improvements (including pollution control upgrades) to existing base load generating facilities. RUS needs to remain fuel neutral in its lending decisions. RUS should provide efficient loan processing. We support permitting co-ops to prepay their FFB debt, without penalty, to save money for their members.*

*Since IOU utilities receive tax credits for infrastructure development and Municipals are allowed to issue tax-exempt bonds, then electric cooperatives need a similar mechanism to encourage infrastructure development. To that end the RUS loan program allows electric cooperatives to borrow at low interest rates usually tied to the treasury rate. This is a program that actually makes money for the government and any cutting of this program is counter-*

*productive to the federal government. The Rural Utilities Service (RUS) regularly publishes rulemakings as a result of efforts to codify existing bulletins and practices into rules, to codify new laws and other requirements applicable to rural electric borrowers, and to update and streamline security requirements. These changes are published in the Federal Register as proposed rules and are also available to RUS borrowers on the Internet. RUS rulemakings are very significant to all borrowers – large and small systems alike. These rules need to be carefully crafted by RUS rule writers and carefully analyzed and commented on by RUS borrowers and NRECA.*

*G&T eligibility for RUS loans and loan guarantees has traditionally been tied to the purposes of the Rural Electrification Act, without regard to the status of a G&T's member systems as RUS or non-RUS borrowers. Further, RUS has traditionally used a once-rural-always-rural standard to protect the federal investment in electric infrastructure.*

*RUS will not approve a loan to an electric cooperative that exceeds the debt limit established by the cooperative. In interpreting this debt limit, the RUS applies the entire original amount of an outstanding RUS loan against the debt limit, even when most of the principal has been paid off. For example, if a co-op took out a $40 million loan and has only $5 million of principal remaining unpaid; RUS considers the debt as $40 million instead of $5 million. RUS' interpretation has required numerous co-ops to change their bylaws to raise their debt limit in order to qualify for a new RUS loan, even though their actual debt remained far below the existing debt limit.*

*For more than half a century, federal financial assistance through the rural electric loan program now administered by RUS, has played a fundamental role in the electrification of our nation. Despite the objections of the critics of the RUS financing programs, we believe the continued existence of the RUS insured and guaranteed loan programs are appropriate because the financial assistance they provide has been used by local, nonprofit, member-owned cooperatives to bring electric light and power to areas that might still not enjoy the benefits of central station electric generation.*

*We believe it is inappropriate, however, for private power companies, other for profit entities, and municipal and public utility districts to be able to assume the loans of rural electric systems and to pay them off as if they were still held by a rural electric distribution cooperative or generation and transmission cooperative. To do so would be to contravene the intent of Congress when it established the RUS financing programs.*

## Cooperation Among Cooperatives

*We support the right of all Americans to join cooperative organizations, including electric cooperatives, credit unions, agriculture cooperatives, and other entities operating under traditional cooperative principles. We urge NRECA to protect the federal and state treatment legitimately afforded traditional electric cooperatives, and to oppose any federal legislative or regulatory initiatives to treat Limited Cooperative Associations or similar organizations as entities operating on a cooperative basis if they deviate from traditional cooperative principles.*

*The Capper Volstead Act, signed into law by President Harding in 1922, helped spur economic growth and jobs creation across the country, especially in rural America by allowing producers to band together by forming cooperatives. Similarly, for over 100 years, America's not-for-profit credit unions have provided a safe and affordable alternative to traditional banking for millions of American workers. Since 1982, the federal government has allowed*

*credit unions to include multiple groups in their field of membership to allow smaller employee groups to gain access to credit unions. Several electric cooperative organizations have established credit unions for the benefit of their employees.*

*We urge NRECA and electric cooperatives to emphasize the unique strengths of the cooperative business model in educating our youth, member-owners, directors, employees, community leaders, and political officials. Reviving, sustaining, and further developing rural America is a goal that requires the understanding and support of the cooperative membership.*

*Specifically, NRECA is encouraged to develop educational materials that are relevant to the cooperative business model in a changing electric industry, and to work with and encourage like-minded organizations in the development of programs that highlight the benefits of cooperative businesses and the vital part they play in the economy.*

## Support for NRECA International

*America has a clear national security interest in building international trust and tolerance, and in particular in helping to increase opportunity and living standards throughout the world. NRECA International – a separate, tax-exempt entity organized for charitable, educational, and scientific research activities promoting and enhancing human well-being through international rural electrification – is the most visible and effective means by which the NRECA community can demonstrate its contribution toward those goals and NRECA should actively promote NRECA International to the public.*

