

Fast Facts

March 2018

Protect the Power Marketing Administrations (PMAs) & the Federal Power Program

Introduction

The Power Marketing Administrations (PMAs) are federal agencies, housed within the U.S. Department of Energy (DOE), with the responsibility to market electric power, primarily from multiple-purpose water projects operated by the Bureau of Reclamation and the U.S. Army Corps of Engineers. The four federal PMAs - the Bonneville Power Administration (BPA), the Southeastern Power Administration (SEPA), the Southwestern Power Administration (SWPA) and the Western Area Power Administration (WAPA) - are important sources of power for rural electric cooperatives who were some of the first purchasers of federal hydropower. Today, more than 600 rural electric cooperatives in 34 states are PMA power customers. For this reason, NRECA is focused on ensuring that our nation's federal hydropower infrastructure and the PMAs remain a vital part of America's energy backbone.

Similarly, the Tennessee Valley Authority (TVA) is a federally owned corporation that provides affordable electric power, including hydropower, to more than nine million customers in seven southeastern states. TVA receives no taxpayer funding, deriving virtually all of its revenues from sales of electricity. Today, more than 50 rural electric cooperatives distribute TVA power. For this reason, NRECA is focused on ensuring TVA's ability to provide our cooperatives with cost-based hydroelectric power produced at their federal hydroelectric dams.

Issue: President's FY19 Budget Requests Selling PMA & TVA Transmission Assets and Switching from a Cost-based Rate Structure to a Market-based Rate Structure

Given the long and productive history between the PMAs and TVA and their customers, NRECA was disappointed to see the Administration's FY 2019 budget request proposal to divest the transmission assets of BPA, SWPA, WAPA, and TVA.

The Administration's companion proposal to change the current cost-based rate structure for all four of the PMAs to a "market-based" rate structure is similarly disappointing.

Background

NRECA strongly disagrees with the rationale provided in the proposal that "ownership of transmission is best carried out by the private sector where there are appropriate market and regulatory incentives" and that increasing "the private sector's role would encourage a more efficient allocation of economic resources and mitigate risk to taxpayers." As stated previously, PMA and TVA costs are paid by customers and not the federal government; none of the costs are borne by taxpayers. Furthermore, there is no factual evidence that selling the transmission assets of the PMAs would result in a more efficient allocation of resources. Rather, it is much more likely that any sale of these assets to private entities would result in attempts by the new owners to charge substantially increased transmission rates to the PMA

customers for the same service they have historically received. These arguments are merely a pretext for actions that would raise electricity costs for millions of people and businesses.

Additionally, there again is no factual evidence to support the Administration's claim that "eliminating the requirement that PMA rates be limited to a cost-based structure and requiring instead that these rates be based on consideration of appropriate market incentives, including whether they are just and reasonable, would encourage a more efficient allocation of economic resources and could result in faster recoupment of taxpayer investments." PMA customers already pay all of the costs associated with generating and transmitting power produced at federal dams, positioning the federal government to profit off of retail customers already covering all of the costs for their power supplies. Such a move would undermine regional economic development and almost certainly invite legal challenges from wholesale customers holding long-term contracts with the PMAs.

NRECA Position:

America's electric cooperatives oppose selling the PMAs and TVA, or any assets owned by those entities, to raise revenue for the federal government. NRECA urges Congress to reject the budget proposals to sell the transmission assets or switch to "market-based rates" and abandon the historic "cost-based" rate structure. Raising electricity prices on rural Americans to raise revenue for the government is an unwise idea that has been rejected several times in previous decades of debate over this issue.

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