



September 27, 2011

The Honorable Patty Murray  
448 Russell Senate Office Building  
United States Senate  
Washington, DC 20510

Dear Senator Murray:

As the Joint Select Committee on Deficit Reduction begins to consider measures to include in legislation that reduces our nation's deficit, we want to communicate the important role that tax-exempt financing plays for public gas and power systems and urge you to oppose any changes that would impact the ability of public gas and power systems and other state and local governments to effectively utilize tax-exempt financing.

There are approximately 1,000 public gas systems in 36 states. Publicly-owned gas systems are not-for-profit, retail distribution entities owned by, and accountable to, the citizens they serve. They include municipal gas distribution systems, public utility districts, county districts, and other public agencies that have natural gas distribution facilities. Public gas systems range in size from the Philadelphia Gas Works which serves approximately 500,000 customers to the city of Freedom, Oklahoma which serves 12 customers.

There are more than 2,000 public power systems in the United States, serving approximately 46 million Americans. These utilities include not-for-profit state public power agencies and municipal electric utilities that serve some of the nation's largest cities. However, the vast majority of these publicly-owned electric utilities serve small- and medium-sized communities in 49 states, all but Hawaii. In fact, 70 percent of the nation's public power utilities serve communities with populations of 10,000 people or less.

Overall, public power and gas utilities' primary purpose is to provide reliable, efficient service to their local customers at the lowest possible cost, consistent with good environmental stewardship. Like hospitals, public schools, police and fire departments, and publicly-owned water and waste-water utilities, public power and gas systems are

locally-created governmental institutions that address a basic community need: they operate on a not-for-profit basis to efficiently provide reliable energy at a reasonable price.

As units of state and local government, public gas and power systems have the ability to issue tax-exempt bonds. Just as cities and counties issue tax-exempt bonds for projects that are in the public good such as schools and hospitals, public gas and power systems utilize these bonds for investments in their infrastructure and long-term energy purchases.

Unlike investor owned utilities, which can rely on shareholders to bear much of the cost of infrastructure investment, not-for-profit gas and power utilities can look only to their customers to absorb these costs. Access to tax-exempt bonds for infrastructure projects such as the building of electricity generation or the replacement of components within natural gas distribution systems is essential in keeping costs low for the millions of customers served by public gas and electric utilities. Public gas and power systems use tax-exempt bonds to provide infrastructure that is critical not only to our customers but to the nation as a whole. In addition to the direct benefits provided to consumers, preserving the ability of public gas and power systems to undertake these projects helps create jobs and provides other economic benefits within our members' communities. Affordable energy prices have never been more important as our members' communities struggle to come out of our current economic crisis, and eliminating this key tool will have a significant impact upon them.

The use of tax-exempt financing has been, and continues to be, a critical tool that has provided benefits to gas and electric consumers of public gas and power systems. We strongly urge you to oppose any changes that would impact the ability of public gas and power systems to utilize tax-exempt financing, or that would otherwise diminish the value of this important financing mechanism.

We thank you in advance for your consideration.

Sincerely,

The American Public Gas Association

The American Public Power Association

The Large Public Power Council