*For 50 years NRECA International has been active in rural electrification programs in foreign countries and has dispatched over 400 rural electrification technical advisors to assignments around the world. Today, an estimated 110 million people in more than 40 countries around the world have access to electric power and lights in their homes, schools and businesses as a direct result of NRECA's work overseas.*

*With the support of the U.S. Agency for International Development (USAID) during the 1960s and 1970s, NRECA International carried out highly successful electrification programs based on the U.S. model in Bangladesh, Philippines, Costa Rica, and in several other countries. The effectiveness of those programs owes largely to the fact that the countries elected to use an electrification development model that empowers communities to work cooperatively in meeting their needs for electricity service and in providing the poverty alleviating benefits of locally controlled electrification.*

*In 2012, the United Nations celebrated the tremendous role that cooperatives play in global development by designating that year as the International Year of Cooperatives. We urge USAID to maintain adequate funding for the Cooperative Development Program to allow NRECA and American cooperatives working overseas to promote and advance the cooperative model of economic and community development on behalf of the world's rural and less advantaged populations.*

*Since the late 1970s, USAID funding support for rural electrification has declined. Most countries in the developing world today lag far behind in electrifying rural areas, and in bringing progress and opportunity to the economically deprived. According to World Bank statistics, less than one-third of rural households in the developing world have electric service today, and the sheer number of people in the world without electricity may be as high as two billion.*

*We call on the U.S. government to utilize its foreign assistance agencies and funding sources – including not only USAID, but also the Millennium Challenge Corporation, and USDA's Food for Progress program – to work with NRECA International in order to increase the pace of rural electrification around the world. This will result in a global strategy and a versatile, sustained, long-term mechanism to create economic development and promote social stability, promoting individual freedom and local entrepreneurship through provision of electrification under cooperative ownership.*

## Touchstone Energy®

*Touchstone Energy was created in 1998 to provide strong brand identity, enhancing local cooperative's member education efforts. Touchstone Energy is helping educate members about the importance and value of cooperatives. Building member loyalty also aids our grassroots legislative efforts, and support for other local initiatives nationally as well as locally.*

## Support of the National Rural Utilities Cooperative Finance Corporation

*A variety of sources of capital are available to the rural electric program. While recognizing each system's freedom to choose lending sources, CFC is the only lending institution wholly owned and controlled by the rural electric systems. CFC was formed in 1969 through the efforts of NRECA. As a member-owned lending institution, CFC's commitment ensures that the interests of the rural electric systems will be served.*

## National Rural Telecommunications Cooperative Legislative Issues

*The successful resolution of legislative issues will be important in maintaining the National Rural Telecommunications Cooperative's (NRTC) competitiveness. NRECA and NRTC should work together to:*

- *Overcome legislative obstacles that could result in higher costs to satellite and other media consumers, threaten NRTC's competitiveness or reduce the availability of these services in rural areas;*
- *Oppose any expansion of local, state and federal efforts to tax the delivery of content services and Internet access and share all available information regarding such taxation to member-owners;*
- *Invest in and develop telecommunications products and services of value to member-owners and cooperatives;*
- *Support the development of policies designed to protect the rights of owners of intellectual property while ensuring member-owners have fair and reasonable access to such property;*
- *Promote competition for the delivery and pricing of television programming;*
- *Support the ability of NRTC's access to distribution rights for video and audio services on fair and reasonable terms;*
- *Support efforts of NRTC to engage in state and regional initiatives aimed at the expansion of access to Internet and broadband services in rural markets; and*
- *Ensure that any federal financial assistance, including grants, is available to electric cooperatives that invest in the Smart Grid or Smart Grid technologies.*

## Support of Utilities Telecom Council

*Maintaining robust telecommunications infrastructure and access to the spectrum are critical to the electric cooperatives and their member-owners. Therefore, it is essential for NRECA to work in conjunction with the Utilities Telecom Council (UTC) regarding such issues as:*

- *Spectrum access;*
- *Frequency coordination;*
- *Monitoring proposed communications legislation;*
- *Participation in relevant legal proceedings;*
- *Dissemination of communications information vital to the well-being of our industry;*
- *Ensuring the proper implementation of any National Broadband Plan which could impact utility telecommunications systems; and*
- *Ensuring that the FCC properly implements those provisions of the Telecommunications Act of 1996 which could impact utility-owned telecommunications systems, and allow members to benefit from business opportunities in the telecommunications market.*

