



May 9, 2013

The Honorable Barbara Boxer
Chairman
Environment and Public Works Committee
U.S. Senate
Washington, D.C. 20510

The Honorable David Vitter
Ranking Member
Environment and Public Works Committee
U.S. Senate
Washington, D.C. 20510

RE: S. 601, Water Resources Development Act

Dear Chairman Boxer and Ranking Member Vitter:

We applaud the Senate for taking up consideration of S. 601, the Water Resources Development Act of 2013. However, we are writing on behalf of our members who receive the benefits of hydropower generated at U.S. Army Corps of Engineers (Corps) projects to express our concerns with the language on dam optimization in Section 2014. As currently drafted, we believe that Section 2014 could have a detrimental effect on hydropower production at Corps projects and could adversely affect the members who rely on Corps' hydropower resources to keep electric rates as low as possible.

The National Rural Electric Cooperative Association (NRECA) is the national service organization for more than 900 not-for-profit rural electric cooperatives and public power districts providing retail electric service to more than 42 million consumers in 47 states. The American Public Power Association (APPA) represents more than 2,000 community-owned, not-for-profit electric utilities. Our organizations represent many members that purchase power from the federal government that is generated at Corps projects.

In its current form, Section 2014 would provide the Corps with additional discretion to alter the operation of Corps projects, bypassing the authorization process that Congress traditionally exercises. In particular, the language in Section 2014 that would allow the Corps to add a project "benefit" as defined in Section 2014 would allow the Corps to adjust project operations to accommodate uses that Congress has not previously authorized. The potential to change project operations at Corps projects that provide hydropower presents a risk that hydropower generation, and in particular peak hydropower production, from Corps' projects could be diminished at the discretion of the Corps.

For many members of NRECA and APPA who rely on the power generated at Corps projects to keep electric rates as low as possible, the loss of hydropower generated at Corps projects would require these members to seek more expensive replacement power. Furthermore, the use of storage capacity at a Corps project to support new project "benefits" likely will decrease power production without a corresponding change in cost allocations. In other words, power customers will be asked to subsidize new project uses and receive less hydropower from the Corps projects.

We recognize that the Corps faces many competing demands for the use of storage at multi-purpose projects. However, we also believe that Congress needs to recognize that but for the hydropower production and the revenues returned to the Treasury in the rates for capacity and energy charged by the federal government, many of these projects would have never been built. There is an underlying inequity in Section 2014 that would decrease the benefits for the longtime supporters of the Corps' projects while providing no adjustment in their cost responsibilities.

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Undoubtedly, Section 2014 raises many important policy and fiscal considerations that merit further study and scrutiny. We hope to work with the Senate Environment and Public Works Committee and House Transportation and Infrastructure Committee on language that provides the right balance between the interests of the new project beneficiaries and the longstanding purchasers of Corps hydropower. At this time, however, the current form of Section 2014 promotes a policy goal at the expense of many of our members. Thank you for your consideration of our concerns. Please do not hesitate to contact us if we can answer any questions.

Sincerely,



James J. Nipper
Senior Vice President of Government Relations
American Public Power Association



Kirk D. Johnson
Senior Vice President of Government Relations
National Rural Electric Cooperative Association

CC: The Honorable Bill Shuster
The Honorable Nick Rahall
The Honorable Bob Gibbs
The Honorable Timothy Bishop