The federal Power Marketing Administrations (PMAs) provide millions of Americans served by public power and rural cooperative utilities with cost-based hydroelectric power produced at federal dams operated by the U.S. Army Corps of Engineers and the Bureau of Reclamation. The PMAs market federally generated hydropower, with a statutory right of first refusal granted to not-for-profit entities, including public power systems and rural electric cooperatives (called "preference customers"), at rates set to cover all of the costs of generating and transmitting the electricity, as well as repayment, with interest, of the federal investment in these hydropower projects and corresponding transmission facilities. The PMAs annually review their rates to ensure full cost recovery. None of the costs are borne by taxpayers. Instead, they are passed through directly to PMA customers in their electric bills. Power rates, in most instances, also cover much of the reimbursable costs of other activities authorized by these multipurpose projects, which may include navigation, flood control, water supply, environmental programs, and recreation.

Over the last few decades, there have been several attempts by the Administration and Congress to make changes to the terms and conditions under which the PMAs provide service to their preference customers, but these have been rebuffed. There have also been proposals included in past presidential administrations’ budgets that would have had negative impacts on the PMAs’ rates with little or no concomitant benefits; these too were eventually removed. The American Public Power Association (APPA) has consistently and strongly opposed any proposals that would raise PMA customer electricity rates without concomitant direct benefits and services being provided to the customers paying such rates. APPA is concerned, however, that two programs targeted at enhancing transmission in the Western Area Power Administration (WAPA) and Southwestern Power Administration (SWPA) could pass along costs to WAPA and SWPA customers without allowing those customers to receive commensurate benefits and services.

In section 1222 of the Energy Policy Act of 2005 (EPAct05), 42 U.S.C. 16421, Congress gave the Secretary of Energy, acting through WAPA or SWPA, the authority to design, develop, construct, operate, own, or participate with other entities in designing, developing, constructing, operating, maintaining, or owning two types of projects: (1) electric power transmission facilities and related facilities needed to upgrade existing transmission facilities owned by WAPA or SWPA (42 U.S.C 16421(a)), or (2) new electric power transmission facilities and related facilities located within any State
in which WAPA or SWPA operates (42 U.S.C. 16421(b)). In carrying out either type of transmission project, the Secretary is authorized to accept and use funds contributed by another entity for the purpose of executing the project (42 U.S.C 16421 (c)). APPA is concerned that this framework, built to allow private, third-party transmission developers to participate in federal transmission projects, could force PMA customers to pay the costs of new transmission lines from which they may receive no service or other benefit.

Section 402 of the American Recovery and Reinvestment Act of 2009 amends the Hoover Power Plant Act of 1984 by adding a third title, authorized WAPA to borrow up to $3.25 billion from the U.S. Department of the Treasury to develop new or upgraded electric power transmission lines and related facilities. These build-outs or upgrades are required to have at least one terminus (geographical point) within WAPA’s service territory. This program is referred to as the Transmission Infrastructure Program, or TIP, and is intended to facilitate the delivery to market of power generated by renewable energy resources. APPA members have participated in at least one successful project under this program. However, APPA is concerned that costs for these projects could also be passed along to WAPA customers when these customers are not participants and thus receive no direct benefit or service from such TIP projects.

The recipients of WAPA and SWPA power have scant ability to avoid the cost requirements of these two programs. Traditionally, decisions about investments such as these were made collaboratively between preference customers and the PMA from which they receive power. In the case of EPAct05 section 1222 and WAPA’s TIP program, these decisions are made by the Department of Energy. If preference customers are not participants, they have no effective role in these decisions. Therefore, decisions to improve or build transmission lines could be made to serve high-level policy priorities within the Administration regarding non-hydro renewable energy, for example. Should the costs of third-party transmission projects in EPAct05 section 1222 and the transmission upgrades available in the TIP program be passed along to non-participant preference customers, they will result in corresponding inequitable increases in electricity rates for WAPA and SWPA customers.

NOW, THEREFORE, BE IT RESOLVED: That the American Public Power Association (APPA) opposes cost increases to Western Area Power Administration (WAPA) and Southwest Area Power Administration (SWPA) customers that do not receive the direct benefits and services of transmission enhancements and new transmission construction authorized by section 1222 of the Energy Policy Act of 2005 (42 U.S.C. 16421);
BE IT FURTHER RESOLVED: That APPA opposes cost increases to WAPA customers who do not receive the direct benefits and services of transmission enhancements under the Transmission Infrastructure Program authorized by section 402 of the American Recovery and Reinvestment Act of 2009; and

BE IT FURTHER RESOLVED: That APPA urges SWPA and WAPA to adopt the policy of “cost causation,” that is, he who causes the cost pays for it.

As adopted June 9, 2015, by the membership of the American Public Power Association at its annual meeting in Minneapolis, Minnesota.