

Congress of the United States

House of Representatives

Washington, DC 20515-0301

May 8, 2019

The Honorable John Yarmuth
Chairman
U.S. House of Representatives
Committee on the Budget
204-E Cannon HOB
U.S. House of Representatives
Washington, DC 20515

The Honorable Steve Womack
Ranking Member
U.S. House of Representatives
Committee on the Budget
507 Cannon HOB
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Yarmuth and Ranking Member Womack,

We write to oppose provisions in the fiscal year (FY) 2020 budget request that aim to sell transmission assets of Power Marketing Administrations (PMAs) within the Department of Energy (DOE) and the Tennessee Valley Authority (TVA). The sale of these assets would result in the federal government abandoning a successful and efficient solution for providing affordable power to rural, urban and tribal communities, thereby creating more problems associated with energy production and delivery as well as retail customer rate changes than this one-time federal debt reduction move would solve. Further, we stand opposed to the companion proposal which would change the current cost-based rate structure for all four of the PMAs to a market-based rate structure.

The four federal PMAs help provide affordable electricity service for millions of people throughout the country. There is no cost to taxpayers as these hydropower projects repay to the U.S. Treasury, with interest, all generation and transmission costs of the federal projects. TVA provides affordable power to more than nine million Americans in seven different states, also at no cost to taxpayers.

We are troubled that the budget request seeks to sell the transmission assets of the TVA and three of these PMA's: Bonneville Power Administration (BPA), Southwestern Power Administration (SWPA), and Western Area Power Administration (WAPA).

The American Public Power Association (APPA), the National Rural Electric Cooperative Association (NRECA) and the Grand Canyon State Electric Cooperative Association – amongst other individuals and groups knowledgeable in the area of public power – have come out against the plan to privatize these PMAs and TVA on account of the damaging consequences such action would have for power consumers and producers alike. A joint statement by APPA and NRECA notes, "...there is no factual evidence that selling the transmission assets of the PMAs would result in a more efficient allocation of resources. Rather, it is much more likely that any sale of these assets to private entities would result in attempts by the new owners to charge substantially increased transmission rates to the PMA customers for the same service they have historically received. These arguments are merely a pretext for actions that would raise electricity costs for millions of people and businesses."

While we recognize the fundamental importance that the private sector plays in our economy, including in many energy markets, private ownership of these transmission assets would fail to satisfy the reason that cost-

based delivery is desirable in the first place. Costs would inevitably rise in order to fulfill the profit-motive of private owners as the federal government once again attempts to “fix” something that is not broken.

The proposal to sell off PMA assets appears to be based on two misguided notions – the first being the expectation of reduced costs with the private transmission and delivery of energy, and the second relating to which kinds of programs and assets serve as the proper targets for deficit reduction. We fully support efforts to improve infrastructure across the nation. However, we do not believe that the agenda should come at the expense of existing infrastructure – infrastructure that successfully fills a public niche where market-based pricing would not be sustainable. Privatized versions of the PMAs and the TVA would not provide power at-cost, resulting in higher prices for preference customers, which include rural communities and tribes, while eliminating dependable annual sources of government revenue.

This goes to the question of an additional proposal to switch the four PMAs from at-cost to market-based pricing. Again, because many of the areas in question are predominantly rural, the municipal utility pricing setup in which costs are recouped by the utility without attempting to generate surplus profit makes far more sense than a market-based alternative. The at-cost public utility structure is compelling in cases where a utility is clearly necessary, but the introduction of higher costs associated with a fiduciary duty to profit could lead to widespread decreases in service, or loss of access to an economic and stable power supply. Those effects, in turn, would lead to a net decrease in total users and revenue generated – which the introduction of “market incentives” would simply fail to supplement. After all, the PMAs—once privatized—would not face real competitors in the majority of regions they serve. Therefore the real advantage of privatization in the form of competitive pressures is largely null in this case. Because of the foregoing issues, our interest in enduring, reasonably-priced power services in the areas in question causes us to also request that the proposal for market-based pricing be rethought in future budget requests, negotiations with Congress, and any other relevant application.

A joint statement by APPA and NRECA states, “There again is no factual evidence to support the Administration’s claim that “[e]liminating the requirement that PMA rates be limited to a cost-based structure and requiring instead that these rates be based on consideration of appropriate market incentives, including whether they are just and reasonable, would encourage a more efficient allocation of economic resources and could result in faster recoupment of taxpayer investments.”

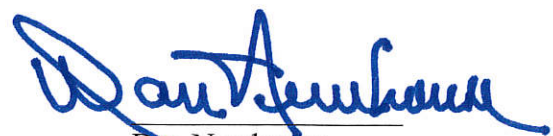
We would like to use this opportunity to reiterate that federal power marketed by the PMAs benefits the U.S. Treasury as appropriations are repaid with interest and rates are set to fully recover taxpayer investments. None of these costs are shouldered by taxpayers. The entire BPA transmission system has generated approximately \$30 billion in payments to the treasury. WAPA brought in more than \$1.4 billion from fiscal year 2012 to fiscal year 2016. Further, PMA rate increases are paid for by preference customers, not individual taxpayers. If these portions of the proposal were enacted, Congress would be doing a major disservice to millions of rural residents – nearly one-third of whom already live at-or-below the federal poverty line – and municipal utility ratepayers by disrupting infrastructure cohesion within sensitive energy markets and causing prices in those regions to rise dramatically.

These misguided budget proposals would undermine infrastructure goals and sideline investment that could otherwise be used on new projects. We urge the Budget Committee to reject these shortsighted requests.



