Dear Valued Customer,

We’re delighted to provide you with the inaugural issue of “The Wire,” a new quarterly newsletter from CoBank produced specifically for the benefit of electric cooperatives and other customers who provide power to rural communities throughout the country.

Electric co-ops have been playing a pivotal role in the U.S. rural economy since the early years of the 20th Century. But the job of delivering affordable, reliable power to people and businesses in rural America has never been more challenging than it is today. RECs are grappling with a host of issues – including the high cost of regulation, slowing demand in many areas, the growth of distributed generation, and the complexity associated with implementing new services like community solar and broadband.

We believe our role at CoBank is to serve as a trusted partner to the industry. First and foremost, that means being a dependable source of credit for customers who are investing in their businesses.

At the outset of any new administration it’s natural to wonder how the incoming president’s positions and policies will affect rural electric cooperatives, consumers, and the economy. To get a better sense of what to expect from a Trump Administration, THE WIRE turned to Jim Matheson, CEO of the National Rural Electric Cooperative Association, representing 838 electric cooperatives serving some 42 million residents in 47 states.

Matheson, who as a Utah Democrat served seven terms in the U.S. House of Representatives from 2001 to 2015, earned a reputation for bipartisan cooperation even in an often-fractious Washington political environment. Looking beyond the tumultuous election and early days of the Trump presidency, Matheson sees opportunity for long-term progress on issues ranging from regulation to infrastructure improvements.

**THE WIRE:** President Trump and a new Congress have just taken office. What policy changes do you anticipate from the new administration?

**Jim Matheson:** A primary focus is regulatory reform for energy – we would like to see increased flexibility and fewer onerous regulations, so that our co-ops across the country, continued on page 2
in order to remain competitive and position themselves for the future. It also means providing cooperative boards and executive teams with information and insights that are useful to them about important trends in the industry and the broader economy. CoBank offers a wide range of knowledge-sharing programs, including customer conferences, webinars and industry research, that are designed to fill that need.

We hope “The Wire” will prove to be a valuable resource. It will feature interviews with leading subject matter experts from the power industry whose opinions and views are worth hearing. This edition’s interview with Jim Matheson, CEO of the National Rural Electric Cooperative Association, is a great example. I urge you to read his comments about the policy priorities of the Trump administration and how they may impact electric co-ops going forward. As you review this and future issues, please make sure to provide us with your feedback so we can ensure we are delivering a high-quality product that is truly useful to you.

Financing the rural electric industry remains a core part of CoBank’s overall mission and business strategy. Our rural electric portfolio now totals over $17 billion, and it serves as an important source of both growth and diversification in our business. We are deeply grateful for the business of all our rural electric customers and for the trust they place in CoBank as their financial partner.

I look forward to seeing directors and managers of our rural electric customers at CoBank meetings and industry events throughout 2017!

Sincerely,

Tom Halverson

in a range of different circumstances, can best serve their consumers. In addition, in the push for infrastructure improvements, we want to make sure infrastructure is defined not just as highways and roads, but also in terms of broadband access and enhancements to the electric grid. We also need to be part of the conversation in establishing thoughtful, actionable policies for cybersecurity.

The NRECA and its members have a unique perspective on the rural economy. What do you see as the economic outlook for rural America?

JM: I think there are real opportunities. In this 21st century economy, access to broadband Internet service is crucial for rural economic development, and electric co-ops are looking for ways to encourage that within their service territories. Think about the millennial generation. The rural lifestyle is an attractive way to achieve work-life balance – but if they’re going to live in rural towns across this country, they need to have broadband access. We’re also excited that the new head of the Federal Communication Commission comes from a small town in Kansas and has identified rural economic development and access to broadband as priorities.

Coal was a prominent focus of President Trump’s campaign. What do you see as the future of coal in rural electric generation?

JM: We support an “all of the above” strategy for power sources – we want to make sure cooperatives have the flexibility to do what’s right for their consumers. Coal certainly should be part of that, and I think the Trump administration will reduce policy and regulatory factors that have skewed decisions against coal.

Given the very low price of natural gas, what issues does it pose for electric cooperatives that have invested heavily in coal?

JM: Investments that our co-ops make in generation are capital intensive and long-lived, and fluctuations in fuel prices can be difficult to manage. Still, co-ops have the capacity to adapt, and establishing a diversity of fuel supplies is in the long-term interest of our consumers. And in some parts of the country – notably in Florida – pipeline constraints limit access to natural gas.

