



## ISSUES COMMITTEE REPORT

### Issues and Proposed Resolutions

*Presented to the NRECA Membership and Board of Directors*

*For Consideration by the NRECA Membership at the 2008 Regional Meetings*

*July 2008*

## 2008 Issues Committee Report

On June 20 and 21, 2008, the Issues Committee met at NRECA headquarters in Arlington, Virginia. The Committee conducted extensive discussions on nearly twenty issues facing electric cooperatives, deciding to address ten of these issues in the form of new draft resolutions or amendments to existing resolutions. This scope and number of issues addressed signals the challenging political climate facing electric cooperatives.

The Committee focused intensely on the “Our Energy, Our Future” campaign, discussing how the campaign will evolve beyond 2008 and how grassroots support stimulated by the campaign will be needed on Capitol Hill during the coming years of energy policy debate. Cooperatives are in a new political landscape, in which Congress’ leadership is very engaged with environmental groups and less engaged with consumers and utilities, including cooperatives.

Keenly aware of the nation’s growing need for new capacity, 118 GW by 2020, the Committee addressed the following themes:

- The need for all traditional fuels in the electricity generation portfolio, from nuclear to hydro, to gas and coal.
- Funding the research and development needed to ensure that new technologies, such as Carbon Capture and Sequestration (CCS), are developed.
- Growing awareness that demand-side management, efficiency and conservation are integral to curbing the need for additional capacity.
- The increasing prevalence of complex energy transactions and markets unheard of ten years ago for commodities used to generate electricity and emissions.
- New opportunities to develop and benefit from green tags produced in association with renewable energy.
- The continuing need for director education and exemplary governance practices as the cooperative industry evolves in a challenging and complex energy policy environment.
- The increased importance of developing coalitions and reaching out to state-level elected officials.
- The need for a clear resolution stating the cooperative commitment to affordable power.

The Committee also saw the need to develop a bold, affirmative statement of the energy policies cooperatives support. As cooperatives engage in energy and climate debates, we can refer to this “Energy Platform,” which draws key principles from existing individual resolutions, rather than adopting a defensive stance or apologizing for our positions. The Committee believes it should be placed alongside the “Electric Energy Consumer Bill of Rights” in the *2009 Resolutions and Continuing Resolutions*.

The 2008 Issues Committee appreciated the many ideas and thoughts forwarded to it. We offer the enclosed proposals as a starting point for the NRECA membership to refine and expand policies that best represent the interests of our member-owners and all consumers.

If you have any questions on the discussions the Issues Committee held this year, please feel free to contact any Committee member or their representatives at the meeting (see pages four and five). And, please make your opinions known at the Regional Meetings. The Regional Resolutions Committee meets at 8:30 a.m. on Day One to hold discussions on policy proposals affecting electric cooperatives. Regional memberships vote on resolutions the morning of Day Three at the Business Meeting.

Sincerely,

*Fred Guyer*

2008 Issues Committee Chairman

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2008 Issues Committee: Overview of Issues Considered and Action Items

<b>Issues Considered</b>	<b>Action Items</b>
NRECA “Energy Platform”	Draft statement of principles drawn from existing resolutions (1)
Reliability Rules’ Impact on Distribution Cooperatives	No action required
Technology R&D Funding Surcharge	Draft resolution (2)
Federal Rights-of-Way	No action required
Increased Emphasis on Nuclear Power	Amend existing resolutions (3)
Green Tags as Funding for Efficiency and Conservation Programs	Draft new resolution or amend existing (4)
“Our Energy, Our Future” Campaign	No action required
Energy-Related Trading Markets	Draft resolution (5)
Outreach to State Elected Officials	Amend existing resolution (6)
DSM: Efficiency, Conservation, Building Codes	Draft resolution (7)
Co-op Governance and Director Education	Draft resolution (8)
Coordinated Efforts by National Groups on State Climate Policy	No action required
Telling the Story of Co-op Economic Development	Draft resolution (9)
Safety Practices and Improvements	No action required
Co-ops’ Responsibility to Protect against Identity Theft	No action required
RUS Baseload Generation Loans	Emphasize in new “Energy Platform”
Affordable Power as a Basic Right	Draft resolution (10)

(1) Draft statement of principles:

### **Electric Cooperative Platform for Our Energy Future**

Our nation is facing many challenges, stemming from the need to maintain adequate energy capacity, provide consumers affordable access to energy and protect the natural environment. Cooperatives have worked and will continue to work for balanced policies that achieve these goals now and into the future. Cooperatives believe that in order to assure our energy future:

1. All citizens should have access to affordable, reliable and safe electric power;
2. The full portfolio of fuels and technologies must be available to produce the electric power our member-owners and the country need;
3. All levels of government must support the siting, construction and funding of adequate generation, transmission and distribution infrastructure;
4. The Rural Utilities Service must continue providing the capital needed to assure adequate power for electric cooperative member-owners.
5. Government and industry must work together to fund and implement the research and development needed to assure our energy future;
6. Clean coal technologies are an essential bridge to a cleaner energy future and to preserving the use of the existing coal-based generating resources;
7. Working together and using the cooperative model, we must develop additional cost-effective sources of renewable energy;
8. Nuclear power must represent a substantial share of the future capacity requirements;
9. We support greater use of efficiency and conservation measures.

