In Opposition to Proposals to Divest the Power Marketing Administrations' Transmission Assets

The Power Marketing Administrations (PMAs) provide electricity to millions of Americans receiving electric service from not-for-profit public power, rural cooperative, and tribal utilities. Charging only cost-based rates, these utilities deliver electricity produced at dams managed by the U.S. Army Corps of Engineers, Bureau of Reclamation, and International Boundary and Water Commission. The PMAs are required by law to set rates to cover a variety of costs, including generation and transmission costs, while repaying the federal investment in the hydropower facilities, which are repaid with interest. Moreover, PMA hydropower revenues typically also repay dam construction and maintenance costs assigned to other purposes, such as navigation, flood control, recreation, fish and wildlife, and irrigation. These costs are borne by the not-for-profit utilities and their electric consumers, not the taxpayer.

President Trump’s Fiscal Year 2018 Budget Request proposes to divest the transmission assets of the Bonneville Power Administration (BPA), Western Area Power Administration (WAPA), and Southwestern Power Administration (SWPA). In proposing the sale of these assets, the Trump Administration asserts that “ownership of transmission is best carried out by the private sector where there are appropriate market and regulatory incentives.” It also asserts that increasing the “private sector’s role would encourage a more efficient allocation of economic resources and mitigate risk to taxpayers.”

The American Public Power Association (APPA) strongly disagrees with the rationale provide by the Administration in its fiscal year 2018 budget. PMA costs are paid by customers and not the federal government. PMAs have provided cost-based and reliable power to customers in many parts of the country. The proposal to sell the transmission assets of the PMAs would not result in a more efficient allocation of economic resources, nor would it mitigate risk to taxpayers; it would simply be a tax on PMA customers with no attendant increase in benefits. In fact, the “private sector’s role” is already paramount in that the PMA customers (private [non-federal] sector) already ensure federal project costs are repaid, with interest, and without subsidy to the federal government. History has demonstrated that initiatives to privatize the PMAs have failed because they are economically unjustified and threaten the ability of the PMAs to deliver reliable, cost-based power to millions of people and businesses.
NOW, THEREFORE, LET IT BE RESOLVED: That the American Public Power Association (APPA) is opposed to divesting the transmission assets of Bonneville Power Administration, Western Area Power Administration, and Southwestern Power Administration; and

BE IT FURTHER RESOLVED: That APPA supports the continued existence and federal ownership of the Power Marketing Administrations, and the sale of federally generated hydropower at cost-based rates.