



**American Public Power Association**

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May 4, 2005

The Honorable Donald Manzullo  
Chairman  
House Small Business Committee  
2362 Rayburn House Office Building  
Washington, D.C. 20516-6315

The Honorable Nydia M. Velazquez  
Ranking Minority Member  
House Small Business Committee  
B-343C Rayburn House Office Building  
Washington, D.C. 205615-6315

Dear Chairman Manzullo and Ranking Member Velazquez:

On behalf of the American Public Power Association (APPA) I am writing to applaud you for holding a hearing today that examines the relationship between the Public Utility Holding Company Act (PUHCA) and protections for small businesses against abuses by the affiliates of the utility corporations subject to PUHCA jurisdiction. APPA is the national service organization representing the interests of the over 2,000 state and municipally-owned electric utilities serving over 43 million Americans.

At the same time, we are very concerned that the focus of today's hearing will be, at least in part, diverted by the red herring testimony of at least one witness, the Progress and Freedom Foundation (PFF). Last night, we received a copy of the PFF testimony and it is clear that their sole purpose at the hearing is to attack the provision of communications services by municipal utilities. The PFF statement is riddled with inaccuracies, half-truths, and false charges. APPA intends to file a written statement for the hearing record that will refute and clarify each of the many misstatements made by PFF. However, I want to correct one assertion now: Municipal electric utilities offering communications services to the public do not subsidize those operation with either taxpayer or electric ratepayer dollars.

Moreover, the provision of advanced communications services by hundreds of municipal electric utilities, such as Rochelle, Illinois, provides small businesses throughout the nation with the broadband capability and other tools necessary to compete in today's economy. Public power systems are offering these services because they are demanded by the community and local business. Typically they demand these services because they are either not available from private providers, or are of low quality and high cost.

The real agenda of the PFF, and the large telephone and cable corporations that support them, is to establish virtual prohibitions on the ability of municipal electric systems to provide broadband services. They are attempting to establish these prohibitions under the guise of mitigating alleged competitive advantages. If successful, they will eliminate the ability of communities to decide for themselves what essential public services they

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should offer and deny advanced communications services to thousands of small businesses located in smaller communities and rural areas who will not otherwise receive these services anytime soon. That is neither progress nor freedom.

We look forward to discussing these issues further with you and the members of the committee.

Sincerely,

A handwritten signature in cursive script, appearing to read "James J. Nipper".

James J. Nipper  
Senior Vice President for Government Relations

Cc: Members, House Small Business Committee