



FAST FACTS

Power Marketing Administrations (PMAs)

Keep Clean Renewable Hydropower Flowing into Rural America

Issue. The Power Marketing Administrations (PMAs) are federal agencies, housed within the U.S. Department of Energy, with responsibility for marketing electric power, primarily from multiple-purpose water projects operated by the Bureau of Reclamation and the 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 electric cooperatives in 34 states.

The PMAs' hydropower projects provide substantial local economic development benefits. At the early stages of the hydropower program, rural electric cooperatives agreed to a partnership with the federal government. The cooperatives agreed to pay higher costs for power in exchange for a guarantee of continued access to power and a promise of lower rates, over the long term. The federal power gave electric cooperatives independence from the investor-owned utilities which, at the time, controlled much of the power supply in the nation. This partnership has successfully provided the basic structure for real competition between the consumer-owned electric systems and large investor-owned utilities. The PMAs ensure that no single sector of the electric power industry can secure a monopoly position.

In addition to the benefits of federal power, federal facilities surrounding hydroelectric dams and physical plants provide other benefits, including recreation, navigation, and flood control.

Over the years, Congress has rejected misguided Office of Management and Budget (OMB) proposals to privatize the PMAs and artificially raise PMAs' power rates to so-called "market" levels. The Government Accountability Office concluded that these proposals could raise rates for consumers by \$200 a year. Congress has understood that these proposals would interrupt long-standing contractual arrangements between PMAs and their customers, increase electric rates to millions of rural Americans, and disrupt the economic structure of the some of the most economically depressed regions in rural America. Opponents of the federal power program persist in their efforts to undermine the ability of rural electric cooperatives to have access to this cost-based resource. However, none of these anti-PMA proposals have advanced far in the legislative process.

Having been unsuccessful in convincing Congress to enact its proposals, OMB has sought to implement other rate-raising proposals, administratively, or without congressional consent. Fortunately, Congress has blocked these proposals in the past, noting that OMB should not use "budget gimmicks" to raise rates on PMA customers.

Inadequate Purchased Power and Wheeling (PP&W) funds could also raise rates for PMA customers. Three of the PMAs rely on PP&W funds to acquire firming power to meet long-term contractual commitments and the services needed to move the power over non-federal transmission lines. The actual generation at federal hydropower plants fluctuates with water flows affected by floods, drought, the Endangered Species Act, navigation requirements and other factors. When water flows are reduced and

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hydropower generation is insufficient, the PMAs must purchase and transmit power from other sources in order to meet their “firm” power contracts. The PP&W program, although it must be provided for the yearly appropriation bills, is not a subsidy because these funds are repaid in full to the federal government in the same year they are incurred - through consumers’ power rates. PP&W funds are essential to the operations of PMAs.

Absolutely critical to the PMAs’ effective operation is owning or having access to adequate transmission for the delivery of power to electric cooperative consumers. The American Recovery and Reinvestment Act (Stimulus Act) included \$3.25 billion in borrowing authority for WAPA. These loan levels are intended to help build out WAPA’s existing 17,000 miles of transmission lines to reach new renewable sources of electric generation. While electric cooperatives support the development of additional renewable sources of electricity through the expansion of the transmission grid, WAPA must maintain its core mission - delivering cost-based federal hydropower to electric cooperative consumers while taking on this new responsibility.

Status. The Stimulus Act, which included WAPA’s transmission borrowing authority, is being implemented. Under the Administration’s FY10 budget proposal, OMB pushed to change cost allocations for Pick-Sloan water facilities in the Missouri River Basin, which supplies electricity marketed by WAPA. This proposal assumed \$500 million in additional revenues from consumers who get WAPA electricity from Bureau of Reclamation Dams. Reps. Stephanie Herseth Sandlin (D-SD) and Cynthia Lummis (R-WY) sent a letter to the House Budget Committee opposing the proposal. Congress did not include OMB’s Pick-Sloan cost allocations proposal in the FY10 Energy and Water appropriations bill enacted in October 2009. OMB did not include the Pick-Sloan proposal in its FY11 budget request.

NRECA position. NRECA supports maintaining federal ownership of the Power Marketing Administrations, the “preference” clause and cost-based rates for PMA power – cornerstones that help keep electric rates affordable for rural Americans.

NRECA urges Congress to dismiss any legislative proposals by OMB to change cost allocations for Pick-Sloan water facilities in the Missouri River Basin.

NRECA urges Congress to maintain its opposition to any future OMB proposals to accelerate federal debt repayment for BPA and OMB’s plan to set new interest rates on federal power investments for SEPA, SWPA and WAPA.

NRECA urges Congress to fulfill its oversight obligation over WAPA’s new borrowing authority for transmission to ensure that new transmission lines adhere to WAPA’s core mission of delivering federal hydropower.

NRECA urges Congress to provide for the budget neutral Purchase Power and Wheeling Program.

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Cooperative Association**

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