*Therefore, cooperatives engaged in telecommunication activities are encouraged to contribute to UTC with both financial and human resources. We commend the ongoing NRECA and UTC dialogue and urge NRECA to work with UTC to quantify the benefits of UTC membership and communicate them to electric cooperatives.*

## Support for Electric Cooperative Bar Association and Lawyers' Activities

*Competent legal counsel, particularly legal counsel with expertise in cooperative matters and cooperative utility law, is an unquestioned essential necessity for cooperative electric utilities. Involving lawyers in the resolutions process of NRECA and electric cooperatives, similarly, introduces a perspective that can be helpful and instructive in the development of national policy. We believe this can best be accomplished through the Electric Cooperative Bar Association (ECBA), which provides a forum for more than 800 ECBA members to help accomplish these objectives as well as an information-sharing resource. We endorse the continuation of this bar association and the participation of electric cooperative attorneys and paralegals in continuing legal education focused on rural electrification and other issues faced by electric cooperatives.*

## Public Power Support

*For many years, the debates of public versus investor-owned power have filled the halls of Congress and, today, a large part of the American public does not understand the benefits that locally owned cooperatives and public power utilities provide the nation. These benefits often are available largely because of access to reliable publicly generated power.*

**Investment to Strengthen Rural America**

*Financing is a critical ingredient in economic development. Infrastructure, jobs, education and other key ingredients are on the electric cooperatives' agenda to help grow communities. The more electric cooperatives can assist their local communities, the more the communities will benefit.*

*REDL&G. The USDA Rural Economic Development Loan and Grant Program (REDL&G) specifically seeks out electric cooperatives as vehicles for supporting local economic development. NRECA supports the REDL&G program and the development of any other funding programs that promote rural economic development and energy efficiency and that utilize electric cooperatives as part of the delivery system for such financing. We strongly urge Congress to stop redirecting the funding intended to support the REDL&G program.*

*In addition, current laws enhance the REDL&G program by providing an additional funding source for loans and grants through fees paid by cooperative lenders utilizing the Guaranteed Underwriter program. These private lender fees are critical to the REDL&G program as Congress continues to sweep funds from the cushion of credit account. Therefore, we urge NRECA to work to ensure that the Guaranteed Underwriter Program is provided appropriate funding levels by Congress.*

*In addition to REDL&G, USDA has identified more than 40 other programs within the department whose goals are also to provide resources for rural community and economic development. NRECA should work with USDA Rural Development and the Congress to consolidate many of these programs to improve efficiency, provide incentives that encourage cooperatives and local partners to participate in development projects, and reduce red-tape and shorten time for decisions and approvals while also encouraging partnering between co-ops and Rural Development agencies.*

*Agriculture Industry. NRECA cooperative members encourage a continuing congressional response to evolving issues that address farm policy and impact farm net income. NRECA supports legislative initiatives that level the export playing field, create incentives for farmers to invest in their own value-added cooperatives, increase funding for plant and animal research, improve risk management programs, and provide direct payments to farmers suffering from crop failure.*

*Executive agencies should use their existing authority and resources to provide rural communities and agricultural producers with emergency assistance by adequately funding the safety nets designated in the Farm Bill in the event of drought and other natural disasters.*

*Agriculture and rural communities need greater, more dependable access to competitive, flexible, financial resources in order to compete in a changing global economy. NRECA should support changes that would provide rural businesses, rural homeowners, and others in rural America with broader access to financing through the cooperative Farm Credit System, CoBank, and CFC.*

*We support legislation which provides the Farm Credit System (FCS) with new tools to better meet the credit needs of current customers and provides new services and credit to those businesses that support agriculture and our rural towns and cities.*

*Further, we support giving the FCS expanded authority to meet rural infrastructure needs; provided however, that no loan authorities be made available regarding independent power production or cogeneration facilities that will provide power, byproducts or services within the service territory of any rural electric distribution cooperative or its generation and transmission cooperative (G&T), where a G&T is the power supplier, unless both the*

*distribution system and the G&T determine that these authorities will not be used in a manner that will adversely affect the rural electric systems or their member-owners. We support legislation providing the FCS expanded opportunities as outlined above.*

