



N A R U C
National Association of Regulatory Utility Commissioners

May 24, 2013

The Honorable Tom Reed
1504 Longworth House Office Building
United States House of Representatives
Washington, D.C. 20515

Dear Congressman Reed,

According to the U.S. Environmental Protection Agency (EPA) and Government Accountability Office (GAO) the U.S. faces unmet water and wastewater infrastructure needs of approximately \$600 billion over the next 20 years. Your home State of New York alone faces more than \$57 billion in unmet water and wastewater infrastructure financing needs, the EPA says. On behalf of the National Association of Regulatory Utility Commissioners (NARUC), we urge you to sponsor bi-partisan legislation that would lift the State volume caps on qualified water and wastewater project private activity bonds (PABs) to assure access to capital for needed infrastructure upgrades.

NARUC represents the public service commissions in all 50 states [including the New York State Public Service Commission] and U.S. protectorates that regulate the utilities that provide essential services such as water, energy, telecommunications and transportation.

Private activity bonds (PABs) are one of the most useful tools to leverage private capital and finance long-term, capital-intensive infrastructure projects. However, the use of PABs for water and wastewater infrastructure is extremely limited because of a federally imposed annual State volume cap that essentially limits water project funding to 1% of total bond issuance.

In 2001, EPA's Environmental Financial Advisory Board recommended that private activity bonds for water and wastewater facilities be exempt from the state volume cap after recognizing that "state volume caps were constraining tax-exempt financing in a way that was limiting the supply and/or increasing the cost of investment funds." It is estimated that removing the State volume cap for these projects will increase capital investment in the nation's water infrastructure by up to \$5 billion per year over time through public private partnerships.

NARUC is committed to working with Members of Congress, water companies, and other interested parties to ensure that sufficient funding is available for vital upgrades and replacement of aging and deteriorating water and wastewater infrastructure. We encourage you to embrace EPA's recommendation to remove water and wastewater projects from the restrictive PAB state volume cap by sponsoring legislation and working to advance the measure through

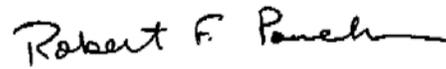
Congress. The legislation will help local communities repair and replace aging infrastructure by providing much needed access to capital while containing costs.

If you have any questions please contact NARUC's Legislative Director – Water, Brian O'Hara, at 202-898-2205, bohara@naruc.org.

Sincerely,



Philip B. Jones
NARUC President



Robert F. Powelson
Chairman, NARUC Committee on Water