

# U.S. Federal Power Program: The PMAs and TVA

- The American Public Power Association (APPA) strongly opposes proposals to divest the transmission assets of the Power Marketing Administrations (PMAs) and to change their cost-based rate structure to a market-based rate structure.
- APPA supports the continued existence and federal ownership of the PMAs and Tennessee Valley Authority (TVA) and the sale of federally generated hydropower at cost-based rates.
- APPA urges Congress and the Biden administration to ensure that the “beneficiary pays” principle is respected so that federal hydropower customers are not saddled with extra costs from which they derive no benefit.

## Background

The federal PMAs provide millions of Americans served by not-for-profit public power utilities and rural electric cooperatives with cost-based hydroelectric power produced at federal dams operated by the U.S. Army Corps of Engineers (Corps) and Bureau of Reclamation (Reclamation). TVA provides power for 153 public power utilities and rural electric cooperatives serving 10 million people in Tennessee and parts of six surrounding states. Established by Congress in 1933 to provide rural electrification, economic development, flood control, and navigation along the Tennessee River, services that continue to this day. The PMAs and TVA are funded exclusively by ratepayers—no costs are borne by taxpayers. Though often overlooked, they are examples of successful, long-term partnerships between the federal government and local not-for-profit entities that provide valuable energy and infrastructure services to communities and the entire nation.

There are four PMAs—Bonneville Power Administration (BPA), Western Area Power Administration (WAPA), Southwestern Power Administration (SWPA), and Southeastern Power Administration (SEPA). These entities market (sell) wholesale electric power to approximately 1,200 public power utilities and rural electric cooperatives (“preference customers”) in 33 states.<sup>1</sup> Each PMA and the customers they serve are unique in statute, but alike in mission. The concept of “preference”—giving not-for-profit utilities first dibs to buy power produced at federal dams—has been in law for over 80 years. The reasoning behind this concept is that rivers are public goods and as such, the power they generate should not be sold at a profit. Not-for-profit public power utilities and rural electric cooperatives buy the power generated at federal hydropower dams at a price that covers the entire cost of generating the power, plus investment costs, and operations and maintenance for both the PMAs and the Corps or Reclamation (rates are “cost-based”). The PMAs annually review their rates to ensure full cost recovery. None of the costs are borne by taxpayers. Power rates also help to cover the costs of other activities authorized by these multi-purpose projects, such as navigation, flood control, water supply, environmental programs, and recreation.

<sup>1</sup> The following states receive a portion of their power from the PMAs. BPA: Washington, Oregon, Idaho, and Montana (part). WAPA: Arizona, California, Colorado, Iowa, Kansas (part), Minnesota, Montana (part), North Dakota, Nebraska, New Mexico, Nevada, South Dakota, Texas (part), Utah, and Wyoming. SWPA: Arkansas, Kansas (part), Louisiana, Missouri, Oklahoma, and Texas (part). SEPA: Alabama, Florida, Georgia, Illinois, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee, and Virginia.

The annual appropriations process is also important to the PMAs. Although the customers pay all the PMA costs through their power rates, for WAPA, SEPA, and SWPA, those monies flow back to the U.S. Treasury and then must be appropriated by Congress. (BPA's governing statute, amended in the 1980s, allows for a revolving fund so ratepayer money goes directly to BPA rather than to the Treasury.) In addition, the PMAs must receive yearly funding levels from Congress for purchasing and wheeling (transmitting) power in a drought situation or when the water at the dams is used for purposes other than for electricity production (i.e., recreation and environmental mitigation). This money for purchase power and wheeling is then paid for by the PMA customers through their rates.

## Administrative and Congressional Action

Both Democratic and Republican presidents have proposed selling the PMAs and TVA in whole or in part. Driving these misguided policy proposals has been the belief that doing so would save the federal government money or that the PMAs and TVA are no longer needed. In reality, PMA and TVA costs are paid for by customers and not the federal government; none of the costs are borne by taxpayers. The sale of these assets to private entities would likely result in attempts by the new owners to charge substantially increased transmission rates to customers for the same service they have historically received. Another reoccurring misguided proposal is to change the current cost-based rate structure for the PMAs to a market-based rate structure. Given that PMA customers already pay for all the costs associated with generating and transmitting power produced at federal dams, changing the rate structure from cost-based to market-based would position the federal government to profit off retail customers already covering all 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.

Every proposal made over the years to sell the PMAs or TVA, or to move the PMAs from cost-based to market-based rates, has been met with resounding opposition in Congress. In his first two budget requests to Congress (fiscal years 2022 and 2023), President Biden wisely did not include such proposals. APPA applauds his decision to forgo proposing these destructive and politically unpopular ideas.

## APPA Contact

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The American Public Power Association is the voice of not-for-profit, community-owned utilities that power 2,000 towns and cities nationwide. We represent public power before the federal government and protect the interests of the more than 49 million people that public power utilities serve and the 96,000 people they employ.