

2015 RESULTS IN REVIEW

Highlights

- EEI engaged in extensive advocacy and outreach to EPA and other stakeholders throughout EPA's **Clean Power Plan** rulemaking. Significantly:
 - The **final 111(d) guidelines** include a phase-in of emission reductions over the entire length of the program; a reliability planning requirement and reliability safety valve; a two-year delay in implementation; and the ability for states to shape their own glide paths in certain circumstances.
 - The **final 111(b) standards** include reasonable and achievable standards for new natural gas units and modified/reconstructed coal- and natural gas-based units, and a less stringent standard for new coal-based units.
- EEI helped to secure congressional passage of **cybersecurity information sharing legislation**, which was included as part of the omnibus appropriations bill, to provide legal and regulatory incentives for voluntary sharing of cyber threat information between the private sector and government.
- Through a multi-state effort and in coordination with member companies, EEI continues to advocate for equitable policies for **distributed generation and the evolving distribution system** that are transparent; avoid cost shifting; recognize the value of the grid and the importance of continued utility operation of the distribution system; and address fixed-cost recovery, including rate alternatives that reform net energy metering. Among our efforts, EEI:
 - Directly engaged with state policymakers, consumer advocates, and other key stakeholders.
 - Rebalanced the public conversation through extensive earned media efforts at the national and state levels.
 - Convened member companies, state policymakers, and consumer advocates through the Critical Consumer Issues Forum to develop consensus principles on the evolving distribution system.
 - Deployed a team of EEI and third-party experts to engage in state proceedings, forums, policy conversations, and earned media.
 - Partnered with First Solar and The Brattle Group to conduct and promote a study highlighting the economic and environmental benefits of utility-scale solar compared to rooftop solar.
 - Focused on increasing awareness of consumer education and protection issues.
 - Advocated for a reduction in aggregate rate subsidies to DG solar and for residential rate reform to encourage rate designs that are based on cost-of-service.
- EEI advocated that any **new ozone standard** should be at the top end of the proposed range; EPA finalized a standard at 70 parts per billion. ▶

EEI Leadership Team



[L to R] EEI Vice Chairman Chris Crane, President and CEO, Exelon Corporation; EEI Vice Chairman Tom Fanning, Chairman, President and CEO, Southern Company; EEI President Tom Kuhn; EEI Chairman Nick Akins, Chairman, President and CEO, American Electric Power; EEI Vice Chairman Pat Vincent-Collawn, Chairman, President and CEO, PNM Resources; and EEI Vice Chairman Greg Abel, Chairman, President and CEO, Berkshire Hathaway Energy.

