Power Marketing Administrations (PMAs) & the Federal Power Program

Background: The Power Marketing Administrations (PMAs) are federal agencies, housed within the U.S. Department of Energy (DOE), with the responsibility to market electric power, primarily from multiple-purpose water projects operated by the Bureau of Reclamation and the U.S. Army 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 rural electric cooperatives who were some of the first purchasers of federal hydropower. Today, more than 600 rural electric cooperatives in 34 states are PMA power customers. For this reason, NRECA is focused on ensuring that our nation's federal hydropower infrastructure and the PMAs remain a vital part of America's energy backbone.

The PMAs are unique entities spanning geographically diverse regions of the nation. They have differing authorizing statutes, many of which have been layered over time as new projects were constructed. Since each PMA region is unique, PMAs have been statutorily headquartered in the geographic areas in which they serve rather than Washington, D.C. This is why federal customers and the electric consumers they serve favor regional decision making as opposed to "top-down" management from Washington, D.C.

In addition to PMAs being regionally based, another key feature of the federal power program is that it pays its own way. Unlike most other federal programs, appropriations for the federal power program are repaid to the U.S. Treasury by federal power customers with interest. Historically, deficit reduction measures have sought to curtail appropriations for the federal power program, despite the fact that all of the costs are repaid. These curtailments threaten the reliability and efficiency of federal hydropower assets. The federal power customers, in partnership with the PMAs and generating agencies, have historically contributed supplemental funds to reduce the effect of funding shortfalls with the realization that continued federal appropriations must remain the primary support for sustaining the federal power program. Federal power customers are open to alternative funding mechanisms to complement appropriations, however customer financing tools must be tailored to meet unique regional needs and consistent with the "beneficiary pays" principle of assigning costs based directly on benefits received.

By working together, Congress, the Administration, and the federal power customers can address the needs of the federal hydropower resource and the PMAs, and maximize the benefit of the system for all.

Issue: Potential for administrative initiatives that conflict with PMAs' statutory mission
In the past, DOE has suggested and even proposed that the PMA structure should be revisited and overhauled in attempts to use the PMAs to implement energy policies that are outside of their statutory mission. Such past proposals included, among other things: increasing preference customer costs in order to promote the development of non-hydro, intermittent renewable energy resources; altering the PMAs' rate structures to incentivize programs for energy efficiency, demand response, and electric vehicle deployment; and encouraging PMA participation in the development of an energy imbalance market (EIM) – a FERC-regulated entity that would feature a bid-based market (as opposed to cost of service rates) that could be a precursor to a regional transmission organization (RTO) in the West.

Electric Cooperatives of Arkansas Position. Changes to existing policies contemplated by DOE that affect PMA governance and the federal power program as a whole should be made only after a full and open public process with opportunities for PMA customers to provide meaningful input. Furthermore, any new agency guidance must be consistent with three simple principles: affordability; fairness; and upholding the core statutory missions of the PMAs.

- **Affordability –** As not-for-profit entities, electric cooperatives provide the most affordable and reliable electricity possible to their consumer-members. Simply put, every time the input costs increase for a co-op, electric bills must also increase to make up the difference. If policy changes are made that increase the costs of PMA-marketed electricity, customer rates will also increase.

- **Fairness –** The federal transmission system the PMAs use to market power is paid for through rates charged to users and beneficiaries of the system. NRECA supports the construction of new transmission infrastructure – including poles, wires, computers, people, and other components – where it makes sense. However, these investments should be made to improve system performance and reliability, not to give one type of generator or customer an advantage. The cost of capital improvements should be borne by the beneficiaries. This long standing practice of assigning costs based on benefits received should be maintained (aka the "beneficiary pays" principle).

- **Upholding the PMAs' Core Statutory Mission –** While agency directives to compel the PMAs to become involved in a wide range of businesses including advancing electric vehicle deployment and energy efficiency may be valid policy goals, directing ratepayers and taxpayers to foot the bill for these pursuits is well outside of the PMAs' statutory mission. NRECA believes it is bad public policy, and sets a poor precedent to use the PMAs as technology policy laboratories, ignoring their primary mission of marketing federal hydropower.

For more information:
Kirkley Thomas
501-570-2263
Kirkley.Thomas@aeci.com
www.ecark.org

April 2017