

April 2, 2013

Congressman Dave Camp
Chairman, U.S. House Committee on Ways and Means
1102 Longworth House Office Building
Washington D.C. 20515

Dear Chairman Camp:

Thank you for the opportunity to provide our comments to be included in the record of your March 19, 2013 hearing focusing on "Tax Reform and Tax Provisions Affecting State and Local Governments."

Tacoma Public Utilities (TPU) is the municipally owned utility of the City of Tacoma. TPU provides electric service to nearly 170,000 customers in the City of Tacoma and surrounding communities. Additionally, TPU provides drinking water service to more than 96,000 customers in the City of Tacoma and incorporated and non-incorporated communities throughout Pierce and King Counties in Washington State.

Municipal bonds continue to play a vital role in building our communities and the American economy. They finance three-quarters of all infrastructure investment in the U.S. -- building schools, drinking water facilities, hospitals, roads, bridges, and energy transmission lines -- the very infrastructure we depend on to maintain our quality of life and promote commerce. Municipal bonds have helped ensure that public utility customers have reliable access to clean drinking water, electricity for their homes and businesses, and other vital services necessary for a growing economy.

Utility customers we serve reasonably expect to have reliable access to clean drinking water and electricity. Meeting that basic standard requires a strategic plan of maintenance and construction of necessary capital facilities. Over the next 10 years, our power and water utilities expect to rely heavily on municipal bond financing as we invest nearly \$700 million on facility maintenance and construction. These capital improvements include construction projects necessary to meet federal requirements to generate hydroelectricity and ensure reliability for our customers. Additionally, TPU is using municipal bonds to complete construction of our new \$200 million Green River Drinking Water Filtration Facility. This new facility will ensure compliance with new federal regulatory requirements and provide safe, high-quality drinking water to hundreds of thousands of residents in the Puget Sound area.

Based on current projections, our customers would be exposed to a nearly \$40 million increase in rates over the next 10 years if we lost access to tax-exempt municipal bonds. Because we spread our costs uniformly over all water and electricity consumed by our customers, this would amount to a regressive 'flat' tax on all utility customers. As our economy recovers, our customers should not be saddled with this type of regressive tax or additional limitations on our ability to build these vital facilities.

Fiscal challenges at all levels of government have made infrastructure investment more challenging. Current policy on tax-exempt municipal bonds spurs job creation, grows our tax base and promotes economic

Letter from Gaines

April 2, 2013

Page 2

growth. We urge your Committee and Members of Congress generally to take a broader view in regard to this long-standing policy and maintain current law as it relates to tax-exempt municipal bonds.

Thank you for the opportunity to provide our views on this important issue. Should you have any questions, please contact Clark Mather at Tacoma Public Utilities at 253-441-4159.

Sincerely,

William A. Gaines
Director/CEO, Tacoma Public Utilities

CC: Sen. Patty Murray
Sen. Maria Cantwell
Cong. Jaime Herrera-Beutler
Cong. Derek Kilmer
Cong. Dave Reichert
Cong. Adam Smith
Cong. Denny Heck

List of organizations represented

This page is meant to respond to committee direction that, “All submissions must include a list of all clients, persons and/or organizations on whose behalf the witness appears. A supplemental sheet must accompany each submission listing the name, company, address, telephone, and fax numbers of each witness.”

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