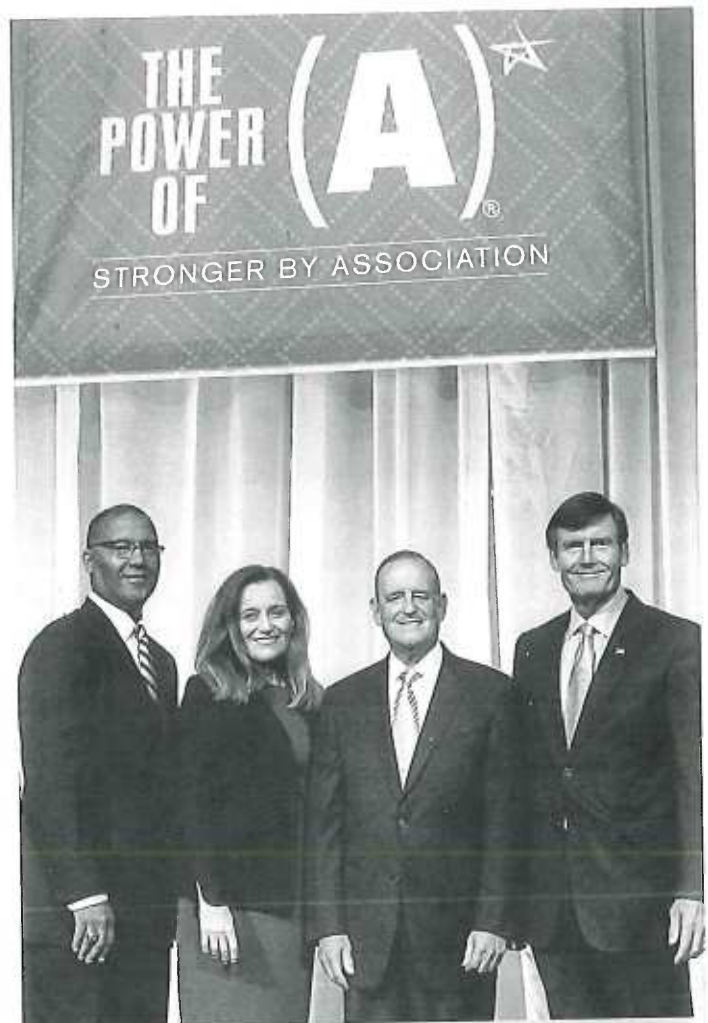
- EEI continues to develop the **Electricity Subsector Coordinating Council (ESCC)** as a model for industry-government partnerships. Among its activities, the ESCC:
 - Formed the Member Executive Committee to provide strategic guidance to the E-ISAC.
 - Played a leading role in NERC's GridEx III, including exercising the ESCC's roles and responsibilities during a significant incident.
 - Convened lifeline sector trade associations to discuss the NIAC recommendation that the President convene a Strategic Infrastructure Executive Council to improve executive-level coordination across the most critical infrastructure sectors.
 - Supported the E-ISAC's deployment of CRISP, which has been installed on more than two dozen utility systems.
 - Continued to advance the industry's planning for the emergency movement of large transformers and other critical over-sized equipment, and developed the industry's transformer transportation emergency support guide.
 - Focused on better coordinating industry and government messages during an incident.
- EEI continues to assist member companies to ensure successful compliance with NERC's **physical security standards** for substations.
- EEI worked as part of a broad business coalition to achieve final enactment of legislation extending the **Terrorism Risk Insurance Act** through 2020.
- Working closely with member companies and IBEW, EEI reached a **settlement agreement with OSHA** resolving a challenge to the final rule for operating electric power generation, transmission, and distribution facilities.
- Participated in **Supreme Court litigation** to help clarify the line between federal and state jurisdiction over electric rate matters.
- EEI signed a memorandum of understanding with DOE Secretary Moniz, creating a partnership to accelerate the deployment of **electric transportation** technologies.
- EEI partnered with DOE, as well as other federal agencies and industry groups, to form the **Utility Industry Workforce Initiative** to encourage military veterans to pursue utility industry careers.
- EEI and the Institute for Electric Innovation (IEI) hosted the annual **Powering the People** event in Washington with a focus on the evolving power grid and the role of technology, policy, and customers.
- EEI **secured several important energy provisions** in a major surface transportation bill enacted into law, including language to:
 - Resolve conflicts between DOE energy supply emergency orders and environmental laws and regulations.
 - Grant DOE authority to order measures to protect or restore critical electric infrastructure in case of a grid security emergency identified by the President.
 - Clarify the authority of FERC and DOE to designate critical electric infrastructure information and help protect this sensitive information from disclosure.
 - Codify DOE as the energy sector's lead sector-specific agency for cybersecurity.
 - Require DOE to submit a plan to Congress evaluating the feasibility of establishing a strategic transformer reserve for the storage of spare large power transformers and other critical equipment.
 - Help to streamline the federal permitting review process for large infrastructure projects, including energy generation and electric transmission facilities.
 - Create a working group to improve permitting and route designation for emergency response vehicles to expedite the delivery of important utility infrastructure equipment following declared emergencies.
 - Help to develop electric vehicle charging infrastructure.
 - Authorize states to allow single-driver alternative fuel vehicles, including all kinds of plug-in electric vehicles (PEVs), access to HOV lanes through 2025.
- Both the House and the Senate passed EEI-supported legislation to reauthorize the **Toxic Substances Control Act (TSCA)** to address industry issues, particularly regarding PCBs, in a satisfactory manner. Conference is pending.
- Eleven EEI member companies sponsored FIRST® Robotics competitions through the Center for Energy Workforce Development's (CEWD's) **Get Into Energy / Get Into STEM** program.
- Through **We Stand For Energy**, EEI continues to educate and unite more than 250,000 electricity consumers and stakeholders across the country and to advocate for smart energy solutions that ensure electricity remains safe, reliable, affordable, and increasingly clean.