(2) Draft resolution:

**Research and Development Funding Essential to  
Economically Responsible Climate Change Solutions (Action)**

Electric cooperatives should participate fully as Congress debates the many policy issues surrounding climate change legislation. Our responsibility is to ensure that as climate policies evolve, our member-owners will have access to adequate generation capacity and affordable electric power. Clean coal technologies are an essential bridge to a cleaner energy future and to preserving the use of the existing coal-based generating resources.

Electric cooperative consumers, who are already facing sharply rising energy costs, will bear much more severe costs from global climate change legislation in the coming years if these new and enhanced technologies are not available. Awareness of this stark reality has caused cooperatives to already become leaders in technology research through such efforts as those coordinated by the Cooperative Research Network and the Electric Power Research Institute. Investing in new technology research and development is a responsible means of minimizing costs for consumers in the future. To accomplish this purpose, it may be necessary to place a small fee on each consumer bill to fund research.

Cooperatives seek a true partnership with the federal government in order to make the technological leaps required to assure a clean environment and adequate capacity. In the near term, funding of at least \$2 billion per year is needed. This would add approximately \$10 to the consumer bill annually. The fund should support investigation of new technologies across all modes of electric generation. The funds should be held in an entity with the powers and responsibilities of a Government Sponsored Enterprise. Cooperatives, as service providers to 12 percent of the population and contributors to the fund, must have a say in how these funds are directed and spent.

Therefore, we urge NRECA to work with Congress on legislation to fund urgently needed research and development to address future energy requirements and especially to address climate change solutions on a timely basis. We express our support for a customer-based fee as part of meeting these funding requirements.

(3) Proposed amendments to existing resolutions on nuclear issues:

### **Nuclear Power (Action)**

Nuclear power plants currently operating in the United States supply a critical portion of the electricity generated, but no new nuclear plant has been purchased in the United States since 1978, nor has construction on any new nuclear plants been started since the 1980s. This is despite the fact that nuclear power plants contribute greatly to our nation's fuel diversity, effectively reducing our reliance on certain scarce, expensive fossil fuels. Additionally and importantly, nuclear power plants contribute greatly to reduction of certain airborne emissions, including greenhouse gas 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.

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

- Ensure development of federal policies to ensure existing 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 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 the now enacted-into-law Yucca Mountain 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 pending the opening of Yucca Mountain;
- Ensure that cooperatives have the ability to participate in the next generation of nuclear facilities as they have participated in the last generation and also ensure that RUS will have/make appropriate funding available for same *and ensure 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 next-generation nuclear generating facilities;
- Without impacting completion of the Yucca Mountain Repository, rescind the Carter-era Executive Orders prohibiting the reprocessing of spent nuclear fuel in

We urge our federal government to develop a strategic plan to accomplish the above including timing, dates and accountability. (08-G-1)

### **Global Climate Change (Action)**

Many national and international policymakers, industries and environmental groups focus on and continue to work to develop policies intended to mitigate human contributions of greenhouse gases to the atmosphere in order to address climate change concerns. This policy development effort has accelerated dramatically in recent years, with more and more states adopting climate change policies as well as significantly increased attention from members of Congress and the public at large, including cooperative member-consumers. Carbon dioxide (CO<sub>2</sub>) is the main greenhouse gas that comes from burning fossil fuels, including the use of coal to make electricity. Because more than half of the nation's overall electric production, and more than two-thirds of the electric cooperatives' generation is from coal, the NRECA membership has a keen interest in proposals to mitigate greenhouse gas emissions.

Electric cooperatives face growing uncertainty over what the future of US climate change policy will be and how that future policy would affect the ability of cooperatives to provide affordable, reliable, and safe electric power. Policies to address climate change can have substantial negative impacts on electric cooperative consumers if they are poorly crafted, and it is in the interest of all cooperatives to be actively engaged in the debate over how to address the climate change issue.

