

Testimony of Nicki Fuller
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Before the House Natural Resources Committee
Subcommittee on Water, Wildlife and Fisheries

With Respect to H.R. 4219,
the Southwestern Power Administration Fund Establishment Act

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Chairman Bentz and Members of the Subcommittee, thank you for the opportunity to provide input on H.R. 4219, The Southwestern Power Administration Fund Establishment Act. My name is Nicki Fuller, and I serve as the Executive Director of the Southwestern Power Resources Association (SPRA).

SPRA is a voluntary, not-for-profit organization of rural electric cooperatives and public power systems in Arkansas, Kansas, Louisiana, Missouri, Oklahoma, and Texas, serving low-cost federal hydropower to nearly 10 million people. The utilities I represent are all not-for-profit utilities that are customers of the Southwestern Power Administration (SWPA or Southwestern), a Power Marketing Administration (PMA) which is part of the Department of Energy (DOE).

Southwestern markets hydroelectric power generated at 24 multi-purpose U.S. Army Corps of Engineers federal dams in the region. SPRA members then distribute this environmentally friendly, renewable, and reliable hydropower to end users within our six-state footprint.

SPRA is fortunate to have a federal partner in Southwestern. Our mutual success must be attributed to the intentional transparency and collaboration between our organizations. Hydropower, the original and most reliable renewable energy, has benefited our region for 80 years. Through these continued efforts we all look forward to providing this vital resource for many years to come

SPRA is also fortunate to help facilitate the delivery of hydropower to our six-state foot print. While not touted as loudly as many renewable energy resources, hydropower has long served this Country and its attributes are even more valuable today. Unlike most power resources, hydropower can energize the grid quickly after an outage because of its black start capabilities. With its quick ramping speed, it can address wildly fluctuating peak demands, and maintain proper voltage levels and frequencies across the grid. This capability is not dependent upon the sun shining or the wind blowing. Additionally, federal hydropower is often the resource for SPRA's members. In short, federal hydropower marketed by Southwestern is a carbon-free energy source that is essential for grid operation support with dispatchable generation. Hydropower's flexibility is crucial for developing and integrating future energy sources, particularly within our six-state footprint. Ensuring hydropower's unique attributes as part of a diverse energy portfolio is essential to ensuring our nation's grid reliability and affordability.

It is of critical importance to note that the federal hydropower program, unlike many federal programs, pays its way, with absolutely no expenses borne by the taxpayer. Every dollar spent on the federal hydropower program is repaid through rates charged to customers. This includes the

construction, operation, maintenance, and transmission costs of generating and marketing the hydroelectric energy and capacity incurred by the Corps and the PMA, plus interest. In past years, Southwestern has received a diminishing amount of appropriations from Congress. The direct appropriations plus all other expenses for Southwestern and the Corps costs for hydropower, and a percentage of joint use expenses are included in the rates that customers pay.

Unlike the giant reservoirs that are familiar sights along the northern Missouri River and across the Pacific Northwest, the Southwestern system depends on the flow of water. Most Corps-owned dams in SPRA's region do not have the storage capabilities to sustain a long-term drought. Despite varying water conditions, Southwestern has a contractual obligation to SPRA's members to deliver the power it guarantees. For this reason, when the area is in a drought Southwestern must purchase the power necessary to fulfill these contractual obligations. As mentioned above, because Southwestern's customers pay all of its costs, these costs are passed on to them through the power rates. Additional replacement energy may need to be purchased and is dependent heavily on hydrology, changing weather patterns, planned outages due to infrastructure investment, and unplanned outages.