Other Important Developments

Congressional Recap

- Congress passed an EEI-endorsed bill to reauthorize and improve the Surface Transportation Board; the legislation will make the STB more effective and efficient in resolving disputes between shippers and railroads.
- Congress passed a DOD authorization bill that includes improvements sought by EEI to a provision to reestablish the Commission to Assess the Threat to the United States from Electromagnetic Pulse Attack.
- In December, Congress passed an omnibus appropriations bill that includes an orderly phase-down of the renewable tax credits, which will provide greater certainty in planning for generation; nearly \$3.4 billion for LIHEAP, rejecting President Obama's proposed \$200 million cut; and a two-year delay of the Cadillac Tax.
- The House passed a broad energy bill containing many EEI-supported provisions; similar legislation is pending in the Senate. The House bill includes language to:
 - Make incremental reforms to the federal permitting and licensing process for natural gas pipelines and hydro facilities.
 - Repeal the ban on the use of fossil-fueled energy in federal buildings.
 - Streamline cross-border infrastructure projects.
 - Facilitate vegetation management and O&M of transmission and distribution lines located on federal lands.
- EEI successfully advocated for the inclusion of several end-user protections in the House-passed version of the Commodity Exchange Act reauthorization bill and continues to educate the Senate on these issues.
- The House passed a DHS science and technology bill that includes EEI-supported language to clarify that cyber technologies are included in the SAFETY Act, a post-9/11 law providing legal protections to incentivize the deployment of anti-terrorism technologies and programs.
- EEI continued to educate lawmakers about industry priorities for comprehensive tax reform, including normalization, the treatment of excess deferred taxes, corporate and dividend tax rates, the phase-down of subsidies, and the deductibility of interest on corporate debt.
- EEI-supported legislation to ensure effective and efficient implementation of the final coal ash rule by state regulatory agencies passed the House with bipartisan support; action is pending in the Senate.

- Working with rail coalitions, EEI successfully advocated for an extension of the positive train control deadline, averting possible delays in coal rail and generation-related chemical shipments.
- EEI's PowerPAC continues to create opportunities to educate members of Congress on key industry issues. In 2015, PowerPAC hosted or co-hosted more than 120 political events for federal elected officials and candidates, and raised more than \$2 million for their campaigns. For the 2015-2016 election cycle, PowerPAC has recorded more than \$400,000 in federal receipts and has contributed \$370,000 to more than 110 federal candidates, leadership PACs, and campaign committees.



In September, EEI received a 2015 American Society of Association Executives (ASAE) Summit Award in recognition of our efforts to develop a highly skilled and innovative energy workforce through CEWD. [L to R] Immediate Past CEWD Chair Tom Graham, Vice President People Strategy and Human Resources, Pepco; CEWD Chair Geisha Williams, President, Electric, PG&E; ASAE President and CEO John Graham; and EEI President Tom Kuhn.

continued on page 6 ▶

2016 OUTLOOK

2016 promises to bring significant challenges—and opportunities—for our industry.

