May 15, 2020

VIA Electronic Mail

Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington DC 20551

RE: Municipal Liquidity Facility

To the Board of Governors:

The Large Public Power Council (LPPC) is submitting its comments in connection with the Federal Reserve Board's April 27, 2020, announcement of the expansion of the Municipal Liquidity Facility (MLF) program.

LPPC joins with the Government Finance Officers Association and other participants in the municipal bond market in expressing thanks for the work done by the Federal Reserve and its staff in moving quickly to fulfill the intent behind the provisions of the Coronavirus Aid, Relief, and Economic Security Act (CARES) Act to provide liquidity to states and other local governments in the face of the current crisis. We particularly appreciate the Federal Reserve's announcement of an expansion of entities eligible to participate in the MLF. LPPC is most interested in the Federal Reserve's announced intent to consider further expanding the MLF program to permit additional entities to directly borrow under the program. In particular, we are responding to the portion of the April 27th announcement in which the Federal Reserve stated that it is "considering expanding the MLF to allow a limited number of governmental entities that issue bonds backed by their own revenue to participate directly in the MLF as eligible issuers." As representing issuers of significant amounts of bonds backed by their own revenues, the LPPC strongly encourages the Federal Reserve to expand the MLF in this manner and to include public power utilities as eligible borrowers under the MLF program.

LPPC is an association of 27 of the nation's largest publicly-owned, not-for-profit electric utilities. LPPC 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, nuclear, and other renewable energy resources. LPPC members are firmly committed to maintaining affordable rates; their customers, on average, pay ten percent less than the national average for electricity. LPPC's members are part of the larger community of public power utilities that serve 2,000 cities and counties in the United States.

As governmental entities, LPPC's members depend on the municipal securities market to finance both their long term and their short term capital requirements. Public power systems issued nearly $11 billion in publicly offered, long term debt in 2019 with LPPC's members issuing approximately two-thirds of this debt. LPPC's members are also regular issuers of commercial paper and other short term debt. LPPC's members are, for the most part, highly rated by the rating agencies.

During the remainder of 2020, LPPC's members expect the pandemic to result in increases in costs and reductions in revenues. Revenues are expected to decline due to reduced economic activity resulting in a reduction in the use of electricity and an increase in losses from delinquent customer accounts. Although LPPC's members expect to manage these issues, the ability to continue to obtain short-term financing will be an important part of their efforts. Further, while LPPC's members have generally had ready market access in both the short-term and long term municipal securities market, there is no way to predict how the municipal debt markets will perform during the rest of 2020. A further complication and uncertainty is the extent to which other State and local governments will need to access the short-term municipal bond market. As you are aware, the CAREs legislation that led to the MLF program was enacted in large part to provide protection in the event that the municipal bond market is overwhelmed by an unprecedented amount of short-term financing needs of State and local governments.

We also observe that most of LPPC's members are not in a position to take advantage of the MLF program by obtaining loans from State entities that borrow under the MLF program as it is currently structured. Most of LPPC's members are separate entities with respect to which it is highly unlikely that their particular States would pledge their own credit in order to make loans to public power systems. Although some of our members are departments or agencies of large cities and States, most are not.

For these reasons, we urge the Federal Reserve to expand the MLF program to include public power systems, particularly larger systems, as eligible to directly borrow under the program. Under the other criteria already established under the MLF program, particularly the requirement that applicants are only eligible to borrow under the program if they are unable to borrow elsewhere, the inclusion of public power systems as eligible borrowers will provide a safeguard for these systems without unnecessarily expanding the size of the program.

Sincerely.

John Di Stasio
President
Large Public Power Council