A PUBLIC AGENCY
NCPA
NORTHERN CALIFORNIA POWER AGENCY

Priorities for Public Power During COVID-19 Outbreak

As Congress continues to debate supplemental funding measures to support families and businesses during the coronavirus pandemic, it is important to consider the impacts that the virus is having on the energy sector, and in particular, local public power communities. Since the outbreak of COVID-19, electric utility load across the nation has been in steady decline, as businesses and industry drastically reduce or even halt operations. At the same time, NCPA[1] member utilities are working to mitigate the health and financial impacts of COVID-19 by taking proactive steps to suspend power shut-offs, issue bill credits for customers, and in accordance with the Families First Act, expand paid emergency sick and family leave for employees. The implementation of these programs presents financial challenges for all utilities, but in particular, it creates a serious financial strain for small utilities in economically-challenged communities. The impacts of these COVID-19 related costs on the provision of the essential service of power supply deserves our utmost attention, and we encourage Congress to address the following key priorities in the next supplemental bill to support public power communities.

Ensure local governments are also eligible for payroll tax credits to offset the costs of paid emergency sick leave and FMLA expansion

The second COVID-19 supplemental created a new emergency sick leave requirement for all employers and expanded Family and Medical Leave. While private employers are provided tax credits to offset these costs, public entities have been excluded from eligibility for the tax credits or any other federal assistance to offset this mandate. Public power systems have one goal, to provide affordable and reliable power to their communities. However, the financial strain that comes from being excluded from the relief extended to other employers for this purpose undermines this goal at a critical time. ***We urge Congress to include financial assistance to local governments to expressly offset the costs of the expanded sick leave and FMLA benefits by ensuring equitable access to payroll tax credits as has been provided to private employers.***

Ensure emergency funding to Federal Power Program agencies is deemed nonreimbursable

Under the CARES Act, funds were provided to the agencies that manage the federal power program—the federal power marketing administrations (PMAs)—for expenses related to teleworking for employees. For the PMAs, the funding was allocated through the Department

[1] NCPA is a nonprofit, California joint powers agency established in 1968 to make joint investments in energy resources that would ensure an affordable, reliable, and clean supply of electricity for customers in its 16 member communities, which include: the cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Redding, Roseville, Santa Clara, Shasta Lake, and Ukiah, the Plumas-Sierra Rural Electric Cooperative, Port of Oakland, San Francisco Bay Area Rapid Transit (BART), and Truckee Donner Public Utility District. Our members collectively serve nearly 700,000 electric consumers in Central and Northern California.

of Energy and was to be treated as a nonreimbursable expense where the costs would not be passed through to the public power systems and other federal power customers. These power customers are already being strained by the impacts of the pandemic and similar COVID-19 related costs for their own organizations. These unanticipated expenses are no different from those incurred by other federal agencies and should be treated in the same fashion. Without specific clarification about congressional intent with regard to these funds, we expect the Office of Management and Budget to direct that these costs, as well as telework expenditures incurred by the Bureau of Reclamation and Corps of Engineers, be added to customer bills for payment. Not only would this compound the financial pinch felt by local communities, but it also sets a dangerous precedent for any large-scale infrastructure investments in the federal multipurpose projects that may be included in the next legislative initiative. ***We ask Congress to seek clarification that emergency funds provided to federal agencies such as DOE and BOR are designated as nonreimbursable***.

Provide federal financial assistance for public power utilities that will not be shutting off service due to non-payment

California has issued a "no-shutoff" directive for electric service. As providers of an essential service, we understand the vital need for this action, and our members were already well on their way in taking pro-active steps locally to ensure continued service prior to the issuance of the statewide order. However, the inability to collect payment for services rendered, coupled with a significant reduction in electric loads as businesses and industry reduce or halt operations, is creating an unsustainable financial crisis for a number of our member communities. As this crisis continues, the financial toll on municipalities and cooperative organizations will grow and possibly threaten the provision of other critical services. While the Low Income Home Energy Assistance Program (LIHEAP) is a valuable resource, it is currently funded to meet only a fraction of the need—and the number of people needing help is growing rapidly. On April 6, 2020, the National Energy Assistance State Directors called on Congress for an additional $.4.3 billion in funding for the LIHEAP program to meet the current and growing needs in this area. ***We encourage Congress to provide a substantial, additional increase in LIHEAP funding to address the clear and increasing need to support low-income customers throughout this pandemic. Public power systems also continue to evaluate opportunities for other federal efforts to address this critical issue.***

Restore tax-exempt advanced refunding of municipal bonds

In order to stimulate economic recovery, one of the most important actions Congress can take is to fix past legislative missteps that are costing local communities and impeding infrastructure development. Congress should reestablish tax-exempt advance refunding bonds to lower financing costs for local governments. Economic recovery will require considerable efforts by local governments. While interest rates on bonds are at historic lows, cities are still carrying bonds with high rates that cannot be refinanced on a tax-exempt basis due to changes contained in the Tax Cuts and Jobs Act. Restoring tax-exempt advance refunding bonds will enable communities to lower their costs of financing and support economic revitalization. ***We urge Congress to restore tax-exempt advance refunding of municipal bonds.***

Include Comparable Incentives for Public Power Utility Investments

As Congress considers an extension and expansion of energy tax credits, it is important that public power systems receive comparable incentives for investments in eligible renewable energy projects. Current federal tax policy provides incentives for private investment in renewable energy projects, but not for the same investments made by public power entities. One-quarter of all American consumers are served by public power utilities or rural electric cooperatives that cannot benefit from these federal policies—if Congress is willing to provide incentives for investments in specific resources, those incentives should benefit all consumers. And, it is worth noting that a provision to provide such comparable incentives is currently included in the GREEN Act. NCPA has issued an RFP for renewable energy projects. These shovel-ready projects will provide important job opportunities and will stimulate the local economy. Comparable incentives for our public power systems would help facilitate the development of these local projects and advance decarbonization efforts in California.

We urge Congress to provide comparable incentives for public power investments on par with investments made by private entities.

Block sequestration extension on Build America Bonds and allow refinancing of these bonds

As you know, in response to the last financial crisis, Congress authorized the issuance of Build American Bonds (BABs) to provide liquidity to the market and encourage infrastructure investments during the 2008 recession. However, the federal government has reversed course by applying budget sequestration to the scheduled Treasury credit payments on these bonds, reducing payments to state and local BAB issuers by $1.8 billion. The American Public Power Association estimates that an additional $2.2 billion in BAB payments will be cut under sequestration through 2029. Unfortunately, the CARES Act extends sequestration on these payments until 2030, forcing communities that accepted the obligation for the response to the last financial crisis to disproportionately shoulder the burden for responding to the current crisis. This extension must be undone, as many investments were made in good faith under this program, and the federal government's failure to support this program has had serious financial impacts on organizations like NCPA that have built needed public infrastructure. Moreover, Congress should provide relief for issuers of by allowing for immediate refinancing, without restriction or penalty, regardless of the terms of the bonds.

We urge Congress to block the extension of sequestration on direct pay bonds credit payment and enable refinancing of these bonds.