



Jim Matheson
Chief Executive Officer

February 15, 2017

The Honorable Fred Upton
Chairman
Subcommittee on Energy
Committee on Energy and Commerce
United States House of Representatives
Washington, DC 20515

The Honorable Bobby Rush
Ranking Member
Subcommittee on Energy
Committee on Energy and Commerce
United States House of Representatives
Washington, DC 20515

Dear Chairman Upton and Ranking Member Rush:

On behalf of America's electric cooperatives, I commend you on holding today's hearing on "Modernizing Energy and Electricity Delivery Systems: Challenges and Opportunities to Promote Infrastructure Improvement and Expansion." This hearing addresses important policies that impact the country's ability to meet its ongoing energy needs.

Co-ops depend on diverse and changing mix of fuels to generate electricity. But our use of natural gas and renewable resources has increased significantly in recent years, resulting in even more needs for infrastructure development. For instance, co-op use of natural gas increased from 12% of our total generation in 2009 to 17% in 2014, and even more since then. As a result, co-ops support policies to streamline the process to approve natural gas infrastructure needed to develop and deliver that resource. Non-hydro, renewable energy is also becoming a larger portion of the fuel mix. Over the past eight years, co-ops increased their use of renewable energy by more than 250 percent, from 2.9 GW in 2009 to 7.5 GW in 2016. The construction of high voltage transmission facilities would foster renewable energy development. However, the planning of these facilities should result from an open regional planning process.

In addition, co-ops use a significant amount of hydropower. Hydropower is the single largest source of renewable electricity in the United States, and it accounts for approximately 10% of co-op electricity generation. This flexible and sustainable energy resource significantly helps to diversify the co-op energy generation portfolio. Overall, hydropower promotes energy affordability and reliability while also replacing other carbon-emitting generation sources. Great opportunities exist for expanding the use of hydropower in many places across the country. However, in order to realize this potential, there is a discernible need to reform the regulatory licensing procedures. Under current processes, new projects as well as re-licensing of existing projects take an inordinate amount of time to be approved. Modernizing this process can be accomplished while preserving the environment, and we encourage Congress to adopt this reform.

Regarding grid security, the electricity sector continuously strives to improve its efforts to protect assets from threats. These efforts include the implementation of programs and protocols designed to protect electric utility systems. Key to reliability efforts are the crisis management

and site-specific security plans developed by co-ops and other electric utilities to ensure that operations and infrastructure systems are properly supported. In addition, a number of redundancies are built into the system to allow electric utilities to re-route power around damaged facilities. Electric utilities also partner with federal, state/provincial, and local government and law enforcement agencies in both the United States and Canada to ensure that they can respond effectively to any event that may impact their operations.

This cooperation includes sharing needed information about potential threats and vulnerabilities related to the bulk electric system. In 2013, the electric utility industry reorganized the Electricity Subsector Coordinating Council (ESCC) to ensure high level engagement and to serve as the primary liaison between the federal government and the electric power sector. The ESCC's mission is to coordinate efforts to prepare for, and respond to, national-level disasters or threats to critical infrastructure. Finally, these structures are complemented by the NERC-FERC statutory process for developing and implementing reliability standards, which NRECA strongly supports.

Co-ops have a consumer focus that drives them to investigate distributed energy resources and other new technologies and services and to integrate them into their portfolios. Co-ops are among industry leaders in community solar programs, and they have invested in electric storage resources. Co-ops have a demonstrated leadership capacity in the use of additional technologies such as Advanced Metering Infrastructure, load management, energy efficiency initiatives, demand response programs, and interoperability standards. As consumer-owned electric utilities, co-ops are uniquely qualified to use these technologies to meet consumer demands for safe, reliable, and affordable power.

NRECA appreciates the opportunity to present its views on these issues. As the Subcommittee continues its efforts to address electric grid modernization policies, we urge you to focus on policies that keep consumers' costs affordable, promote system reliability, and refrain from imposing undue burdens on consumer-owned utilities like co-ops.

We look forward to working with the Subcommittee as you proceed with developing legislation to address these and other issues.

Sincerely,

A handwritten signature in dark ink, appearing to read "Jim Matheson", with a stylized flourish extending to the right.

Jim Matheson
CEO, NRECA