Resolution 23-02
Sponsors: Municipal Electric Systems of Oklahoma; Braintree Electric Light Department; Oklahoma Municipal Power Authority; WPPI Energy; Illinois Municipal Electric Agency

On Promoting Transmission Joint Ownership Opportunities for Public Power Utilities

Federal policymakers are devoting significant efforts to promoting the deployment of new transmission infrastructure to support system reliability and accommodate an evolving resource mix, particularly the anticipated growth in renewable resources. The American Public Power Association (APPA) supports legislative and regulatory policies that promote prudent and cost-effective investment in the nation's transmission infrastructure for the benefit of consumers.

The opportunity for public power utilities and other non-public utility entities (such as electric cooperatives) to have ownership interests in new transmission facilities can serve as a valuable tool in promoting new cost-effective transmission development while providing many other benefits.

There are many examples inside and outside of regional transmission organization and independent system operator (together, "RTOs") regions of joint transmission expansion efforts and groups established to jointly own transmission facilities on behalf of not-for-profit load serving entities. Public power utilities have participated in these types of jointly owned transmission arrangements for many years. While some public power utilities have access to joint ownership opportunities, this is not the case everywhere. The joint ownership model can address many of the typical obstacles that public power utilities may face when trying to own transmission individually, particularly larger, regionally planned projects.

Participation of public power utilities in joint ownership arrangements can provide numerous benefits. Responsibility for building and owning the transmission grid is spread more broadly among entities serving loads in a region, which can promote more collaborative and effective regional transmission planning, which leads to a more cost-effective and resilient grid. Coordination through joint ownership can help avoid disputes, both during transmission planning, as well as in cost allocation.

Public power participation in joint ownership arrangements provides economic benefits to public power utilities and their customers. Joint ownership of transmission facilities provides public power utilities with revenues that help offset the impacts of escalating transmission rates. And by offsetting transmission costs, joint ownership can make it easier for public power communities to support needed transmission facilities while also making regional cost allocation issues easier to resolve. In many cases, participation of not-for-profit public power utilities in transmission projects provides financial benefits to the broader region relative to transmission ownership by incumbent public utility transmission providers alone.

The ownership diversity gained by including public power in joint ownership arrangements can also help with the acquisition of rights-of-way and permits by having a broader and more diverse set of utilities advocating for projects at the state level. Public power participation can bolster state and local support for projects.

Engaging more rural communities can be an additional public policy benefit of joint ownership arrangements that include public power. The rate-reducing effects of bringing public power transmission investment into rural areas can also make the regions more competitive in expanding and/or attracting new industries.

Finally, public power joint ownership of transmission facilities is a structural solution that can mitigate the transmission market power of incumbent public utilities where this is a pressing policy concern.

The Federal Energy Regulatory Commission (FERC) has consistently recognized the benefits of the participation of non-public utilities in jointly owned transmission projects. FERC has numerous tools it can use under the Federal Power Act (FPA) to encourage joint ownership opportunities for non-public utilities, including, but not limited to, FERC's authority to: (i) establish the requirements for transmission planning by public utilities, including RTOs; (ii) tailor any consideration of transmission incentives to recognize and promote the many benefits of non-public utility joint ownership; (iii) impose conditions on public utility mergers; and (iv) ensure that all sellers authorized to charge market-based rates have mitigated their generation and transmission market power.

APPA has consistently opposed incentive rates of return on construction of transmission facilities, which are regulated monopolies, because such incentives increase the cost of transmission service to consumers and often do not provide a real incentive to build needed transmission. However, FERC has the authority to provide incentives and if it exercises that authority, it should do so in a manner that results in needed transmission facilities being built at reasonable cost, and that promotes joint investment in and ownership of transmission by public power and cooperative utilities.

NOW, THEREFORE, BE IT RESOLVED: That the American Public Power Association (APPA) believes that the opportunity for not-for-profit load-serving utilities, including public power utilities, to have ownership interests in new transmission facilities can serve as a valuable tool in promoting new cost-effective transmission development while providing many other benefits; and

BE IT FURTHER RESOLVED: That APPA urges Congress to encourage and support joint ownership of transmission by not-for-profit load-serving utilities, including public power utilities; and

BE IT FURTHER RESOLVED: That APPA urges the Federal Energy Regulatory Commission (FERC) to use its authority under the Federal Power Act to encourage joint ownership opportunities for public power utilities and other not-for-profit load-serving utilities, including, but not limited to, FERC's authority to: (i) establish the requirements for transmission planning by public utilities, including regional transmission organizations and independent system operators; (ii) tailor any consideration of transmission incentives to recognize and promote the many benefits of non-public utility joint ownership; (iii) impose conditions on public utility mergers; and (iv) ensure that all sellers authorized to charge market-based rates have mitigated their generation and transmission market power.

Adopted at the Legislative & Resolutions Committee Meeting
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