



Power Marketing Administrations (PMAs)

Keep Hydropower Flowing into Rural America

Issue. The Power Marketing Administrations (PMAs) are federal agencies housed within the U.S. Department of Energy that have 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 very real, 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 besides hydropower generation. For instance, they provide recreation, navigation, flood control and other multi-purpose benefits.

Over the years, misguided Office of Management and Budget (OMB) proposals to privatize the PMAs and artificially raise PMAs' power rates to so-called "market" levels have been considered by the Congress. 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 some of the most economically depressed regions in rural America. Undoubtedly, opponents of the federal power program will 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.

Three of the PMAs also rely on Purchased Power and Wheeling (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, Endangered Species Act, navigation requirements and other factors. When water flows are reduced and 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 is not a subsidy. These funds are repaid in full to the federal government in the same year they are incurred through consumers' power rates.

NRECA believes this budget-neutral program should continue. PP&W funds are essential to the operations of PMAs and the timely repayment of the investment in these federal projects.

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NRECA also is working to ensure that power customers do not bear undue costs of additional security measures at Bureau of Reclamation facilities resulting from the September 11, 2001 attacks. In 2007, the House passed the Bureau of Reclamation Site Security Costs Act (H.R. 1662). This legislation stipulates that no more than \$18.9 million annually will be deemed reimbursable (ratepayers' responsibility).

While the Administration's FY08 budget proposal did not suggest, as in past years, privatization of the PMAs or raising PMAs' rates to market levels, it did include an OMB proposal to use revenues from surplus power sales above \$500 million to accelerate repayments of the BPA debt to the U.S. Treasury rather than using it to keep rates as low as possible. These higher rates would cause severe economic damage for BPA customers.

OMB, once again, proposed a so-called "Agency Rate" for three PMAs (SEPA, SWPA and WAPA) to raise their interest rates to the level that government corporations pay to borrow funds from the federal government. The OMB argues that this is needed to cover a "perceived risk" to the U.S. Treasury for non-payment. This action is punitive and unnecessary. These three PMAs are not government corporations and do not borrow funds from the U.S. Treasury. They also have an enviable record of repayment. The OMB proposal would open the door for budget gimmicks each year to raise rates for the PMAs through administrative fiat, bypassing Congress' traditional oversight authority of the PMAs. Congress quashed both of these proposals during the FY08 appropriations process.

Status. Congress blocked OMB's "Secondary Revenue" and "Agency Rate" proposals for the PMAs, preventing OMB from usurping Congress' traditional oversight authority on the PMAs. H.R. 1662 is awaiting further action in the Senate after passing in the House without controversy.

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

NRECA urges Congress to maintain its opposition to any future OMB's 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.

for more information
Paul Griffin, NRECA
703.907.5809
paul.griffin@nreca.coop
<http://www.nreca.coop>