Paul A. Gosar, D.D.S.
Member of Congress

Sincerely,



Dan Newhouse
Member of Congress



Chuck Fleischmann
Member of Congress



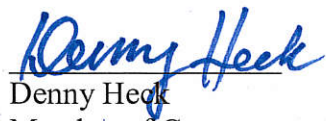
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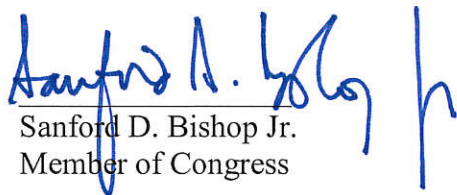
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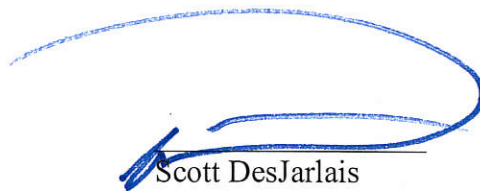
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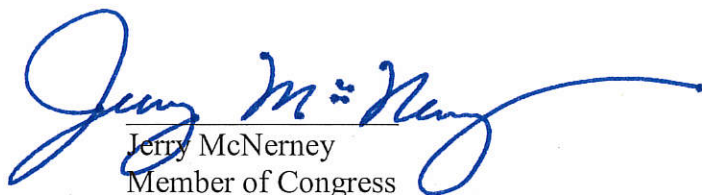
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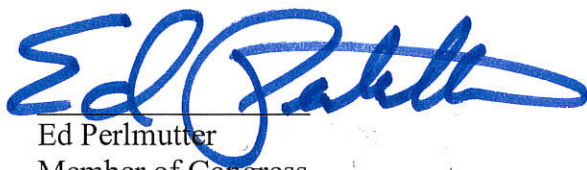
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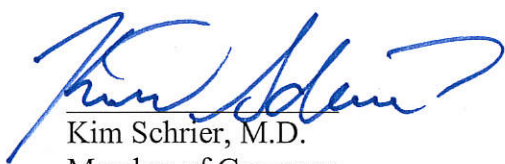
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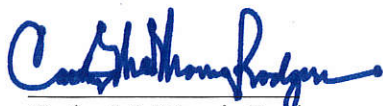
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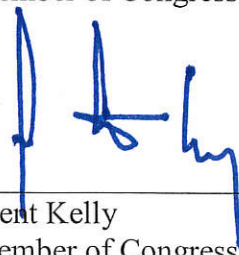
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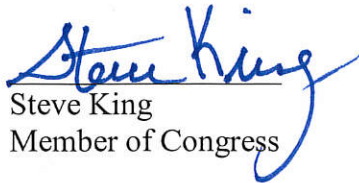
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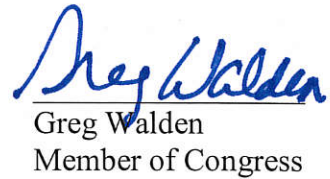


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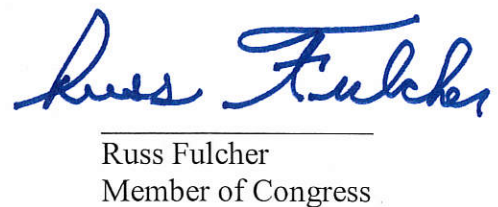

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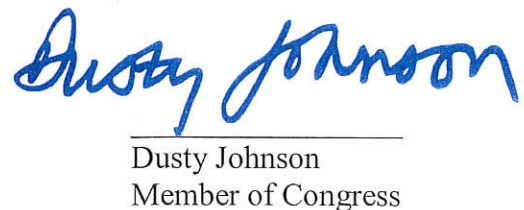

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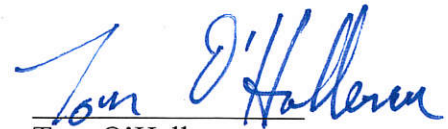

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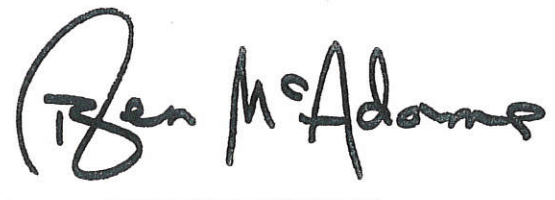

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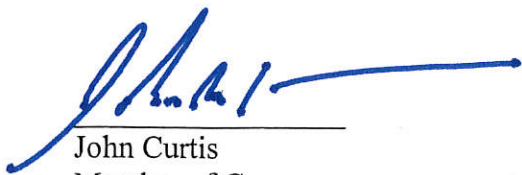

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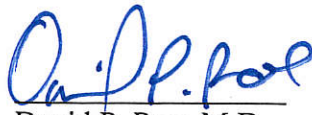

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Cc:

The Honorable Rick Perry
Secretary, U.S. Department of Energy

The Honorable Mick Mulvaney
Secretary, Office of Management and Budget

The Honorable Lisa Murkowski
Chairman, U.S. Senate Committee on Energy & Natural Resources

The Honorable Joe Manchin
Ranking Member, U.S. Senate Committee on Energy & Natural Resources

The Honorable Martha McSally
Chairman, Subcommittee on Water & Power, U.S. Senate Committee on Energy & Natural Resources

The Honorable Catherine Cortez Masto
Ranking Member, Subcommittee on Water & Power, U.S. Senate Committee on Energy & Natural Resources

The Honorable Raul Grijalva
Chairman, U.S. House of Representatives Committee on Natural Resources

The Honorable Rob Bishop
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The Honorable Alan Lowenthal

Chairman, Subcommittee on Energy and Mineral Resources, U.S. House of Representatives Committee on Natural Resources

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Chairman, U.S. Senate Committee on Appropriations

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