



Proposal to Sell Power Marketing Agencies Should Be Rejected

Representative Gary Peters (D-MI) has introduced legislation (H.R. 5780) to alter certain federal energy policies and programs in an effort to reduce the deficit. Included in this legislation is an ill-conceived and previously rejected proposal to sell the assets of the Southeastern Power Administration (SEPA) and the Tennessee Valley Authority (TVA) to private interests. Although this legislation does not propose privatizing the Bonneville Power Administration (BPA), it sets a dangerous precedent.

While Congress is unlikely to privatize the federal power marketing agencies (PMAs), the proposal causes uncertainty and risks. PPC urges the Northwest delegation to strongly reject this proposal as a means of eliminating the uncertainty that a privatization initiative can create. We are concerned that continued investments in the Federal Columbia River Power System (FCRPS) and associated programs could be jeopardized if this uncertainty remains.

As you respond to Representative Peters' proposal, we would encourage you to consider the following:

- PMA rates are set to recover – with interest – all of the taxpayers' investment in the power facilities. The PMAs are one of the few federal programs that cover all of their costs;
- The primary means for a private owner to maximize profits (and thereby offer to purchase the assets at a premium) is if the power is sold at market rates.
 - Utilities in Michigan sell power, at cost, from older coal-fired plants. These customers certainly wouldn't want to see these plants transferred and the power sold at higher, market-based rates.
 - If market rates could be charged after privatization of a PMA, it would amount to inequitable region-specific tax to fund deficit reduction.
- The PMAs are part of a complex and interwoven system that provides flood control, irrigation, water supply, recreational opportunities, fish and wildlife protection and power production. Attempting to pull one element out of federal control could unravel this interconnected system.
- Congress previously considered – and rejected – a proposal to privatize SEPA. The complexity, policy implications and disastrous consequences convinced Congress that privatization of even the smallest PMA was undesirable.

PPC urges the Northwest delegation to once again signal its strong and fervent opposition to this ill-conceived proposal.