*Agriculture Research and Development. Land grant agricultural programs of research, extension and teaching are a key part of maintaining a sound food, fiber and energy policy which will enable American agriculture to meet the ever-expanding needs of U.S. consumers. The Administration and Congress should act to reverse the erosion of federal portion support for land grant universities and colleges.*

*One of this country's basic strengths has been our farmers' efficiency in overcoming the effects of bad weather and the assaults of pests and diseases which constantly threaten crops and livestock. Agriculture is also becoming an increasingly significant contributor to our nation's domestic energy supply. To continue progress, the agricultural outreach network needs to be at full strength to deliver the results of research to farmers and rural communities. Future agricultural scientists and specialists need to be trained by our land grant universities and colleges.*

*Adequate and effective federal support for land grant universities and colleges is essential to a productive agricultural industry and to the overall development of rural America. Therefore, we urge NRECA to call on the federal government to increase its appropriations for agricultural research, extension and teaching through the land grant universities and colleges and thus make the investment needed to support our nation's future food, fiber and energy supply and to strengthen our economy.*

*The 2018 Farm Bill included compromise language reforming the Rural Utilities Service (RUS) Cushion of Credit (COC) program. The new language will give COC balance-holders the opportunity to use COC funds to prepay RUS/Federal Financing Bank debt without penalty. After two years, interest paid on existing balances in the COC will be reduced. No new deposits into the COC are allowed. These changes will significantly change how electric cooperatives utilize this program.*

# MISCELLANEOUS POLICY ISSUES

## Regulatory Reform

*The following are examples of reforms that we support:*

- *Congress should establish a process to review existing rules and regulations, with the goal of eliminating existing rules and regulations that are overly burdensome.*
- *Regulations should be based on sound economics by evaluating them against their projected costs and benefits to make sure they are cost effective compared to other alternatives that may be available. Alternatives should be sought out and evaluated in an open and transparent process before settling on a proposed regulatory solution.*
- *Regulations should be based upon sound science, which includes the following principles:*
  - *All science and technical data must be made available for independent review. The Scientific Method requires transparency including disclosure of any potential conflicts of interest so that all results are reported for the purpose of independent testing, reproducibility and verification. Transparency is also a requirement of honest and open government.*
  - *Dissenting scientific views must have an opportunity to be heard and considered.*
  - *Opaque peer reviewed studies should not be relied upon as a substitute for openly published and independently reviewed scientific models and data as justification for science based findings by government agencies.*
  - *Uncertainties in scientific findings and conclusions must be communicated and considered in the process.*
  - *Scientific risk assessment procedures should address risks that are proven to be real and significant rather than remote and hypothetical.*
  - *Private sector science and technical input should be sought out and included in the process.*
  - *Simulation models used to develop regulations should be validated through the normal rigorous process of comparing the many aspects of model predictions to physical data to determine their accuracy and utility for critical decision making.*

## Federal Land Use Management

*Several existing practices and proposed changes to regulations involving federal land use and management have proven detrimental to cooperatives. Most western states have large concentrations of federal lands located within their boundaries and as a result are economically impacted by major changes in federal policies regarding the utilization of these lands for multiple use purposes.*

*Federal land use and management reforms must provide a fair compromise regarding all multiple use issues. We believe that principles established to truly maintain multiple uses on public lands will best protect our cooperatives' business interests.*

# COURTESY RESOLUTIONS

## Honoring Electric Cooperative Workers' Roles as First Responders

*NRECA and its members recognize and honor all electric utility workers who put their lives in harm's way daily to serve and protect the communities throughout the United States of America.*

*Electric utility workers risk their own safety and personal property in the execution of their duties to provide essential electricity to the public on a daily basis. Electric utility workers are always 'on call' and stand ready to come to the aid of the citizens of the United States of America 24 hours every day. The immediate response of electric utility workers is a necessity in protecting the health and safety of the public during almost every public emergency situation. Electric utility workers are a vital part of every community serving as volunteers in schools, churches, non-profits, and community organizations. Electric utility workers consistently join both career and volunteer first responders to aid the public in the event of an emergency.*

# INDEX

## *F*



## *G*



## *H*



## *I*



## *L*



## *M*

## *N*



## *O*



## *P*



## *Q*



## *R*



## *S*

## *T*



## *U*



## *W*



## *Y*



## *Z*