

Protecting Consumer-Owned Utility Rates by Restoring WAPA's Purchase Power & Wheeling Authority

Western Area Power Administration's (WAPA) consumer-owned utility customers rely upon budget authority through the Appropriations Bill for purchase power and wheeling (PP&W) services to fulfill WAPA's contractual obligations.

While Congress provides the budget authority for the PP&W expenditures, the actual costs are paid for by the consumer-owned utility customers. Because the PP&W budget authority is based on forecasts of market prices and snowpack several years in advance, it will never exactly match the actual PP&W expenditures.

Historically, when the Upper Great Plains experienced prolonged drought and WAPA's PP&W expenditures exceeded the Congressional budget authority for that year, WAPA would use cash intended for other programs. This caused considerable disruption and increased consumer costs. Working with its customers, WAPA devised a strategy to carry-forward unused budget authorizations that, when matched with cash collections, became an unobligated reserve balance, recovered in rates.

Starting in 2018, the Congressional Budget Office (CBO) decided that any PP&W budget authority above some historical average of actual PP&W expenditures should score against the federal budget, reversing a long standing agreement between Congressional Budget Committee Leadership that PP&W budget authority would not score. This

decision significantly impacted WAPA's PP&W reserve balance and ***will make a drought more expensive for consumer-owned utility customers.***

The CBO's rationale for making this change appears to be a mistaken belief that drought conditions can be forecasted on the experiences of average or good water years. While the budget scorekeepers agreed on a one year fix for FY2023, we need a permanent fix to this scoring issue.

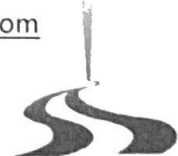
REQUEST: Congress, through their budget scorekeepers or bill language, should direct the Congressional Budget Office (CBO) that any level of PP&W budget authority provided to WAPA will not score.

Share your support with Mike Jones (mike_jones@budget.senate.gov or 202-224-0642) on the Senate Budget Committee Staff.

Congress should also fully fund WAPA's PP&W authorization requests to ensure that customers are not harmed during a drought. This costs taxpayers nothing.

Without these fixes, consumers in the nine Upper Great Plains states (Colorado, Iowa, Kansas, Minnesota, Montana, Nebraska, North Dakota, South Dakota and Wyoming) will face unnecessarily higher costs during the current drought cycle.

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Dam Safety Cost Allocation

Federal hydropower marketed by the Western Area Power Administration (WAPA) is a source of emissions-free, base-load power for hundreds of communities across the upper great plains served by consumer-owned utilities. The million plus consumers-owners we serve pay for 100% of the federal hydropower costs. In addition, preference power customers also fund capital investment of the hydropower portion, with interest, along with the annual share of the operation and maintenance costs of these multi-purpose facilities.

Preference power customers have accepted and agreed with the division of costs and repayment structure where we pay for those costs and investments (through power rates) allocated to our communities' benefit and are not required to pay for those costs which benefit the general public. These direct value costs and investments are defined as reimbursable costs and are repaid by project beneficiaries with interest.

Non-reimbursable costs are defined as flood control, navigation, recreation, fish and wildlife, and miscellaneous cost, which are repaid out of the Federal Treasury without direct reimbursement by a project beneficiary.

Congress established the national policy for the allocation of dam safety investments at U.S. Army Corps of Engineers' (USACE) projects with the Dam Safety Act of 1986. The Act limits the percentage of dam repair costs that may be assigned to project beneficiaries to 15% of total modification costs that are "deemed necessary for safety

purposes." Primary to this non-reimbursable classification are the provisions that specify safety costs incurred to meet current engineering standards or to accommodate revised hydrology levels developed after the construction of the dam should be non-reimbursable.

With an estimated \$1.171 billion in dam safety repairs needed at Garrison and billions more at other main stem Missouri River federal hydropower facilities, the cost impact, even at the reduced cost allocation, will be felt in consumer-owner power rates.

As Congress begins work on the next WRDA Bill, Mid-West urges our Congressional Delegation to ensure the USACE follow the Dam Safety Act of 1986 for any repairs deemed necessary within Pick-Sloan Missouri River Basin System including the reduced cost allocation and non-reimbursable classifications.

Improvements to these dams benefit the entire country and the costs should not be disproportionately borne by hydropower customers.

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The Value and Benefits of Federal Hydropower

Mid-West Electric Consumers Association represents 313 consumer-owned utilities in 9 states serving one million plus consumer-owners. Federal hydropower is a source of emissions-free, base-load power for the communities we serve.

As more and more base-load power resources are retired, the value of federal hydropower increases for our consumer-owners. Hydropower generators can be adjusted quickly, which makes them more responsive for meeting peak electricity demand. Federal hydropower units often have “**black start**” capability that makes them especially valuable in restoring power in the case of widespread outages or system disruptions – this capability allows the generating units to cycle back on quickly if they have been tripped off in a power outage.

Federal hydropower’s storage capability and dispatch flexibility are critical to ensure system reliability during extreme weather events. During recent extreme weather events, federal hydropower filled in energy and capacity gaps while the long-term storage capability provided these benefits throughout the multi-day events.

As consumer-owned utilities, the benefits of federal hydropower are passed on directly to the public (consumer-owners) without the tollgate of profit-making entity. This is known as the “preference principle” and ensures the value of the federal hydropower program that has been paid for and supported by consumer-owners in the

Missouri River Basin, stays in our communities.

Since preference power customers pay for 100% of the costs of the federal hydropower program, preference customers should retain the multiple benefits of the federal hydropower system. Preference power customers in the Upper Missouri River Basin also fund capital investment of the hydropower portion, with interest, along with the annual share of the operation and maintenance costs of those multi-purpose facilities.

Mid-West strongly supports appropriate federal funding of federal hydropower facilities in our region. In the absence of sufficient federal funding, we believe financial support is best provided by those most closely associated with and affected by it, and that local support by the preference power community through Western States Power Corporation (customer advanced funding) is the most effective and efficient means of maintaining the Pick-Sloan Missouri Basin power system.

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