



July 22, 2020

The Honorable Mitch McConnell
Majority Leader
United States Senate
Washington, D.C. 20510

The Honorable Nancy Pelosi
Speaker
United States House of Representatives
Washington, D.C. 20515

The Honorable Charles Schumer
Minority Leader
United States Senate
Washington, D.C. 20510

The Honorable Kevin McCarthy
Minority Leader
United States House of Representatives
Washington, D.C. 20515

Dear Majority Leader McConnell, Speaker Pelosi, Minority Leader Schumer, and Minority Leader McCarthy:

On behalf of the Large Public Power Council (LPPC),¹ I am writing to encourage Congress to incorporate certain measures that would support public power utilities, and the communities that public power serves, as Congress moves to enact legislation to further help the U.S. economy recover from the impacts of the COVID-19 pandemic and to bolster investment in the nation's infrastructure. In particular, we urge that Congress consider infrastructure-related provisions that would support public power, as outlined below, in any final agreement. Such provisions are included in the House-passed H.R. 2, the Moving Forward Act, and are being considered in a bipartisan fashion in the Senate. These measures will support infrastructure investment by the public power sector, thereby reinforcing the power grid and supporting the communities that we serve.

Restoration of Advance Refunding for Municipal Bonds

Restoring advance refunding would allow LPPC members to take advantage of favorable interest rates and structure their bond payments in light of the pandemic, providing additional funds to drive down costs for customers.

Prior to changes made in the Tax Cuts and Jobs Act of 2017, tax-exempt advance refunding bonds issued by state and local governments were an important tool for municipal utilities to lower borrowing costs associated with infrastructure development, which results in lower electric rates in the communities served by LPPC members. Section 90102 of the Moving Forward Act would revive this important financing tool, allowing interest on advanced refunding bonds issued by state and local governments to be exempt from tax.

¹ LPPC is an association of 27 of the nation's largest publicly owned, not-for-profit electric utilities. Our members serve over 30 million customers in 21 states and the Commonwealth of Puerto Rico. LPPC utilities own and operate more than 71,000 megawatts of generation capacity, including wind, solar, hydroelectric, coal, natural gas, and nuclear resources. LPPC members are firmly committed to maintaining affordable rates. Our customers, on average, pay ten percent less than the national average for electricity.

LARGE PUBLIC POWER COUNCIL MEMBER COMPANIES

AMERICAN MUNICIPAL POWER, INC. (AMP) / AUSTIN ENERGY / CHELAN COUNTY PUD NO. 1 / CLARK PUBLIC UTILITIES / COLORADO SPRINGS UTILITIES / CPS ENERGY / ELECTRICITIES OF NORTH CAROLINA, INC. / GRAND RIVER DAM AUTHORITY / GRANT PUD / IMPERIAL IRRIGATION DISTRICT (IID) / JEA / LONG ISLAND POWER AUTHORITY / LOS ANGELES DEPARTMENT OF WATER & POWER / LOWER COLORADO RIVER AUTHORITY / MEAG POWER / NEBRASKA PUBLIC POWER DISTRICT / NEW YORK POWER AUTHORITY / OMAHA PUBLIC POWER DISTRICT / ORLANDO UTILITIES COMMISSION (OUC) / PLATTE RIVER POWER AUTHORITY / PUERTO RICO ELECTRIC POWER AUTHORITY / SMUD / SALT RIVER PROJECT / SANTEE COOPER / SEATTLE CITY LIGHT / SNOHOMISH COUNTY PUD NO. 1 / TACOMA PUBLIC UTILITIES

Build America Bonds

LPPC recommends that Congress authorize the issuance of new Build America Bonds and repeal sequestration payments for existing bonds.

Build America Bonds (“BABs”) are taxable bonds on which the Federal Government reimburses the issuer for a portion of the interest paid. Following the 2008 recession, BABs were an effective financing tool that assisted public power utilities to invest over \$100 billion on energy infrastructure and helped fuel our economic recovery. Section 90101 of the Moving Forward Act would reinstate the authority to issue BABs, providing direct financial support for infrastructure investments.

However, LPPC encourages Congress to build on this measure by ending mandatory sequestration for existing BABs, which has cost LPPC members approximately \$140 million to date and will increase that cost by more than \$14 million each year. The cost of mandatory sequestration was imposed years after LPPC’s members had issued their BABs and sequestration impacts the ability of BABs to successfully deliver capital to energy projects, resulting in extra costs being passed on to customers through higher electricity rates.

Comparable Incentives for Public Power Investment in Renewable Energy

Congress should provide public power entities the opportunity to directly monetize renewable energy credits, whether through refundable tax credits, transferability of credits, or other monetization mechanisms.

Public power entities investing in renewable energy generation currently must partner with third parties to monetize renewable energy tax incentives. These arrangements are costly and result in public power not directly owning the renewable energy facility. Therefore, LPPC supports providing the full benefits of renewable energy tax credits directly to public power entities through credit monetization provisions, such as credit refundability, transferability, or direct payment, provided that they include provisions relaxing certain restrictions on public power’s ability to recognize credits.

Electric Grid Modernization

We support funding for projects that improve the resiliency, performance, and efficiency of the electricity grid.

Public power utilities serve as a catalyst for advancing economic development and environmental stewardship. The electric transmission and distribution grid can be transformed into a digital technology platform that balances and coordinates expanding electrification of transportation and other functions, distributed generation, storage, smart homes and smart buildings, and smart cities and the overall convergence of essential public services.

The Moving Forward Act directs the Secretary of Energy to establish a program to provide funding to projects that improve the resiliency, performance, or efficiency of the electricity grid. Public power electric utilities are included within the potential project partners eligible for funding. Additional funding for grid modernization projects would increase energy efficiency and lower electricity costs for customers.

Vehicle Electrification

We urge Congress to provide support to build out the infrastructure necessary to enable the widespread adoption of electric vehicles.

Electrifying transportation supports economic development and environmental quality of life in our communities. LPPC members are already helping to expand the market for electricity-powered transportation, as both energy providers and infrastructure developers. Charging infrastructure, metering and auxiliary electric technologies are natural extensions of the distribution grid.

The Moving Forward Act includes several provisions on electric vehicle (EV) charging infrastructure that we encourage Congress to support. Section 1303 would establish a \$350 million annual competitive grant program to deploy electric vehicle charging infrastructure. Title III, Subtitle C, Chapter 4 of the bill would provide additional support for EV infrastructure, including the establishment of a rebate program for expenses associated with publicly accessible electric vehicle supply equipment and support for states to deploy EV charging stations.

Public power plays a vital role in the communities that it serves, especially during the challenging circumstances posed by the pandemic. LPPC members deliver an essential service, and thus are taking voluntary steps to avoid electricity service disconnections and electric rate increases for already-burdened customers. However, without federal support, continued economic distress will make it difficult for public power utilities to continue providing reliable and affordable electricity to our 30 million customers and to invest in the electricity infrastructure of the future.

LPPC appreciates Congress' continued attention to the need for relief and stimulus measures to combat the COVID-19 pandemic and the associated economic crisis. As Congress moves to enact further legislation to help the U.S. economy recover, and to support infrastructure investment as a means to fuel that recovery, LPPC encourages Congress to incorporate the specific measures outlined above. Congressional support for these measures will bolster the economies of the communities served by public power as they seek to recover from the devastating effects of the pandemic.

Sincerely,



John Di Stasio
President
Large Public Power Council