- Expanded state outreach to promote policies that are transparent, recognize the value of the grid, avoid cost shifting, and address fixed cost recovery
- Launch of a national education and advocacy strategic initiative to highlight the industry's transformative leadership and to create a heightened awareness of and appreciation for member company initiatives
- Ongoing work to promote cost-effective Clean Power Plan implementation options and to support company efforts to develop workable state compliance plans, which are due as early as September
- Ongoing industry-government grid security and resiliency coordination through the ESCC, and enhanced performance and utilization of the E-ISAC
- Creation of an industry-wide cyber mutual assistance program in coordination with federal partners
- Ongoing outreach to strengthen relationships with other critical infrastructure sectors and to create a lifeline sector coordinating council
- Ongoing cross-functional coordination and collaboration to minimize supply chain risks
- Continued rollout of technologies like CRISP
- Expanded collaboration with the government, the national labs, and the investment community on grid security R&D
- Continued focus on spare equipment
- Ongoing enhancement of the NRE framework and rollout of the RAMP-UP software tool
- Ongoing advocacy for improved rate policies in which utilities have primacy in planning, building, and operating the grid as a platform to integrate emerging technologies
- Development of industry positions on the regulatory treatment of energy storage
- Expanded collaboration and outreach to achieve enhanced support for utility-sponsored programs, products, and services on both sides of the meter
- Continued congressional focus on cybersecurity and other grid security issues
- House-Senate conference on TSCA legislation—as early as January
- Continued advocacy for industry priorities in comprehensive tax reform
- Possible Senate consideration of broad energy legislation
- House Energy and Commerce Committee consideration of broadband infrastructure deployment legislation, including the regulation of pole attachments
- Potential congressional action to reform parts of the Clean Air Act
- Congressional consideration of Endangered Species Act reform legislation
- Ongoing congressional efforts to address the waters of the U.S. (WOTUS) rule
- Ongoing focus on wholesale energy market price formation issues
- Continued advocacy at the CFTC and Congress that builds on efforts to reduce the regulatory burdens of the Dodd Frank Act on derivative end users
- Continued work with Congress and the IRS related to the implementation of the Cadillac Tax
- DOD final rule to clarify the term limit for utility energy service contracts—expected in Spring

2016 OUTLOOK continued

- DOE final rule on Section 433 fossil fuel-generated energy ban at new and renovated federal facilities—due in Spring
- Significant developments in litigation addressing EPA's 316(b), WOTUS, and ELG rules
- Expected U.S. Army Corps of Engineers' action to revise and reissue the nationwide permit program (wetlands dredge & fill permits)
- Ongoing work to assist member companies at state and regional levels in compliance with the MATS, CSAPR, NAAQS, and regional haze rules
- Two Clean Air Act interstate transport rulemakings
- Compliance with non-hazardous waste regulations for coal combustion residuals
- Issuance of a proposed rule on mine placement of coal combustion residuals and proposed revision to PCB use authorizations in electrical equipment
- USFWS development of incidental take authorization for electric infrastructure under the Migratory Bird Treaty Act and the Bald and Golden Eagle Protection Act
- Expected new FASB accounting requirements for leases, including many generating unit-specific power purchase agreements
- FAA final rule on commercial operation of small unmanned aircraft systems (UAS)—expected in first half of year
- Participation in NASA's UAS traffic management project
- Advocacy at FERC and in the states for improved interconnection policies for both utility-scale and distributed resources
- Ongoing advocacy for compensatory returns on equity
- FERC initiatives related to collecting connected entity data, large generator interconnection, and access to NERC databases
- FERC and RTO focus to redefine and identify new ancillary services related to aggregation of new resources
- FERC conference on PURPA implementation
- Continued advocacy at the STB to provide timely resolution on coal rail rates and service
- Tracking and responding to DOE actions related to implementation of the first phase of QER and release of the second phase
- Continued work to address emergency communications and related matters at the FCC
- Focus on building coalitions with cities, states, and other stakeholders to support widespread use of electricity as a transportation fuel
- Continued support for utility rate-based investment in PEV charging infrastructure for market growth
- Enhanced partnerships with customers, technology providers, and trade allies to create a wider variety of programs, products, and services
- Increased focus on three areas—the transition to a clean energy future; data analytics, access, and transparency; and the evolving digital, distributed, and connected grid—through IEI
- Expanded outreach to regional and state forums, minority and community organizations, regulatory staffs, and academic institutions
- Ongoing efforts through CEWD and other outreach to build awareness of the need for a diverse and skilled energy workforce
- Continued growth and effective use of We Stand For Energy
- Development of a 2016 Political Party Convention Program and voter education effort

2016 CEO Meeting Schedule

March 15-17	Board & Chief Executive Meetings <i>Mandarin Oriental, Washington, DC</i>
June 12-15	EEl Annual Convention <i>Sheraton Chicago, Chicago, IL</i>
September 6-8	Board & Chief Executive Meetings <i>The Broadmoor, Colorado Springs, CO</i>
November 6-9	51 st EEl Financial Conference <i>JW Marriott Desert Ridge, Phoenix, AZ</i>

Environmental Policy Activities

- EEI held several high-profile events during the COP-21 international climate change summit to highlight the industry's ongoing transition to a cleaner generating fleet and the role that the Clean Power Plan and carbon markets can play in that transition.



