LARGE PUBLIC POWER COUNCIL

July 14, 2021

The Honorable Gary Gensler
Chair
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Public Statement by Securities Exchange Commission (the "Commission") Requesting Public Input on Climate Change Disclosures (March 15, 2021) ("Public Statement")

Dear Chair Gensler:

The Large Public Power Council ("LPPC") is writing to provide our comments in response to the Public Statement as it relates to climate change disclosures in offerings of municipal securities by our members. We appreciate the opportunity that the Commission has afforded the public to provide its thoughts on the appropriate regulatory approaches to climate change disclosures.

Founded in 1987, LPPC is a national organization comprising 27 of the nation's largest public power systems. LPPC's members are locally owned and controlled not-for-profit electric utilities committed to the people and communities we serve. LPPC advocates for policies that allow public power systems to build infrastructure, invest in communities and provide reliable service at affordable rates. LPPC members provide reliable, low-cost electric service to over 30 million people and our member utilities own and operate over 30,000 circuit miles of high voltage transmission lines and over 71,000 MW of generation with a significant amount of renewables, fossil, hydro, efficiency and demand side management. LPPC's members have been and will continue to be among the largest issuers of tax-exempt bonds because of the capital intensive nature of the electric utility industry. In addition, LPPC's members are at the forefront of the movement to an energy industry that relies on renewable energy and to reduce reliance on fossil fuel generation.

LPPC's members have been and will continue to be among the largest issuers of municipal securities in the country. As issuers of municipal securities, offerings by our members are exempt from registration under the Securities Act, and our members are not subject to the periodic reporting requirements of the Securities Exchange Act. Thus, our members are not directly impacted by any changes to Regulation S-K or Regulation S-X as contemplated in the Public Statement. But given the breadth of the Public Statement, we believe it is important for us to speak on this important topic as it relates to offerings by our members.

- ***Climate change is an increasing focus of disclosure in municipal securities offerings and, in many credits, an emerging area of critical disclosure. But its impact on credits in the municipal securities market ranges from very relevant to speculative, and mostly incapable of concrete quantification.***

For many issuers of municipal securities, the impact of climate change remains speculative and unknown. Since many issuances of municipal securities are supported through tax revenues in one form or another and because municipal securities are debt securities, the credit supporting many issuances of municipal securities do not necessarily materially change even if issuer needs to address ongoing impacts of climate change. Other issuers, on the other hand, can see the credit supporting their issuances of municipal securities immediately impacted either because the physical risks of climate change touch that credit in known and specific ways or because the related operations are regulated to mitigate the impact of climate change.

LPPC members have had to understand and absorb the impacts of climate change for many years now for a few reasons. First, the operations of our members can be heavily impacted by the impacts of climate change (*e.g.*, droughts can materially impact our members that rely on hydrological power). Second, the finances and operations of our members are regulated by federal and state regulations. Greenhouse emission regulations, for example, can impose significant capital costs on our members and can also result in material impacts to their operations. Finally, climate change can result in changes to demand among the customers of many of our members. For example, as power demands have increased and become more expensive, our members have seen an increase in the use of solar power which removes a significant portion of demand from the power systems of many of our members. Accordingly, climate change has been and will remain an important focus of our members.

While LPPC members remain focused on how climate change impacts their finances and operations and the credits supporting municipal securities they issue, the overall financial and operational impact of climate change on our members and the credit of their issuances of municipal securities remains diverse, highly uncertain and in many instances speculative. First, the physical impact from climate change significantly varies among our members. Some members could see an immediate impact – such as droughts and hydrological power or increased frequency or severity of damage to overhead power lines from storms. Other members, though, who use traditional fuels, may experience changes in demand from customers but otherwise are not as directly impacted by the physical impacts of climate change. Second, regulatory impacts of climate change also vary significantly but also remain fluid and uncertain. Regulations protecting against pollution and greenhouse emissions are evolving and many of the standards remain highly aspirational and unclear as to how they will ultimately impact our members. Importantly for LPPC members, much of the impact of climate change comes from state-specific regulation and monitoring that both creates significantly diverse impacts for our members but also can serve as important disclosure for investors when they give rise to material impacts. Accordingly, neither our members nor other issuers in the municipal securities market have any widespread industry standards by which to quantify climate change or measure the ongoing impacts in any meaningful manner.

- ***As with other areas in the municipal securities market, the most important exercise for issuers is to continue to monitor their understanding and knowledge of climate change impacts and ensure that they explain to investors what is known about climate change impacts.***

While the impacts of climate change remain largely uncertain and unquantifiable, and while they remain highly diverse among issuers of municipal securities as wells as LPPC members, the LPPC believes that the same kinds of reasonable process that have resulted in improved disclosure across the municipal securities market is appropriate here as well. Each issuer of municipal securities should reasonably assess its known impacts of climate change and ensure those impacts are appropriately disclosed to investors when they are material to an investment in the municipal securities. Our members are regularly assessing the potential impacts of climate change and provide investors in their municipal securities offerings with an understanding of material impacts. That assessment and the resulting disclosure, though, vary significantly among our members depending on (1) their power source, (2) the varying regional impacts of climate change (e.g., climate change in the west results in different impacts than the east), (3) the regulatory environment of the states in which they operate, and (4) the ability of an issuer to react to climate change impacts give its financial and operating circumstances. Accordingly, there is no one template or approach let alone any uniform quantitative approach that our members could follow. Each member needs to evaluate its own circumstances and ensure that investors receive a full picture of the material impacts of climate change.

- ***The municipal securities market, as well as LPPC members, would benefit from guidance from the Commission or its staff.***

The municipal securities market tends to respond well to guidance that both provides a clear understanding of the sensitivities of the Commission while recognizing that issuers of municipal securities represents a tremendously diverse group of credits. Last year, the Chair the Commission and the Director of Office of Municipal Securities issued a public statement encouraging issuers of municipal securities to provide disclosures to investors concerning the impacts of COVID-19 to their financial and operating condition. The public statement was well received by issuers and the market experienced a tremendous increase in voluntary disclosures as a result. The public statement was highly effective for two reasons. First, the public statement provided a perspective to issuers "in the trenches" concerning the sensitivities of the Commission. In many cases, issuers intuitively believed the Commission would have thought differently than it indicated in the public statement – some issuers believed the Commission would want issuers to say nothing until they were completely certain of what they were disclosing. The public statement truly provided insight to issuers of municipal securities who often times are bombarded with many different perspectives from many different financial stakeholders. Second, the public statement accommodated the wide variety of issuers of municipal securities and did not seek to coral issuers into one standard approach.

We think that last year's public statement could serve as a helpful template for the municipal securities market moving forward. Guidance from the Commission or the Office of Municipal Securities that outlines the sensitivities of the Commission while taking into consideration the diverse nature of issuers of municipal securities could be a helpful way for the Commission to improve climate change disclosure in the municipal securities market. Like the public statement last year, this guidance could identify various trends and information about climate change that it considers to be important and that issuers should consider in its disclosure while still leaving room for issuers to make good disclosure decisions given their own unique facts and circumstances. We believe that guidance like this, if properly balanced, would represent the best step that the Commission could take to improve climate change disclosures in the municipal securities market.

We appreciate your consideration of our comments and suggestions. The LPPC would be happy to meet with you or your staff to discuss these issues in detail.

Sincerely,

John Di Stasio, President
Large Public Power Council