

In Support of the Right of Preference Customers to Be Protected from the Costs of Transmission Projects in the Western Area Power Administration and the Southwestern Area Power Administration

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

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

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26 In section 1222 of the Energy Policy Act of 2005 (EPAAct05), 42 U.S.C. 16421, Congress gave the
27 Secretary of Energy, acting through WAPA or SWPA, the authority to design, develop, construct,
28 operate, own, or participate with other entities in designing, developing, constructing, operating,
29 maintaining, or owning two types of projects: (1) electric power transmission facilities and related
30 facilities needed to upgrade existing transmission facilities owned by WAPA or SWPA (42 U.S.C
31 16421(a)), or (2) new electric power transmission facilities and related facilities located within any State

32 in which WAPA or SWPA operates (42 U.S.C. 16421(b)). In carrying out either type of transmission
33 project, the Secretary is authorized to accept and use funds contributed by another entity for the purpose
34 of executing the project (42 U.S.C 16421 (c)). APPA is concerned that this framework, built to allow
35 private, third-party transmission developers to participate in federal transmission projects, could force
36 PMA customers to pay the costs of new transmission lines from which they may receive no service or
37 other benefit.

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

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50 The recipients of WAPA and SWPA power have scant ability to avoid the cost requirements of these two
51 programs. Traditionally, decisions about investments such as these were made collaboratively between
52 preference customers and the PMA from which they receive power. In the case of EAct05 section 1222
53 and WAPA's TIP program, these decisions are made by the Department of Energy. If preference
54 customers are not participants, they have no effective role in these decisions. Therefore, decisions to
55 improve or build transmission lines could be made to serve high-level policy priorities within the
56 Administration regarding non-hydro renewable energy, for example. Should the costs of third-party
57 transmission projects in EAct05 section 1222 and the transmission upgrades available in the TIP
58 program be passed along to non-participant preference customers, they will result in corresponding
59 inequitable increases in electricity rates for WAPA and SWPA customers.

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61 **NOW, THEREFORE, BE IT RESOLVED:** That the American Public Power Association (APPA)
62 opposes cost increases to Western Area Power Administration (WAPA) and Southwest Area Power
63 Administration (SWPA) customers that do not receive the direct benefits and services of transmission
64 enhancements and new transmission construction authorized by section 1222 of the Energy Policy Act of
65 2005 (42 U.S.C. 16421);

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67 **BE IT FURTHER RESOLVED:** That APPA opposes cost increases to WAPA customers who do not
68 receive the direct benefits and services of transmission enhancements under the Transmission
69 Infrastructure Program authorized by section 402 of the American Recovery and Reinvestment Act of
70 2009; and

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72 **BE IT FURTHER RESOLVED:** That APPA urges SWPA and WAPA to adopt the policy of “cost
73 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.**