



February 26, 2018

The Honorable Rick Perry
Secretary
U.S. Department of Energy
1000 Independence Avenue, SW
Washington, D.C. 20585

Dear Secretary Perry:

On behalf of the American Public Power Association (APPA) and the National Rural Electric Cooperative Association (NRECA), we are writing to express our strong opposition to the proposal in President Trump's Fiscal Year (FY) 2019 budget request to sell the transmission assets of three federal Power Marketing Administrations (PMAs) and the Tennessee Valley Authority (TVA). We are equally opposed to the President's companion proposal to change the current cost-based rate structure for all four of the PMAs.

APPA is the national service organization for the not-for-profit, community-owned utilities that power 2,000 towns and cities nationwide. Public power utilities account for over 15 percent of all kilowatt-hour sales to over 49 million customers in every state but Hawaii. NRECA is the national service organization representing the national interests of cooperative electric utilities and the consumers they serve. More than 900 not-for-profit rural electric utilities provide electric energy to over 42 million people in 47 states, or 12 percent of electric customers nationwide.

The PMAs provide millions of Americans served by not-for-profit public power and rural electric cooperative utilities with cost-based hydroelectric power produced at federal dams. PMA rates are set to cover all generation and transmission costs, as well as repayment, with interest, of the federal investment in these hydropower projects. None of the costs are borne by taxpayers. Similarly, TVA provides affordable electric power to more than nine million people in seven states at no cost to taxpayers. For many decades, these partnerships have been a win-win for the federal government and for public power and rural electric cooperative utilities, their retail customers, and their communities.

Given the long and productive history between the PMAs and TVA and their customers, we were very disappointed to see the Administration's FY 2019 budget request proposal to divest the transmission assets of the Bonneville Power Administration (BPA), Southwestern Power Administration (SWPA), Western Area Power Administration (WAPA), and Tennessee Valley Authority (TVA). We strongly disagree with the rationale provided in the proposal that "ownership of transmission is best carried out by the private sector where there are appropriate market and regulatory incentives" and that increasing "the private sector's role would encourage a more efficient allocation of economic resources and mitigate risk to taxpayers." As stated previously, PMA and TVA costs are paid by customers and not the federal government; none of the costs are borne by taxpayers. Furthermore, 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.

The Administration's companion proposal to change the current cost-based rate structure for all four of the PMAs to a "market-based" rate structure is similarly disappointing. 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." PMA customers already pay all of the costs associated with generating and transmitting power produced at federal dams, positioning the federal government to profit off of retail customers already covering all of the costs for their power supplies. Such a move would undermine regional economic development and almost certainly invite legal challenges from wholesale customers holding long-term contracts with the PMAs.

History has demonstrated repeatedly that initiatives to privatize all or part of the PMAs and TVA do not garner strong support in Congress, because they are both economically unjustified and politically unpopular. We therefore respectfully urge you to reconsider this proposal.

Sincerely,



Sue Kelly
President & CEO
American Public Power Association



Jim Matheson
CEO
National Rural Electric Cooperative Association

Cc:

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

The Honorable Maria Cantwell
Ranking Member, U.S. Senate Committee on Energy & Natural Resources

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

The Honorable Angus King
Ranking Member, Subcommittee on Water & Power, U.S. Senate Committee on Energy & Natural Resources

The Honorable Rob Bishop
Chairman, U.S. House of Representatives Committee on Natural Resources

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

The Honorable Doug Lamborn
Chairman, Subcommittee on Water, Power and Oceans, U.S. House of Representatives Committee on Natural Resources

The Honorable Jared Huffman
Ranking Member, Subcommittee on Water, Power and Oceans, U.S. House of Representatives Committee on Natural Resources

The Honorable Thad Cochran
Chairman, U.S. Senate Committee on Appropriations

The Honorable Patrick Leahy
Vice Chairman, U.S. Senate Committee on Appropriations

The Honorable Rodney Frelinghuysen
Chairman, U.S. House of Representatives Committee on Appropriations

The Honorable Nita Lowey
Ranking Member, U.S. House of Representatives Committee on Appropriations