

Testimony of Mike Wech
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U.S. Department of Energy
Before the Committee on Energy and Natural Resources
U.S. Senate
July 28, 2022

Chairman Manchin, Ranking Member Barrasso, and distinguished Members of the Committee, thank you for the opportunity to appear before you today to represent Southwestern Power Administration (Southwestern) and the Department of Energy (DOE) regarding legislation to establish the “Southwestern Power Administration Fund,” currently under consideration as S. 3719 by your Committee.

By way of introduction, Southwestern is a Power Marketing Administration that serves over ten million end-use customers in the heartland of the Nation. As a Federal utility, we have a statutory mission to market and deliver electricity from 24 Federal hydroelectric generating plants operated by the U.S. Army Corps of Engineers.

In our nearly 80 years in business, we have done just that and more, meeting our statutory and contractual obligations while also providing grid stability and voltage support for the regional and ultimately the national bulk electric system when severe weather events and other disasters strike.

We take great pride in providing the sustainable hydropower product we market and deliver. Our stewardship of the reservoirs and river systems within our marketing area is carefully balanced with flood risk mitigation and other uses so that we can reliably meet the power needs of our customers. However, because the projects we market from are almost entirely dependent on rainfall, extended dry periods mean Southwestern must purchase replacement power and energy to meet our contractual obligations. When market conditions are tight, this replacement power can get expensive.

Bill S. 3719 authorizes a change specific to the funding structure of Southwestern which supports end users in: Arkansas, Kansas, Louisiana, Missouri, Oklahoma, and Texas. The bill establishes the Southwestern Power Administration Fund, a permanent, self-financed revolving fund supplied through Southwestern’s power sales receipts – with no annual appropriations.

The intent is that the Southwestern Power Administration Fund will provide for continued infrastructure investment for maintenance and operations of the transmission assets without appropriations; full cost recovery for the Government; and a proactive, proven model of good financial stewardship fully supported by Southwestern’s customers. No mission or function changes to Southwestern’s program are proposed. All program costs would continue to be

recovered in power rates. We do note that, despite this, the legislation would likely have a budgetary score due to scoring methodologies, which would impact the deficit.

Mr. Chairman, this concludes my testimony. I would be pleased to address any questions that you or the Members of the Committee may have.