Therefore, NRECA is strongly urged to support legislation that meets the following principles:

- Any plan should cover emissions from all sectors of the economy, not simply electricity generation, and should include provisions to ensure that other nations, including both developed and developing, are enacting policies to address this issue within their own borders. Such provisions should ensure a level playing field with respect to carbon costs or taxes for international trade and not result in disadvantages for U.S. manufacturers or businesses.
- Any plan should recognize the need to construct new generation to preserve electric reliability, replace aging generation plants and to meet increasing demand. Cooperatives are committed to take steps to implement cost-effective energy efficiency and to look at reasonable alternatives. Even so, new generation will be needed to meet load growth reliably.
- Any climate change proposal should maintain fuel diversity, allowing a variety of fuel sources to meet the energy and economic needs of the country. Provisions to encourage new nuclear generation should eliminate any barriers to cooperatives participating in new projects with non-cooperative partners and should grant cooperatives a right to participate in new nuclear projects.

- Any proposal should include provisions, such as an economic safety-valve, to protect the U.S. economy from significant negative impacts. Additionally, Congress should work to protect both urban and rural consumers from any significant negative economic impacts from climate change legislation.
- Any plan should recognize that in the short term, terrestrial sequestration, conservation, and energy efficiency appear to be among the most cost-effective methods of mitigating greenhouse gas emissions at this time. Additionally, it should be recognized that sequestration can provide benefits to rural areas and agricultural- and forestry-based economies.
- Any plan should recognize that in the long term, new technologies including the capture and sequestration of carbon dioxide from power plants will be critical to addressing this issue, but cost-effective, commercially-available technologies are still in development and are years or decades away from large-scale commercial applications. Every effort must be made, and appropriate funding provided, to accelerate the research, development, demonstration, and commercialization of these technologies.
- Any plan should encourage cost-effective reductions and should provide incentives available to all segments of the utility industry including cooperatives to develop and deploy advanced electric generation, transmission, and distribution technologies.
- Any plan should recognize that climate change policy and energy policy are inextricably linked, and that these policies can have a significant impact on our nation's economic and energy security.
- Any plan should remove regulatory and other impediments to increasing the efficiency of existing generating units.
- *Any climate change or energy legislation with climate change provisions must include a nuclear title with a cooperative nuclear incentive comparable to IOU and municipal incentives.* (08-G-3)

(4) Draft resolution:

### **Green Tags as a Commodity (Action)**

Cooperatives are leaders in renewable energy production, overcoming many challenges posed by their size and access to funding, to bring renewable energy projects online. The formation of the National Renewable Cooperative Organization is expected to increase the amount of renewable generation that cooperatives are developing.

When a cooperative begins to operate a renewable electricity generator or purchase output through a purchased power agreement, it produces two commodities - the electron and the electron's "green" attributes. The marketplace has deemed this second commodity a "green tag" or a "renewable energy credit." A trading market has developed for green tags, but current policies prevent cooperatives from fully participating in this market. Generally, state renewable portfolio standards (RPS) prevent cooperatives and other utilities from selling many of the green tags produced by renewable generation they own and operate or acquire through a purchase power agreement.

A typical RPS green tag policy prevents the utility which owns or causes the renewable generator to be built from selling the green tags connected to any electron generated to comply with the requirements of the RPS. Some policies allow selling the green tags associated with any electrons over and above the amount needed for RPS compliance.

Cooperatives oppose these types of restrictive green tag policies, which are designed to artificially create scarcity and drive up the price of green tags, therefore needlessly wasting the value of many green tags and increasing the price of RPS compliance for many end-use consumers. Cooperative generators of renewable power or cooperative purchasers of cooperative renewable power should not be penalized for selling renewable power by having their ability to sell the accompanying green tags restricted.

Cooperatives instead support policies that allow cooperatives to sell green tags associated with electrons needed for RPS compliance, provided that revenues from those sales is directed by the cooperative to conservation and end-use consumer energy efficiency programs.

(5) Draft resolution:

### **Transparency of the Energy Trading Markets (Action)**

Recent years have seen energy trading markets expand and become incredibly complex, moving far beyond the bilateral platforms once sufficient to complete physical energy transactions between arms-length buyers and sellers. In recent years, futures markets and electronic exchanges have grown up to accommodate new energy market participants and new commercial needs, such as hedging. New climate change and renewable energy policies are likely to produce new energy-related commodities and markets.

As these markets have rapidly developed, several regions of the U.S. have experienced significant volatility in the price of power and the underlying commodities used to produce electricity. At the same time, power prices paid by the end-use consumer have also risen sharply. It is difficult to draw a cause-and-effect connection between trading and commodity development trends, market volatility and the rise in consumer power bills. However, regulators and consumers cannot know whether there is a cause-and-effect connection because these new energy trading markets have developed without a comparable increase in the federal government's ability to oversee and regulate them.

NRECA believes that the federal government should be equipped with the financial and personnel resources to adequately oversee the full array of energy trading markets and that oversight of energy trading markets should be maintained at agencies with sufficient expertise in these matters. NRECA also believes that no energy trader should be permitted to own, operate, manage, and participate in its own private trading exchange. NRECA should educate members about the functions and impacts of these markets.

