March 24, 2020

The Honorable Jerome Powell  
Chairman  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue, NW  
Washington, DC 20551

Dear Chairman Powell:

The Edison Electric Institute is the association that represents all U.S. investor-owned electric companies. The American Gas Association represents more than 200 local energy companies that deliver clean natural gas throughout the U.S. The National Association of Water Companies represents water and wastewater providers that serve over 73 million Americans. America’s utilities commend you and everyone in the Administration for the actions you are taking as you try to combat the health and economic crisis that is unfolding due to the COVID-19 pandemic.

The Commercial Paper Funding Facility (CPFF) announced and implemented last week is a constructive first step toward ensuring a properly functioning liquid short-term debt market. The clarification to CPFF issued this week also will help to bring additional liquidity, but will not address the liquidity and cost issues in the A2/P2/F2 Tier 2 where liquidity is rapidly declining. While CPFF is similar to the one from the 2008-2009 financial crisis, the current crisis may dwarf that in its intensity and adverse effects.

Tier 2 companies are in sectors that represent essential, lifeline infrastructure. America’s electric, gas, and water utilities are working tirelessly to sustain our services to the nation during this challenging period. Utilities are highly creditworthy, are significant issuers in the A2/P2/F2 commercial paper market, and rely on liquid, smoothly functioning markets for working capital and other short-term needs. However, our operating and holding companies are facing severe degradation of revenue and extraordinary increases in short-term funding costs due to the current Tier 2 challenges, creating a serious economic strain on the most essential of services.

The declining liquidity and resulting higher costs of the A2/P2/F2 tier could have increasing negative consequences for all utility customers. Furthermore, current conditions could compel utility operating and holding companies to draw down their lines of credit with major financial institutions and banks, adding further stress on the financial system.
Extend Commercial Paper Funding Facility Purchasing to A2/P2/F2 Tier

We recommend that this CPFF purchase be extended to commercial paper programs that are rated at A2/P2/F2 by at least two of the major credit rating agencies. The facility should be extended to Tier 2 holding and operating companies in sectors designated as critical infrastructure under the Presidential Policy Directive on Critical Infrastructure Security and Resilience (PPD-21).

Thank you in advance for your consideration and any assistance you may be able to provide. Please do not hesitate to contact one of us, or ask your staff to contact Kathy Steckelberg (202-744-8512 or ksteckelberg@eei.org) if you have any questions or need additional information.

Sincerely,

Thomas R. Kuhn
President
Edison Electric Institute

Karen A. Harbert
President and CEO
American Gas Association

Robert F. Powelson
President and CEO
National Association of Water Companies

cc:

The Honorable Steven Mnuchin, U.S. Secretary of Treasury
Governors of the Federal Reserve System