

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

When power generated from Federally-owned sources isn't enough to fulfill contractual agreements, Western Area Power Administration (WAPA) purchases power to fulfill their obligation. WAPA relies upon budget authority through the Appropriations Bill for purchase power and wheeling (PP&W) authority to fulfill their contractual obligations.

While Congress provides the budget authority for the PP&W expenditures, the actual costs are paid for by the 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 region 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 disruption, increased end use consumer costs, and put the repayment of the federal investment at risk. 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 end use power customers.***

While the budget scorekeepers agreed on a one year fix, we need a permanent solution.

**REQUEST: Congress, through their budget scorekeepers, should direct the Congressional Budget Office (CBO) that going forward any level of PP&W budget authority provided to WAPA will not score. Tell your Budget Committee Staff as well as Chairmen Grassley and Arrington that your state needs a permanent fix.**

**Power customers are ultimately responsible for all of WAPA's PP&W spending. We fully support, and ask Congress to fully fund WAPA's PP&W authority request.**

Without a permanent fix, consumers in 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 thousands 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, consumer-owned utilities fund hydropower capital investments, along with the annual share of the operation and maintenance costs of these multi-purpose facilities.

Consumer-owned utilities also pay for those investments allocated to our communities' benefit. These direct value costs and investments are defined as reimbursable costs and are repaid by consumer-owned utilities with interest.

Each multi-purpose project also has costs that are not borne by the direct beneficiaries and are instead recovered from other authorized users (i.e. flood control, dam safety, recreation, irrigation, etc.) or through non-reimbursable federal support.

The Garrison Dam in North Dakota is in need of spillway repair. This is the first of at least three main stem dams that will need significant spillway repair. The USACE currently estimates the cost of the Garrison spillway repair at \$1.9B. The Dam Safety Assurance Authority (based on Section 1203 of the Water Resources Development Act of 1986) allows the USACE to reduce cost shares for dam safety modifications if they are deemed state-of-the-art. If the reduced cost share is not applied, the cost to the

power customers is roughly half of \$1.9B. If the Dam Safety Assurance Authority is applied, the power customer cost share is reduced to 15% of the roughly 50% of the total cost (approximately 7% of the total cost of the project). The USACE District Office has recommended to the USACE HQ that the repairs at Garrison (and soon at Oahe and Peck) meet the state-of-the-art provision. But it is up to the political appointees at the USACE HQ. Congress should direct the USACE to apply its Dam Safety Assurance Authority to this and future projects.

Representative Dusty Johnson (R-SD) submitted our language for inclusion in the current WRDA process: ***The USACE shall apply its Dam Safety Assurance Authority (based on Section 1203 of the Water Resources Development Act of 1986) to reduce sponsors' cost shares for spillway and other dam safety modifications if the proposed modifications substantially meet the state-of-the-art provision in Dam Safety Assurance Authority, defined as necessary as a result of new hydrological or seismic data or changes in state-of-the-art design or construction criteria.***

Please support the inclusion of the above language in the current WRDA process.

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

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## **WAPA Rate Pressures**

Mid-West Electric Consumers Association is first and foremost a watchdog for Western Area Power Administration (WAPA), the U.S. Bureau of Reclamation (USBR), and the U.S. Army Corps of Engineers (USACE). Our power rates are the main funding source for WAPA. In turn, our power rates pay for the federal hydropower programs at the USACE and USBR. Consumer-owned utility power rates also pay a substantial amount towards repayment on non-power functions, particularly irrigation.

In 2024 our region will likely go through our second rate increase process with WAPA in two years. As a watchdog group, we work closely with WAPA, USBR, and USACE operations, rates, and finance teams to review cost containment strategies and determine equitable rates. WAPA rates, by law, must be set at a level to recover the costs of operation, maintenance, and replacements, and to assure timely repayment of the reimbursable federal investment with interest, as well as payment of irrigation costs. We view the timely repayment of the reimbursable federal investment and appropriate operational costs as a paramount obligation.

A main cost driver in the current rate process is substantial aid to irrigation payments that will be due in the future. While the federal hydropower programs support of irrigation has been important for our communities, we urge Congress to be aware of the impact of unfairly shifting non-power costs to utility customers. We continue to see efforts both in our nine states and nationally to: (1) Alter repayment schedules for irrigation assistance costs; (2) Re-designate project features to reallocate costs to power users; (3) Force power customers to pay for fish and wildlife programs; and (4) Force power customers to fund rehabilitation of older irrigation project facilities. These proposals would all unfairly single out power users to bear a disproportionate cost share.

Mid-West urges Congress to adhere to principles and policies of federal law governing designation of project uses, allocation of costs, and irrigation assistance repayment. Congress should resist calls to unfairly shift costs to power customers and help keep electric rates low for millions of member-consumers.