Rice, El-Erian Spotlight Power-Packed CFC IBES 2017

Former U.S. Secretary of State Condoleezza Rice and Mohamed El-Erian, chief economic advisor at Allianz, the corporate parent of Pacific Investment Management Company (PIMCO), headline a dynamic CFC Independent Borrowers Executive Summit (IBES) 2017, being held Nov. 13–15 in San Francisco, California. The conference, targeted toward senior leaders of non-Rural Utilities Service borrower cooperatives, provides critical insights on key energy industry, public policy, financial and management issues.

Rice, who served as the 66th Secretary of State (2005–09) under President George W. Bush and as his National Security Adviser from 2001–05, currently is the Denning professor in global business and the economy at the Stanford Graduate School of Business; the Thomas and Barbara Stephenson senior fellow on public policy at the Hoover Institution; and a professor of political science at Stanford University. She is also a founding partner of RiceHadleyGates, LLC alongside former National Security Adviser Stephen J. Hadley and former Secretary of Defense Robert M. Gates. Rice has authored and co-authored numerous books, including three best-sellers, “No Higher Honor: A Memoir of My Years in Washington,” “Extraordinary, Ordinary People: A Memoir of Family,” and her latest, “Democracy: Stories from the Long Road to Freedom.”

After spending 15 years at the International Monetary Fund (IMF) in Washington, D.C., and later as managing director at Salomon Smith Barney/Citigroup in London, El-Erian joined PIMCO in 1999 as a senior member of its portfolio management and investment strategy group. He left the company in 2006 to become president and CEO of Harvard Management Company, the entity that manages Harvard University’s

Arkansas’ OECC Named Solar Cooperative Utility of the Year

About 100 miles south of Little Rock, a 12-MW solar photovoltaic (PV) farm installed on the system of Ouachita Electric Cooperative Corporation (OECC)—a 100 percent CFC borrower—helped retain a key commercial account as well as hundreds of local jobs. In turn, that was enough to catapult the Camden, Arkansas-based distribution cooperative onto the Smart Electric Power Association (SEPA) Top 10 list of utilities adding the most solar generation in 2016—OECC came in fourth with 1,282 watts per consumer—and earn it SEPA Cooperative Utility of the Year laurels.

Mark Cayce, OECC general manager, notes that when aerospace and defense manufacturer Aerojet Rocketdyne—the cooperative’s largest member, representing 10 percent of its load, and one of the region’s biggest employers—presented him with an idea for a solar facility, he needed to make it work.

“We collaborated with the project developer, Silicon Ranch, and our wholesale power supplier, Arkansas Electric Cooperative Corporation [AECC], to fashion a power purchase agreement that put the solar panels behind Aerojet Rocketdyne’s meter. The company buys as much of the solar power as it can use, with any excess going to AECC at a competitive rate.”

This 12-MW solar farm installed on the system of Ouachita Electric Cooperative Corporation—a 100 percent CFC borrower—helped retain a key commercial and industrial account as well as hundreds of local jobs.
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He continues: “Aerojet Rocketdyne receives a low, fixed-cost power supply. And we’ve been able to offset the lost kilowatt-hour sales by reducing our peak demand and demand charges, which holds down power costs for our 9,500 members. The way the contract is structured also ensured we didn’t have to seek any outside regulatory approval, which accelerated the permitting and construction process.”

Overall, the project—the first utility-scale solar array built in the Natural State—provides approximately 6 MW of peak capacity and energy to AECC.

Also making the SEPA Top 10 list of utilities putting in the most solar watts per customer in 2016 were Farmers Electric Cooperative-Kalona in Kalona, Iowa, which captured the No. 3 slot with 1,564 solar watts per customer; Shallotte, North Carolina-headquartered Brunswick Electric Membership Corporation at No. 5 with 1,183 solar watts per customer; and 100 percent CFC borrower Cobb Electric Membership Corporation in Marietta, Georgia, at No. 8 with 639 solar watts per customer. SEPA’s rankings are derived from utilities that participate in its Annual Utility Market Survey.

Greenhouse Gas Emissions Won’t Change Much Under Trump Administration

North Carolina State University researchers have examined the impact of President Trump’s rollback of climate and environmental rules and concluded that in the near term greenhouse gas emissions are likely to remain stable. Study author Christopher Galik says the results show that the market has embraced low-carbon solutions as well as the relatively weak impact limited federal actions have in the field. The paper, “Evaluating the U.S. Mid-Century Strategy for Deep Decarbonization Amidst Early Century Uncertainty,” compared statements and policy directives from the Trump administration with a report issued in the final days of the Obama White House called the “Mid-Century Strategy for Deep Decarbonization.” The chief finding: Supposing U.S. greenhouse gas emissions remain flat for the next four years and reductions resume afterward to meet the Obama administration’s 2050 targets, the pause means a difference in total emissions equivalent of about 100 days to 200 days of additional global greenhouse gas pollution.