To prevent an unexpected rate spike, SPRA wanted to make sure there was a way to prevent this instability, so these costs aren't so onerous when the purchases are needed. To achieve this, Southwestern would need a particular type of account at the US Treasury- one with the authority to hold funds across fiscal years and the ability access them when needed. This type of fund is the need that H.R. 4219 seeks to address: establishing a fund to ensure that money exists for needed purchases. H.R. 4219 best serves the needs of Southwestern because the budget cycle of Congress isn't attuned to prudent utility practices. The ratepayers themselves would fund the power program directly through retained receipts. This would allow Southwestern to hold reserves and plan for water disruptions or extreme weather events. If this legislation is enacted, Southwestern could retain its receipts to be used for unexpected purchase power needs, and other expenses within its statutory mission. By providing this funding mechanism Southwestern has needed funds, customers avoid sudden surcharges, and as always taxpayers pay nothing.

Financial flexibility tools are essential to Southwestern's continued success. As energy and capacity markets become more evolved, Southwestern must have the ability to act "consistent with sound business principles" as it is statutorily obligated. This financial flexibility not only makes good sense, but it is also highly desired by Southwestern's customers – who carry the actual complete burden of expenses.

Hydropower resources are worth protecting, but waiting for the unpredictable budget cycles often causes complications. I want to inform the Subcommittee about our region's long, successful infrastructure investment program that has helped ensure the reliability of federal hydropower and our nation's grid. Beginning in the 1990s, federal power customers began noticing increased unscheduled outages at Corps and Bureau of Reclamation hydropower plants. These outages were increasing costs to the PMA customers because significant outages often make it necessary for PMAs to purchase expensive replacement energy to meet their contractual obligations to their customers. Further, because of federal budget cycles, waiting for appropriated funding for a crippled plant that requires significant equipment repair and/or

replacement before returning to service might extend the outage – and the cost – over multiple years, all while the customers pay the bill.

Even though there was an increase in outages due to maintenance issues, SPRA saw significantly decreased appropriations for maintenance of this infrastructure. Reduced appropriations to the federal power program do not represent savings to the U.S. Treasury. We pay the costs, whether we provide the funding directly to the Corps or indirectly through appropriations that are subsequently returned to the Treasury. By paying up front, before the equipment failed, we could save millions of dollars for our utility customers and sustain this critical federal infrastructure.

With this in mind, SPRA in partnership with the Corps and Southwestern developed a formal process where the customers meet with the Corps and Southwestern to determine the funding needs for the following fiscal year. This cooperative process enables the customers, who pay the expenses, to have input on how their money is spent and it allows the Corps to have a predictable revenue stream to sustain this federal infrastructure. We have already committed to the Corps identified projects for hydropower infrastructure for over \$1 billion and will continue to work to make sure this federal hydropower system is sustainable.

Unlike other federal programs, this program and existing partnership cost the taxpayer nothing yet benefits millions of citizens while investing in federal infrastructure assets. Additional financial flexibility for Southwestern, specifically through H.R. 4219, would help ensure the continued success of this program and partnership. We are proud of the work in our area with Southwestern and the Corps to be good stewards of the federal infrastructure and ensure its viability. These dams benefit so many purposes in my region, including navigation, flood control, water supply, environmental programs, and recreation. Without the federal hydropower customers paying the bills, the taxpayer would bear the cost of more of these joint activities.

In addition to being the top legislative priority of SPRA, H.R. 4219 has been endorsed by all of the region's co-op and public power statewide associations. Several national organizations, including the National Rural Electric Cooperative Association and the American Public Power Association, support H.R. 4219. Kansas Senators Moran and Marshall have also introduced companion legislation in the Senate, S. 1342.

I am grateful to the Committee and the sponsor of this critical legislation. This legislation has been a top legislative priority for nearly a decade, and this is the most substantive progress we've received in the U.S. House of Representatives. A revolving funding will ensure Southwestern will provide improved support for continued infrastructure investments and necessary power replacement funding levels during these uncertain times. Thank you for your tireless efforts to protect the PMAs and ensure this cost-based public power continues serving the needs of millions of homes in the Midwest. We endeavor to take the feedback from the Committee we receive today as we continue to work toward enactment.