

United States Senate

WASHINGTON, DC 20510

March 22, 2018

The Honorable Mick Mulvaney
Director
Office of Management and Budget
725 17th Street, NW
Washington, DC 20503

Dear Director Mulvaney:

We write to oppose the proposal in the Administration's Fiscal Year 2019 (FY19) Budget to sell off federal electric transmission assets and reform cost-based rates of the federal Power Marketing Administrations (PMAs).

There is a long, bipartisan tradition of opposing similar past proposals, including last year's proposal that recommended selling off federal PMA transmission assets. Unfortunately, this year's budget is broader in scope, potentially undermining reliable and affordable electric service in our states. We believe divesting over 33,000 circuit-miles of transmission – transmission that was built specifically to connect federal electric generation to load – will not improve our nation's infrastructure. Instead, it will destabilize the balance sheets of the Bonneville Power Administration (BPA), the Western Area Power Administration (WAPA), and the Southwestern Power Administration (SWPA).

While private enterprise plays a critical role in the energy sector, in our states and particularly in rural areas, the public sector provides regional value and significant local input. Privatizing these assets will likely not result in incentivizing new transmission infrastructure that many of us support. Instead, it will simply shift economic value from families and businesses in our states to investors.

In our states, we see first-hand that federal power marketing is one notable federal program that not only fully pays its way, but also provides benefits to the federal government's balance sheet. For example, this past October, BPA made its 34th consecutive annual payment to the U.S. Treasury on time and in full under its authority to self-finance. PMA rates are set to fully recover – with interest – initial federal investments in hydroelectric dams and transmission facilities. In addition, power rates also support flood control, navigation, irrigation, water supply, wildlife enhancement, recreation, and salinity control at multipurpose federal dams.

Furthermore, this budget proposal creates unnecessary financial risk to these federal entities and brings uncertainty to consumers in our states. Following the release of the FY19 Budget, Moody's Investor's Service published a report stating the proposal "is likely to raise transmission rates for BPA [...] customers because the new private owners would have higher capital costs that would need to be recovered in rates." Moody's concluded that, if carried out, the proposal "would be credit negative for each entity because it would reduce transmission related revenue, a stable revenue source and weaken federal government support, key considerations that support their respective ratings." S&P issued its own note promising to monitor progress on the budget. WAPA, SWPA, and the Southeastern Power Administration do not have equivalent borrowing authority, but their customers face similar disruption and higher costs under the budget proposal.

Through the years, the PMAs adapted to changing market conditions, sometimes encouraged by congressional oversight and direction. There remains room for continued improvement, and moving forward, we want to work with the Administration to ensure federal electric transmission and power marketing continue to deliver value to consumers and the federal government's balance sheet.

Sincerely,



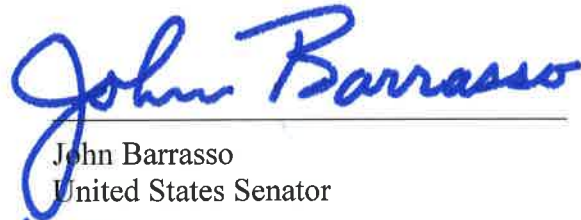
Maria Cantwell
United States Senator



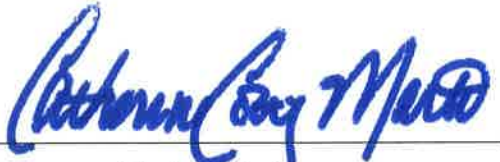
James E. Risch
United States Senator



Michael F. Bennet
United States Senator



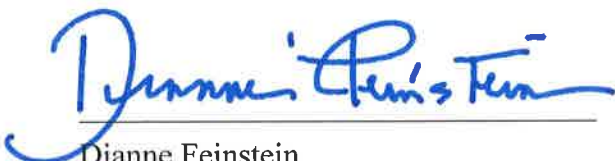
John Barrasso
United States Senator



Catherine Cortez Masto
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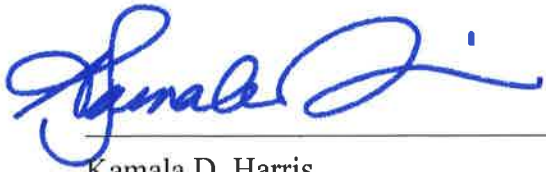
John Boozman
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Dianne Feinstein
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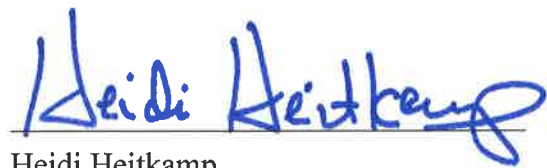
Steve Daines
United States Senator



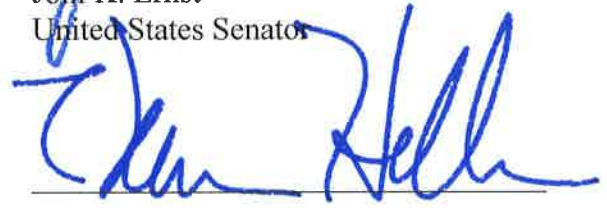
Martin Heinrich
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United States Senator



Heidi Heitkamp
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Dean Heller
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United States Senator



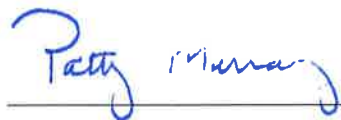
John Hoeven
United States Senator



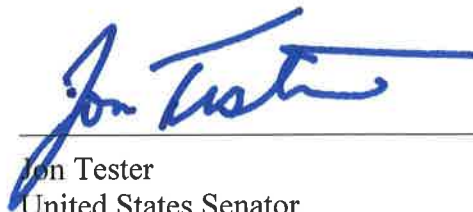
Jeffrey A. Merkley
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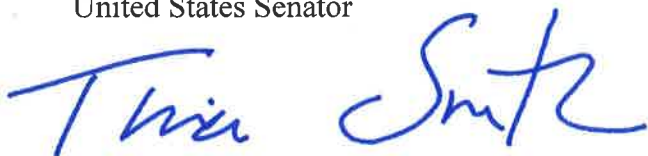
M. Michael Rounds
United States Senator



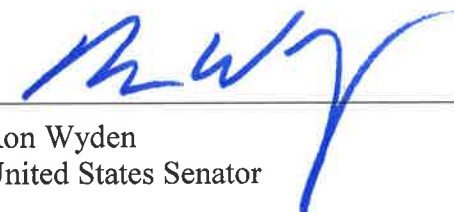
Patty Murray
United States Senator



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