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effodment and related accounts, before returning to PIMCO at the end of 2007 as CEO and co-CIO.


Hotel rooms are limited, so sign up soon. To register, visit the IBES 2017 website at www.nrufc.coop/content/cfc/events/meetings/cfc-ibes-2017.html, type in your login credentials and click the “Register Now” button. Your confirmation will include details on how to make your reservation.

For more information or questions, contact the CFC Events team at events@nrufc.coop or 800-424-2954.

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CFC Regional Vice President Chip Marks, right, presents $13,200 in combined CFC Educational Fund and NCSC Cooperative Youth Education Grant Program checks to Frank Downs, Grand Canyon State Electric Cooperative Association board president and a director from Duncan Valley Electric Cooperative—a 100 percent CFC borrower system based in Duncan, Arizona—during a statewide meeting held July 26 in Tucson.
Homebuilder Optimism Ticks Up in August

The National Association of Home Builders/Wells Fargo Housing Market Index surprised analysts by climbing four points in August to 68. Readings greater than 50 indicate respondents report good conditions.

While the recent bump in interest rates does not seem to have affected buyer traffic, some analysts believe that folks are simply scrambling to lock in fixed mortgage rates before the Federal Reserve acts again. Another potential challenge to the new home market comes from a shortage of development-ready land, climbing costs of building materials and a lack of skilled labor (the unemployment rate for experienced home construction workers has fallen under 6 percent, almost a record low). In addition, many potential homeowners just don’t have the necessary credit profile or are carrying large amounts of student and auto debt and can’t save up enough for a down payment.

Industrial Production Advances Slightly

Industrial production rose for the sixth consecutive month in July, up 0.2 percent, and stands 2.2 percent higher on a year-ago basis. On the factory floor, though, output fell 0.1 percent, led by slumping new vehicle sales. Compared with year-ago numbers car assemblies have slipped 14.5 percent, the steepest decline since mid-2009.

Utilities and mining helped offset some weakness in manufacturing, expanding 1.6 percent and 0.5 percent, respectively, although mining production rests nearly 8 percent below its pre-energy price collapse peak.

Strong Retail Sales Emerge as a Positive Sign

Retail sales rebounded in July, surging 0.6 percent and holding 4.2 percent above their year-ago levels—a bit of good news for an economy where 70 percent of gross domestic product (GDP) growth relies on consumers opening up their wallets. Strength was broad-based, with nonstore retailers logging an 11.5 percent boost. The biggest threat to the sector remains tepid wage growth, a handicap that will be more noticeable if interest rates rise.

Consumer Sentiment on the Upswing

After tumbling in June and July, the University of Michigan Consumer Sentiment Index shot up this month to 97.6, a 4.2 point increase and the largest one-month gain of 2017. It also marked the survey’s best reading since the record 98.5 set in January.

Sentiment was driven mostly by an 8.5 point jump in consumer expectations, with 41 percent seeing their financial situation improving over the next few months. In addition, only 9 percent forecast things getting worse, down from 12 percent in July. However, the Current Economic Conditions component dropped by 2.4 points, to 111, the lowest tally since November.

As in the past, a large partisan divide exists, with most self-described Republicans upbeat about employment and economic policies and Democrats feeling just the opposite.
— Nick Grabowski

RECENT ECONOMIC RELEASES

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<td>Industrial Production (July)</td>
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<td>Retail Sales (July)</td>
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<td>University of Michigan Consumer Sentiment Index (Aug.)</td>
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Source: Bloomberg

KEY INTEREST RATES

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Source: Bloomberg
Source: INO.com
**Are Low Oil Prices the New Norm?**  
*By Nick Grabowski, Economic Research Analyst*

When OPEC—the Organization of Petroleum Exporting Countries—and Russia (a non-OPEC member) met early last fall and agreed to slash oil production, many analysts expected the global oil glut to evaporate within six months and crude prices to soar. However, almost a year has passed and oil has been struggling to break $50 per barrel, a level much lower than the 14 OPEC nations want. Even with oil stockpiles in decline, prices have not rebounded very much.

Why has this happened? First, OPEC didn’t require immediate reductions. Rather, it ordered oil spigots to be turned off at the end of 2016. So between late September and the enforcement date OPEC members actually boosted output, dampening the quick impact of any caps.

In addition, OPEC compliance has always been spotty. The current arrangement saw members meeting just 75 percent of promised cutbacks in July—the lowest level of the year. On top of this, U.S. shale oil producers—which mothballed as much as $1 trillion in drilling projects in 2015 and 2016 when crude nosedived—re-emerged as prices jumped to profitable levels following the OPEC deal. In turn, rigs around the country are active again. That has bolstered supplies and tamped down prices—good news for U.S. consumers filling up at the pump.

Will oil prices climb much higher? For answers, all eyes have turned to the futures market. A few dollars per barrel could be the difference between profit and loss for many domestic operators—and the difference between victory and defeat in OPEC efforts to soak up excess oil being stored around the world and boost prices.