NRECA supports the collection of appropriate data from all significant participants in the energy trading markets concerning the purchase and sale of energy and energy derivatives to assess whether markets are functioning properly, provided:

- such collection does not include data about sales by G&T cooperatives to their member-owners;
- such collection is implemented in a manner that minimizes the cost and burden;
- involved agencies coordinate with one another to prevent duplicative requirements; and,
- involved agencies protect the confidentiality of sensitive business information while making aggregated data available to the public in a form that will support market transparency and liquidity.

(6) Amendment to existing resolution (85-D-1):

**The Importance of Coordinated Outreach (Action)**

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.

In coordination with the statewide and G&T cooperative organizations, NRECA 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 and national agreements. NRECA should also work to actively present cooperative viewpoints at the meetings where such policies and resolutions are debated and voted upon.

NRECA and its member systems should also continue to take the initiative to work with allied consumer groups and the various state and local consumer organizations in securing beneficial legislation at both the state and national level.

NRECA and its member systems should also continue to work at the local, state and federal level with various farm organizations and other groups, enlisting their support for provisions of pending legislation that will continue viable rural electric systems.

We urge NRECA and its member systems to continue to communicate with a wide variety of interest groups for their continued support. We express our appreciation to the many organizations which have supported electric cooperative positions.

(7) Draft resolution:

**Wise and Efficient Energy Use (Action)**

Much value has accrued to cooperatives and their members over the years from more efficient use of energy resources. Today's rising costs of new generation, transmission and distribution facilities dramatically increases the value of efficiency, often making it a least-cost resource. Our member-owners save by using electricity wisely or by participating in demand-side management programs. Electric cooperatives benefit directly by avoiding or deferring additional capacity costs and infrastructure upgrades.

Electric cooperatives are encouraged to aggressively promote more efficient use of electricity by providing their members with tools, information and support to assist them in improving efficiency. We encourage policymakers to recognize demand-side management programs as improving overall utility efficiency. We further encourage NRECA to coordinate efficiency programs, explore partnership opportunities and provide training, education and support services to electric cooperatives. In addition, Touchstone Energy cooperatives are encouraged to consider the extension of the brand to efficiency initiatives.

(8) Draft resolution:

**The Value of Continuing Director Education (Action)**

Electric cooperatives rely on the steady leadership provided by locally-elected boards of directors. For many years, cooperatives and their directors have operated in a transparent and open manner. In the coming decades, possibly more than ever, cooperatives will rely on directors to guide their member-owners through difficult challenges concerning energy capacity and affordability. It is essential that electric cooperative leaders are trustworthy and ethical.

We, therefore, urge all electric cooperative boards to continue their strong record of implementing policies and practices that reflect the highest degree of transparency, ethics and accountability. We further urge that electric cooperatives conduct themselves, in all dealings with member-owners and the public, in a transparent and forthright manner.

We are proud of the many thousands of directors who seek formal and informal means of increasing their knowledge, credentials and leadership abilities. We further urge NRECA to provide enhanced education and leadership to electric cooperative directors, managers and staff that will assist in creating and maintaining cooperative operations which demonstrate by word and deed the highest levels of ethical standards and leadership.

(9) Draft resolution:

**Showcasing Electric Cooperative Economic and Community Benefits (Action)**

With increasing frequency, policymakers are demonstrating their appreciation of information that we can provide regarding the vital role electric cooperatives play in local and state economies and in community and economic development projects. With this sort of 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.

Individual cooperatives, statewide associations, and NRECA must assemble and organize the 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.

NRECA should also encourage and provide guidance to all cooperatives by developing information and creating reports that quantify the economic contributions and investments of electric cooperatives in their service areas and their states from two perspectives:

- 1) The economic benefits contributed by electric cooperatives as businesses in their service area and in their states; and
- 2) How electric cooperatives can serve and are serving as catalysts and engines for local community and economic development, including participation in state and regional efforts.

(10) Draft resolution:

**Affordable Electric Power (Action)**

Seventy-five years ago, millions of rural Americans were suffering a great injustice. The market place had deemed them second-class citizens, refusing to provide them affordable electric power. Creation of the Rural Electrification Administration remedied this injustice and brought these citizens, through electric cooperatives, the ability to access affordable electric power and fully participate in the economy. Over the decades since, continuing to work with the Rural Utilities Service, electric cooperatives have remained focused on this core mission.

Today, electric cooperatives face many challenges as they continue to pursue the most responsible means of continuing to provide their member-owners with affordable electric power. Cooperatives are engaging their member-owners, telling them the facts and explaining how we can overcome these hurdles. In turn, hundreds of thousands of member-owners have told policymakers that balanced solutions are needed.

We urge NRECA to continue focusing on helping its member systems provide affordable electric power. We also urge NRECA to continue helping its member systems and member-owners speak with a loud and unified voice to tell policymakers that all citizens should have access to affordable, reliable and safe electric power.