



March 27, 2020

The Honorable Jerome H. Powell
Chairman
Board of Governors of the Federal Reserve
Washington, D.C. 20551

Dear Chairman Powell,

The Gas Turbine Association (GTA) is a membership organization established in 1995 and has a mission to serve as a unified voice for the Gas Turbine Industry. Today, Gas Turbines produce more than a quarter of our nation's electricity. They are a cornerstone energy conversion technology, providing electricity and heat for industries and communities, and powering the nation's network of energy distribution pipelines and other critical infrastructure. Largely through conversion to advanced gas turbine technologies, carbon dioxide emissions from the United States' power generation sector have fallen more than 25% since 2005, while overall generation capacity has increased over the same time period.

GTA is writing this letter in support of America's Utilities. Like so many other American businesses, electric, gas and water utilities are committed to supporting their customers and the entire economy as they navigate through this unprecedented pandemic. Utilities have committed to prohibiting utility shut-offs for customers who may have been impacted by job loss or financial distress or any reason they are unable to pay their utility bills during this time. At the same time, linemen and power plant operators are on the front lines to ensure safe and reliable electric service throughout this crisis.

To continue this, utilities need reliable access to short term liquidity provided through the Commercial paper markets. Commercial paper (CP) is a critical source of cost-effective, short-term funding for many of America's highest-rated companies. These companies rely on liquid, smoothly functioning CP markets every day to make critical payments like payroll, income taxes, supplier payments and other working capital needs. Most electric utilities are rated at A2/P2/F2 by at least two of the major credit rating agencies are considered "Tier 2" issuers of CP.

The CP market for Tier 2 issuers has encountered severe disruption over the last few weeks. Declining liquidity, fewer investors and higher costs have made it harder for Tier 2 issuers to raise required CP each day. The cost of CP for many Tier 2 issuers in recent days has been two to three times their historical average. With the continued challenges in the CP market, many of these Tier 2 issuers will draw on their bank credit line which will put increased pressure on banks' balance sheets. The declining liquidity and higher costs for Tier 2 issuers could have

increasing negative consequences on their customers, suppliers and banks. For example, electric utilities use CP to fund working capital needs to support critical infrastructure projects, to make payroll and tax payments the costs of which are typically collected from customers later.

While the Federal Reserve has made some effort to address the situation; such as reinstating its Commercial Paper Funding Facility (CPFF), and clarifying that it will buy from Tier 2 companies that are downgraded from Tier 1, this does not directly address the liquidity issues faced by Tier 2 issuers of CP.

We therefore ask that the Federal Reserve extend the CPFF to commercial paper issuers 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 issuers in sectors designated as critical infrastructure under the Presidential Policy Directive on Critical Infrastructure Security and Resilience (PPD-21).

In this time of financial uncertainty and healthcare crisis, we must to ensure our utilities remain solvent and providing safe, reliable electric power throughout this challenging time. Thank you for your consideration of this request.

Sincerely,

A handwritten signature in black ink, reading "Salvatore A. DellaVilla Jr." in a cursive script.

Salvatore A. DellaVilla Jr.
GTA Managing Director &
CEO, Strategic Power Systems, Inc.