

Subcommittee on Water, Power and Oceans

Doug Lamborn, Chairman

Hearing Memorandum

May 16, 2017

To: All Subcommittee on Water, Power and Oceans Members

From: Majority Committee Staff
Subcommittee on Water, Power and Oceans (x5-8331)

Hearing: **Legislative hearing on H.R. 2371 (Rep. Paul Gosar, R-AZ)**, To require the Administrator of the Western Area Power Administration to establish a pilot project to provide increased transparency for customers, and for other purposes.
May 18, 2017 at 10:00 a.m. in 1324 Longworth HOB

H.R. 2371 (Rep. Paul Gosar), “*Western Area Power Administration Transparency Act*”

Bill Summary:

H.R. 2371 (Rep. Paul Gosar, R-AZ) requires the Administrator of the Western Area Power Administration (Western) to establish a pilot project in order to increase transparency of Western’s costs, rates, staffing and other financial and operational dealings.

The hearing will also include consideration of one other bill.

Co-sponsors:

Reps. Andy Biggs (R-AZ), Trent Franks (R-AZ), Jared Huffman (D-CA), Doug LaMalfa (R-CA), Tom McClintock (R-CA), Martha McSally (R-AZ), Kristi Noem (R-SD), Tom O’Halloran (D-AZ), David Schweikert (R-AZ), and Kyrsten Sinema (D-AZ).

Invited Witnesses (in alphabetical order):

Mr. Mark Gabriel

Administrator

Western Area Power Administration

Lakewood, Colorado

Mr. Patrick Ledger

Chief Executive Officer

Arizona G&T Cooperatives

Benson, Arizona

Background:

Under numerous federal statutes, the U.S. Army Corps of Engineers (Corps) and the Bureau of Reclamation (Reclamation) generate hydropower at federal dams and reservoirs. Hydropower generated at these facilities, particularly in the western United States, is first used to provide electricity to operate irrigation pumps affiliated with Reclamation projects.¹ Any excess power is then primarily sold by the Power Marketing Administration's (PMAs) to preference customers, which, by federal statute, are non-profit rural electric cooperatives, public utility districts, Indian tribes, municipalities, and some irrigation districts.² The power is sold at rates designed to repay the federal capital investment in federal electricity generation and transmission facilities, annual operation and maintenance of such facilities and federal staffing. The rate structures are followed pursuant to 20 to 50 year contracts between the wholesale customers and the federal government. With a few exceptions over the years, the PMA budgets are designed to be financed 100% by ratepayers, as all initial appropriations are reimbursed.³

The PMAs: the Bonneville Power Administration, the Western Area Power Administration (Western), the Southwestern Power Administration and the Southeastern Power Administration market and deliver (via transmission lines) electricity generated at these federal facilities.⁴ Western, created in 1977, markets and delivers annually an average of 10,000 megawatts of hydro-electricity produced at Reclamation and Corps dams.⁵ Western serves about 700 wholesale customers in Arizona, California, Colorado, Iowa, Kansas, Minnesota, Montana, Nebraska, Nevada, New Mexico, North Dakota, South Dakota, Texas, Utah and Wyoming



Map: Western Area Power Administration's Service Territory and Regions. Source: Western

¹ *Id.* at 1

² Submitted Testimony of Mr. Victor S. Rezendes, Director, Energy, Resources, and Science Issues, Resources Community and Economic Development Division, U.S. General Accounting Office, before the House Subcommittee on Water and Power, note 5. Released June 24, 1999.

³ *Id.*

⁴ Bracmort, Kelsi. "Hydropower: Federal and Nonfederal Investment." 22 January 2013. R42579. Pg. 9

⁵ <https://www.wapa.gov/newsroom/FactSheets/Pages/at-a-glance.aspx>

through a 17,000-mile federal transmission system.⁶ These wholesale customers, in turn, supply 50 million retail customers.⁷ See the map above for Western’s service territory and regions.⁸

Western’s roughly \$1 billion budget is financed by annual customer funding and advance payments and appropriations, which are then reimbursed, with interest, through customer contractual repayment obligations. As is the case with all of the PMAs, Western must market power produced at federal hydroelectric facilities at the lowest possible rates consistent with sound business principles.⁹ Some customers have called for increased transparency over Western’s business practices given rate increase trends and discrepancies between budgeted and executed dollar amounts. For example, at an April 2016 Water, Power and Oceans Subcommittee hearing, Mr. Patrick Ledger, Chief Executive Officer at for Arizona Electric Power Cooperative testified: “My fundamental concern with Western in recent years has revolved around transparency and understanding the basis for rate increases that I must pass along to my members and eventually their customers.”¹⁰ Western has taken steps to be more transparent. For example, on March 17, 2016, Western created a website called “The Source,” which displays some of its financial operations and operational data.¹¹

In order to further promote transparency at Western, H.R. 2371 requires the Administrator of Western to establish a pilot project that will allow for a more detailed understanding of how Western uses taxpayer and ratepayer funds. Specifically, the bill requires Western to establish a publically available website that contains a detailed accounting of its rates, expenditures, staffing and other operational and financial dealings. This pilot project will increase transparency and afford Western’s customers with the necessary information to positively engage with Western about its operations and spending decisions.

Major Provisions of the Discussion Draft of H.R. 2371:

Section 2 requires the Administrator of Western to establish a publically available website that contains: rates charged to customers by power system; the amount of energy or capacity sold by power system; a detailed accounting of expenditures, capital costs, and staffing at headquarters and each region; and capital expenditures expended including the sources of capital for each investment. Additionally, this section requires the Administrator to make publically available, via the web, an annual summary of: the information, including updates to documents listed above; the total amount of unobligated balances broken down by function and authority; and the anticipated unobligated balance levels for the next year.

⁶ <http://ww2.wapa.gov/sites/western/newsroom/pubs/Documents/How%20Western%20Does%20Business.pdf>

⁷ *Id.* at 1

⁸ <https://www.wapa.gov/regions/Pages/Regions.aspx>

⁹ https://www.directives.doe.gov/delegations-documents/037.000a/@_@images/file

¹⁰ Submitted Testimony of Mr. Patrick Ledger, Chief Executive Officer, Arizona Electric Power Cooperative, before the House Subcommittee on Water, Power and Oceans, April 20, 2016, p. 3

¹¹ <https://www.wapa.gov/About/the-source/Pages/the-source.aspx>

Cost:

The Congressional Budget Office has not completed a cost estimate of the bill at this time.

Administration Position:

Unknown.

Effect on Current Law (Ramseyer):

Not Applicable.