



November 14, 2023

The Honorable Cliff Bentz  
Chairman  
Subcommittee on Water, Wildlife and Fisheries  
1324 Longworth House Office Building  
Washington, D.C. 20515

The Honorable Jared Huffman  
Ranking Member  
Subcommittee on Water, Wildlife and Fisheries  
1332 Longworth House Office Building  
Washington, D.C. 20515

Chairman Bentz and Ranking Member Huffman:

The American Public Power Association (APPA) and National Rural Electric Cooperative Association (NRECA) appreciate the opportunity to submit a statement for the record for the House Natural Resources Committee's Subcommittee on Water, Wildlife and Fisheries hearing on H.R. 4219, the Southwestern Power Administration Fund Establishment Act. APPA and NRECA support the testimony of Nicki Fuller, Executive Director of the Southwestern Power Resources Association. APPA and NRECA strongly support H.R. 4219, which would allow the Southwestern Power Administration (SWPA or Southwestern) to better plan for and respond to drought, avoid rate spikes, and support long-term capital investments in energy infrastructure. SWPA is one of four Power Marketing Administrations (PMAs) that market federally-generated hydropower to public power utilities and rural electric cooperatives at rates set to cover all the costs of generating and transmitting electricity. No costs are borne by taxpayers and this legislation would not change that.

The American Public Power Association is the voice of not-for-profit, community-owned utilities that power 2,000 towns and cities nationwide. APPA represents public power before the federal government to protect the interests of the more than 49 million people that public power utilities serve, and the 96,000 people they employ. NRECA is the national service organization representing the interests of electric cooperatives and the member-consumers they serve. More than 900 not-for-profit rural electric utilities provide electricity to over 42 million people in 48 states, or one in eight electric customers nationwide.

## **Background**

### *Hydropower Benefits*

Making full use of the nation's hydropower resource is key to ensuring that the nation's grid remains reliable and resilient, and that utilities can meet emission reduction goals. Hydropower is a source of emissions-free, base-load power. Furthermore, hydroelectric generators can be started or stopped quickly, which makes them more responsive than most other energy sources for meeting demand for electricity at its "peak" or highest volume. Hydropower's "black start" capability makes it especially valuable in restoring power when there are widespread outages or disruptions on the system—this capability allows the generating units to cycle back on quickly if they have been tripped off in a power outage.

### *Federal Hydropower*

The PMAs<sup>1</sup> provide millions of Americans served by not-for-profit public power and rural cooperative electric utilities with cost-based hydroelectric power produced at federal dams operated by the U.S. Army Corps of Engineers (Corps) and Bureau of Reclamation (Reclamation). Federal hydropower and the PMAs are critical, though often overlooked, elements of the nation's power supply.

The Corps and Reclamation are the largest and second largest (respectively) generators of hydropower in the country. The PMAs market federally generated hydropower, with a statutory right of first refusal granted to not-for-profit entities, including public power utilities and rural electric cooperatives (called "preference customers"), at rates set to cover all the costs of generating and transmitting the electricity, as well as repayment, with interest, of the federal investment in these hydropower projects.

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 multipurpose projects such as navigation, flood control, water supply, environmental programs, and recreation.

### **H.R. 4219, the Southwestern Power Administration Fund Establishment Act**

APPA and NRECA strongly support H.R. 4219, the Southwestern Power Administration Fund Establishment Act. The Southwestern Power Administration markets hydroelectric power produced at 24 Army Corps multipurpose dams to over 100 public power and rural electric cooperatives in Arkansas, Kansas, Louisiana, Missouri, Oklahoma, and Texas that provide power to over 10 million end-use customers.

While customers pay all PMA costs through their power rates, as mentioned above, for the Southwestern Power Administration, Western Area Power Administration, and the Southeastern Power Administration, those monies flow back to the U.S. Treasury and then must be appropriated by Congress.<sup>2</sup> 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" will then be paid for by the PMA customers through their rates.

Unfortunately, the current funding process for SWPA has increasingly failed to provide the financial certainty necessary to ensure steady power rates to customers during drought and other extreme weather events. When purchase power and wheeling funds (which, again, are always fully paid back by customers) are not appropriated in sufficient amounts or in a timely manner, SWPA is forced to use emergency funding mechanisms that require same year cost recovery, which cause rate spikes. These rate spikes cause unnecessary economic hardship for communities served by public power utilities and rural electric cooperatives.

H.R. 4219 would move SWPA to a "revolving fund" model where receipts from power sales would be deposited into a permanent mandatory Treasury revolving fund and retained across fiscal years to fund future expenses as necessary. Future annual discretionary appropriations would no longer be needed. This change will provide SWPA and its not-for-profit customers funding certainty for purchase power and wheeling and other costs. This is a proven model of success for federal utility programs with business-like functions.

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<sup>1</sup> The four PMAs are: the Bonneville Power Administration (BPA), Western Area Power Administration (WAPA), Southwestern Area Power Administration (SWPA) and Southeastern Power Administration (SEPA).

<sup>2</sup> The Bonneville Power Administration's governing statute was amended in the 1980s to establish a "revolving fund" model so that ratepayer money goes directly to Bonneville rather than to the Treasury.

It must be noted that while Congressional Budget Office rules will result in a “score” for the new SWPA Fund, there is no taxpayer burden – public power utilities and rural electric cooperative customers will continue to repay 100 percent of all costs associated with the generation and transmission of hydropower produced at Corps dams. Moreover, each PMA (and the region it serves) is different and while a revolving fund is necessary and appropriate for SWPA and its customers, it may not be for other PMAs.

**Conclusion**

Public power utilities and rural electric cooperatives in Arkansas, Kansas, Louisiana, Missouri, Oklahoma, and Texas are proud of their long and successful partnership with the SWPA and the Army Corps. H.R. 4219 will allow this partnership to continue for decades to come by giving SWPA and its customers the financial tools to avoid rate spikes while continuing to invest in infrastructure.