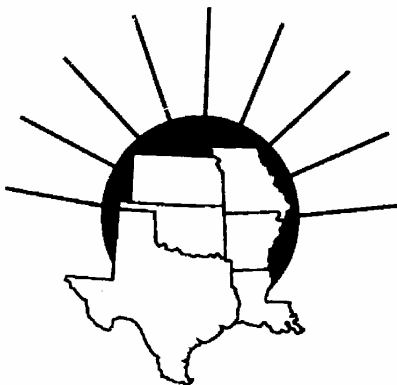


Preference Power: *What is it, who gets it, and why?*

- The “preference principle” was first espoused by President Teddy Roosevelt in the early 20th Century. It was originally codified in the Reclamation Act of 1906 and has been reaffirmed in at least eight Acts of Congress.
- Simply put, the preference principle states that rural electric cooperatives, municipally owned utilities and “public bodies” (state power authorities, public utility districts, public power districts, etc.) will be given the “first right” to purchase electric energy and capacity generated at federal multipurpose water resource projects. Investor-owned utilities (private power companies) are allowed to purchase only that federal power that is surplus to the needs of the preference customers.
- Section 5 of the Flood Control Act of 1944 applies the preference principle to power and energy sold by the Southwestern Power Administration: “Preference in the sale of such power and energy shall be given to public bodies and cooperatives.”
- The preference principle was espoused as a means of assuring that the electric energy benefits of a federal multipurpose water resource project be spread to as many people as possible at the lowest possible rates (consistent with sound business principles). Herald Ickes, Secretary of Interior at the time the Flood Control Act of 1944 was debated and enacted, explained as follows: “This power is the property of the United States. It is held in trust for the people and should be disposed of in a manner consonant with the public interest.”
- The preference principle also carries out Congress’ expressed intent that, when possible, federal power will be delivered to consumers with no one — not the federal government, state or local government, or the power company — making a profit from the transaction. As consumer-owned, not-for-profit operations, rural electric cooperatives and municipally owned electric utilities are ideally suited to provide this service, and thus are granted “preference” in the purchase of federal power.



Southwestern Power Resources Association

P.O. Box 471827
Tulsa, Oklahoma 74147
918/622-7800