



Powering Strong Communities



May 14, 2021

The Honorable Nancy Pelosi
U.S. House of Representatives
H-222 Capitol Building
Washington, DC 20515

The Honorable Charles Schumer
U.S. Senate
S-221 Capitol Building
Washington, D.C. 20510

The Honorable Kevin McCarthy
U.S. House of Representatives
H-204 Capitol Building
Washington, DC 20515

The Honorable Mitch McConnell
U.S. Senate
S-230 Capitol Building
Washington, D.C. 20510

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

On behalf of the American Public Power Association, National Rural Electric Cooperative Association, and Large Public Power Council we write today to encourage your support of comparable energy tax incentives for the deployment of energy technologies. More specifically, we ask for your support of tax policies that will allow public power and electric cooperatives to fully utilize direct pay for renewable and clean energy tax credits.

The community-owned electric utilities that we represent include public power utilities, which serve more than 49 million Americans, and rural electric cooperatives, which serve another 42 million. Collectively, community-owned electric power utilities operate in every U.S. state and territory and serve nearly 30 percent of all retail customers in the United States.

Earlier this year, the President set ambitious targets for reducing greenhouse gas emissions from power generation, transportation, and other sources. Reaching these goals will be a daunting challenge, but our members have been and continue to be committed to reduce greenhouse gas emissions. However, for community-owned electric utilities, all the increased costs associated with drastically reshaping our generation profile will be borne by our customers and consumer-owners. As such, we cannot afford inefficient or ineffective policies. If the goal is to move toward a cleaner energy grid by providing tax incentives for developing clean energy generation, storage, transmission, and electric vehicle (EV) recharging infrastructure, federal incentives must be made available to all electricity providers.

One of the most significant shortcomings of federal energy tax policy is that not-for-profit and tax-exempt community-owned electric utilities have been excluded from being able to directly claim these credits. The result is that our utilities only indirectly benefit from energy-related tax incentives. This is typically

done through long-term power purchase agreements (PPAs) with taxable project developers and their tax-equity partners, which claim these credits. PPAs are complex and expensive, and much of the value of the credits flow to the project developers and their investors rather than to the not-for-profit utilities and their customers. Further, to qualify for the credit, the project developer and tax-equity investors must retain ownership of the facility and our utilities may only later purchase the facilities by paying the owner the fair market value of the facility. This increases the cost and inefficiency of the present system and means that the purchasing utility is denied the substantial operational benefits that flow from direct ownership.

Allowing public power utilities and rural electric cooperatives to receive these tax credits in the form of direct payments for building clean energy infrastructure would ensure that all utilities serving all Americans would have equal access to these federal resources. The direct payments would be used to help offset project costs – increasing the incentive for further investments – and would enable public power utilities and rural electric cooperatives to own these facilities directly. It would also mean more local projects, with local jobs, under local control. Having direct ownership as an option will help our members develop a generation mix that best suits the needs of the customers.

The President and Congress have ambitious climate goals that cannot be met by leaving nearly 30 percent of the nation's electric utility customers without access to incentives and support. To that end, and for the reasons stated above, we urge Congress to provide direct pay for credits to public power utilities and rural electric cooperatives.

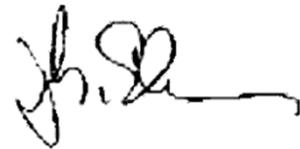
Sincerely,



Joy Ditto
President & CEO
American Public Power
Association



Jim Matheson
Chief Executive Officer
National Rural Electric
Cooperative Association



John Di Stasio
President
Large Public Power Council

Cc: Chairman Richard Neal
Ranking Member Kevin Brady
Chairman Ron Wyden
Ranking Member Mike Crapo