Where does renewable energy come in?

JM: Renewable energy is part of the mix for many co-ops, there’s a co-op in Vermont that uses 100% renewable sources now. And electric co-ops have been leaders in building community solar projects, in which consumers can own solar panels as part of a community solar facility rather than on their own roofs. We’re going to double the solar capacity owned by co-ops in 2017 alone, and we have co-ops in the Midwest that get a significant amount of their power from wind.

What do you see as the future of the Clean Power Plan?

JM: The president has indicated he wants to eliminate it, and the Supreme Court issued a stay to pause its implementation. I believe there will be an effort to rewrite the rule to change it significantly and eliminate the very onerous components of the plan that would have been very damaging to our co-ops.

The NRECA has been an active partner with the government in developing cybersecurity and other protections for the electric grid. Will those efforts continue?

JM: As part of the Electric Systems Coordinating Council, we help coordinate what our industry is doing with the actions of federal agencies. This important partnership will continue. To ensure security, electric co-ops work closely in partnership with utility industry leaders and cybersecurity experts, as well as federal, state and local agencies. Our electrical system and our grid are national security assets. All of the ways our country
functions on a daily basis are tied to our electric system. Cybersecurity – and physical security – are moving targets, and we have to be thoughtful and careful in terms of policies, investments and how we share information, to make sure that the grid is protected.

**What role can co-ops play in rural development?**

JM: As a national organization, we can encourage investment in broadband, for example, and because co-ops are major employers in their areas, we can support a workforce development program that prepares people for what we think are some of the best jobs out there. But the biggest way we encourage development is by doing what we’ve been doing for years – providing reliable, affordable power to our consumers. Our basic mission really is a building block for economic development.

**Many policymakers and others are talking about the rural-urban divide. But aren’t both segments of our society really important to each other?**

JM: I think the recent election has shone a brighter light on rural America, which feels that it has been ignored. This is a great opportunity to change that dynamic. For example, we often associate poverty with urban areas – but 90% of the counties in America with persistent poverty are served by rural co-ops. Some issues cut across that divide, and the rural perspective may be really important in how we can address them.

**What do you make of the political climate in Washington today?**

JM: There’s going to be an effort to shake up the status quo, and that can be an opportunity to get things done. There’s a lot of polarization and gridlock, but in representing the rural co-ops’ perspective, we think we can be one of the most substantive voices in Washington. We have long-term relationships with people on both sides of the aisle, and we have subject matter expertise in working with the regulatory agencies. And we have a lot of credibility because we represent co-ops in 47 states that serve 42 million Americans. For us, it’s not about political parties. It’s about what’s the right thing to do to allow our members to serve their mission – to provide safe, reliable, affordable power.

**What did seven terms in Congress teach you about what it takes to solve major challenges?**

You have to define the problem, define the different ways to solve it and then engage people at the outset in a nonpartisan way, keeping things on a more substantive level and not moving on to a more polarized, ideological discussion. I think that’s how you get things done in this town.

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**Born and raised in Salt Lake City, Utah, Jim Matheson was elected to the House of Representatives from his home state in 2001. During his tenure, he served on the House Energy and Commerce Committee, among other appointments, and as chief deputy whip for the House Democratic Caucus and co-chair of the Blue Dog Coalition. He worked in the energy industry for several years before his election. After leaving the House in 2015, he worked for the international law firm Squire Patton Boggs in Washington, before joining NRECA as CEO in July 2016. Matheson earned his undergraduate degree from Harvard and his MBA from UCLA. He and his wife Amy, a pediatrician, have two sons, William and Harris.**
CoBank 2017 Webinar Series

Beyond dependable credit and financial services, CoBank seeks to help its customer-owners by providing them with thought leadership, high quality information and timely insights on a number of topics that may impact you and your organization.

Tuesday, March 14 .......... Is Broadband Right for You?
Tuesday, April 18 .......... Fraud Schemes & Managing Payment Risk
Tuesday, May 16 .......... Best Practices for Capital Credits
Tuesday, June 13 .......... Taking Financial Risk off the Table!
Tuesday, July 11 .......... Trends in Solar & Distributed Generation
Tuesday, September 12 .... Ratemaking Trends: Stranded Costs & Distributed Generation
Tuesday, December 14 ..... Interest Rate Outlook & Economic Update

All webinars will be held at 11:00 AM Eastern time.

For more information or to register, please contact your CoBank Relationship Manager.