EEI Vice Chairman Pat Vincent-Collawn, Chairman, President and CEO, PNM Resources, and PG&E Corporation Chairman, CEO, and President, Tony Earley participated in a COP-21 panel discussion with EPA Administrator Gina McCarthy in Paris.

- EEI and the Utility Water Act Group (UWAG) are working to obtain clarity and reasonable interpretations of EPA's existing facility cooling water intake structures rule and to preserve positive aspects of the rule in pending litigation, while seeking review of a few parts of it.
- EEI and the Waters Advocacy Coalition engaged in congressional efforts to require EPA and the Army Corps of Engineers to withdraw, narrow, and re-propose the final waters of the U.S. rule. EEI also supported UWAG participation in litigation over the rule. In October, the Sixth Circuit granted a nationwide stay of the rule, preventing the agencies from implementing it.
- While EPA adopted relatively stringent final steam electric effluent guidelines, EEI achieved a number of improvements to the guidelines to help make them more implementable and cost-effective at company facilities. In November, UWAG filed challenges to the rulemaking.
- EEI, through UWAG and the Federal Water Quality Coalition, filed comments on EPA's draft selenium aquatic life criterion, which could result in stringent new effluent limits requiring expensive additional controls if unchanged, and EPA's proposed human health criteria, which would require industrial sources to install expensive controls.
- EEI assisted member companies with implementation and compliance issues related to MATS, the Cross-State Air Pollution Rule, and the 1-hour sulfur dioxide NAAQS.
- EEI filed comments on EPA's proposed air quality model guidelines, which could create a more transparent, efficient, and effective permitting process if implemented.
- EEI continues to raise concerns with the Administration regarding proposed rules addressing the number and scope of critical habitat designations and their effect on critical infrastructure projects.

- The Administration announced the greater sage-grouse is not warranted to be listed under the Endangered Species Act. EEI (as part of APLIC) is working with federal agencies to minimize the impact of their sage-grouse management plans on the siting and maintenance of transmission and distribution lines.
- EEI renewed a vegetation management MOU between the industry and the federal land management agencies that will facilitate member company access to perform vegetation management on transmission and distribution rights-of-way located on federal lands.

Business Continuity & Reliability

- EEI led the development of key industry principles and recommendations focused on the growing risk and evolving threats related to supply chain cybersecurity. EEI will continue to lead the industry's engagement with FERC throughout the Commission's supply chain cybersecurity standards rulemaking process.
- EEI continues to coordinate with the railroads and other private- and public-sector transportation partners to develop transformer transportation processes and procedures, and participated in the Association of American Railroads' annual national security exercise.
- Through the Spare Transformer Equipment Program and SpareConnect, EEI continued to expand and enhance industry efforts to share and transport transformers and other critical equipment during an emergency. STEP's membership has grown to 56 utilities; SpareConnect's to 126 companies and 165 individual points of contact.
- EEI continues to work with member companies to test and further refine the National Response Event (NRE) framework to provide national coordination of mutual assistance resources. Two exercises were held in 2015 to test the industry's response to wide-scale power outages stemming from a catastrophic western earthquake scenario. Two more exercises are scheduled in 2016.
- EEI and the National Response Executive Committee developed the Resource Allocation Management Program for Utility Personnel (RAMP-UP) tool to reduce the time it takes to identify and allocate restoration resources during both NRE and RMAG incidents. In 2016, RAMP-UP will be fully deployed and operational across all EEI members.
- EEI initiated and continues to develop a utility demonstration project among member companies and the FAA on unmanned aircraft systems (UAS) to establish a path to beyond visual line of sight flight of UAS for the inspection of energy infrastructure and other critical industry applications.