

Sponsors: Mid-West Electric Consumers Association; Southwestern Power Resources Association; Public Power Council; Oregon Municipal Electric Utilities Association; Northwest Public Power Association; Irrigation & Electrical Districts Association of Arizona; Minnesota Municipal Utilities Association

In Support of the Beneficiary Pays Principle for the Power Marketing Administrations

1 The federal Power Marketing Administrations (PMAs) provide millions of Americans served by not-for-
2 profit public power utilities and rural electric cooperatives with cost-based hydroelectric power produced
3 at federal dams operated by the Army Corps of Engineers (Corps) and Bureau of Reclamation (generating
4 agencies). The PMAs market federally generated hydropower, with a statutory right of first refusal
5 granted to not-for-profit entities, including public power utilities and rural electric cooperatives (called
6 preference customers). Rates are set to cover all the costs of generating and transmitting the electricity, as
7 well as repayment, with interest, of the federal investment in these hydropower projects. In covering all
8 the direct costs associated with hydropower generation and transmission, preference customers adhere to
9 the “beneficiary pays principle.”

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11 Many federal dams have multiple authorized purposes including hydropower, flood control, navigation,
12 fish and wildlife, irrigation, and hydropower. In fact, many of the dam projects were built for flood
13 control, navigation, Western water supply, and irrigation purposes, with hydropower generation added on
14 to improve the cost-benefit calculations of a project, in addition to providing cost-based electricity to
15 millions of Americans, many in rural areas.

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17 Multi-purpose projects with hydropower generation recover 100 percent of hydropower costs (with
18 interest) through PMA power rates paid by the customers of public power utilities and rural electric
19 cooperatives. Multi-purpose dams with hydropower have a unique accounting option to charge work
20 items to joint activities (costs). Joint costs are those that cannot be attributed to a specific authorized
21 benefit or purpose. Joint costs are allocated differently depending on the authorizing language for the
22 specific project and the final cost allocation study completed at the end of the project’s construction. Joint
23 operations and maintenance (O&M) costs are applied to authorized project purposes based on the cost
24 share allocation established by Congress when the project was authorized.

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26 In many cases, hydropower is assigned well over 50 percent of joint costs and those costs are recovered in
27 the PMA rates charged to federal power customers. Increasingly, the generating agencies are attempting to
28 assign increased costs associated with non-hydropower authorized purposes to federal hydropower
29 customers. These practices are raising rates at a time when many are already shouldering the burden of
30 increased energy prices. Moreover, in some cases, federal hydropower rates have been pushed “above

31 market,” forcing public power utilities and rural electric cooperatives to terminate contracts for federal
32 hydropower, ending a multi-decade mutually beneficial relationship that provided clean hydropower at
33 affordable rates to millions of Americans.

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35 **NOW, THEREFORE, LET IT BE RESOLVED:** That the American Public Power Association (APPA)
36 supports the “beneficiary pays” principle; and

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38 **BE IT FURTHER RESOLVED:** That federal hydropower customers should not be assigned costs for
39 which they receive no benefits; and

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41 **BE IT FURTHER RESOLVED:** APPA supports efforts to improve the transparency in accounting for
42 costs to ensure that hydropower customers are not asked to bear costs unrelated to hydropower
43 production; and

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45 **BE IT FURTHER RESOLVED:** APPA believes that the Power Marketing Administrations have the
46 ultimate authority to set rates for power.