



The Honorable Nancy Pelosi
U.S. House of Representatives
H-222 U.S. Capitol
Washington, DC 20510

The Honorable Mitch McConnell
U.S. Senate
S-230 U.S. Capitol
Washington, DC 20515

The Honorable Kevin McCarthy
U.S. House of Representatives
H-204 U.S. Capitol
Washington, DC 20510

The Honorable Charles Schumer
U.S. Senate
S-221 U.S. Capitol
Washington, DC 20515

May 8, 2020

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

On behalf of the American Public Power Association (APPA), I want to thank you for your leadership and swift action in confronting both the public health crisis caused by the pandemic spread of COVID-19 and the economic challenges associated with this unprecedented situation. APPA is the voice of not-for-profit, community-owned utilities that operate in every state except Hawaii, provide power to 49 million people and 2.6 million businesses, and employ 93,000 people.

Public power utilities are critical to the life safety and economic health of the communities they serve, but the coronavirus pandemic is creating a double-edged challenge for them. On the one hand, public power utilities are taking extraordinary measures to protect workers and customers from infection while keeping electric service reliable. On the other hand, revenues are declining as power usage overall declines and an increasing number of customers are unable to pay their bills. Additionally, while we do not have direct contact with all 1,927 of the nation's public power distribution utilities, we can confirm that about 1,700 have imposed a moratorium on power shutoffs during these trying financial times. These utilities are not-for-profit and publicly owned and so all the costs of providing service are included in the rates they charge for electricity.

It may take several months for the full effect of these challenges to become apparent, but the trendline today is clear and troubling. We have some members facing that outlook with only 30 days of cash-on-hand and are worried they will be faced with the choice of having to furlough staff, not pay their own bills, or increase electric rates. None of these are good options. Additionally, compared to the Small Business Administration (SBA) size standard, all but 20 of the nation's public power utilities would be considered small and the vast majority provide power to communities of 10,000 or less people.

APPA's top priorities in the ongoing pandemic are that public power utilities have the physical, logistical, and financial resources to continue to operate while keeping their workers safe. Logistical and operational concerns are largely being addressed through our interaction with various stakeholder groups and federal departments and agencies. However, we believe, our members' financial concerns must be dealt with through the provision of direct aid to public power utilities. This will help alleviate the working capital

shortfalls caused by the pandemic, including payment delinquencies by individuals, small businesses, and industries hard hit by economic consequences of COVID-19.

APPA is also asking Congress to consider a \$4.3 billion supplemental appropriation for the Low Income Home Energy Assistance Program (LIHEAP), the nation's single most powerful tool for providing need-based energy security. The \$900 million supplemental for LIHEAP provided by the CARES Act will be extremely helpful when released, but more will be needed. Six million Americans use this program every year, but the National Energy Assistance Directors Association estimates that the pandemic and resulting economic downturn will throw another 8 million Americans onto LIHEAP's eligibility rolls.

APPA also appreciates the work to create the Municipal Liquidity Facility at the Federal Reserve. We believe that when implemented, this facility could provide a needed service as a lender of last resort for short-term debt. However, this facility is limited to short-term debt and will almost certainly be limited to the nation's largest state and local entities. As a result, APPA recommends two additional steps to help with longer-term financing. First, to help smaller borrowers, we ask Congress to include in COVID-19 response legislation the provisions of H.R. 3967, the Municipal Bond Market Support Act. This bipartisan bill would expand the number of smaller issuers that banks – historically smaller local banks – are encouraged to lend to by increasing the small issuer exception from \$10 million to \$30 million. Second, we ask Congress to include in COVID-19 response legislation the provisions of H.R. 2772, the Investing in Our Communities Act. This bipartisan bill would reinstate the ability to issue tax-exempt advance refunding bonds. Tax-exempt advance refunding bonds saved public power utilities more than \$600 million from 2013 to 2017 (the last year tax-exempt advance refunding was allowed) – savings passed onto utility customers or reinvested – and could provide needed financial relief today and in the future.

Finally, APPA appreciates the emergency supplemental appropriation provided under the CARES Act to the nation's Power Marketing Administrations, the Army Corps of Engineers, and Bureau of Reclamation hydropower programs. The CARES Act, however, failed to amend current law, which requires that these emergency appropriations be recovered with rate increases by electric customers. APPA believes that Congress should explicitly state that CARES Act emergency funds may not be recovered in rates from customers of the Federal Power Program. Now is not the time to raise rates charged to federal hydropower customers.

Public power utilities receive no benefit from the payroll tax credit created under the Families First Coronavirus Response Act (though they should), have no access to the small business loans authorized by the CARES Act, and to date have not had access to the Federal Reserve facility discussed above. These utilities are providing a critical service while also providing financial relief to their customers. While several serve large cities, most would be considered small businesses based on SBA size standards – 1,300 have 10 or fewer employees. We strongly encourage Congress to consider ways to ensure they all have direct access to relief.

Thank you very much for your time and please do not hesitate to contact me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Joy Ditto". The signature is stylized and somewhat cursive, with a long horizontal line extending to the right.

Joy Ditto
President & CEO