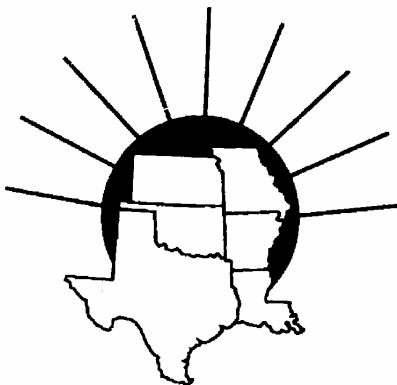


WHO PAYS?

How SWPA sets federal power rates

- Before the Corps of Engineers may construct a multipurpose water resource project, Congress must authorize the project to serve specific purposes, *i.e.* flood control, power, water supply, navigation, recreation and fish and wildlife conservation. When the Corps builds a project, the costs are allocated among the authorized purposes based on the benefits the purpose receives from the project. For example, when the Corps built Bull Shoals Dam, they determined that 65.7 percent of the benefits of the project accrued to the power purpose, with the remainder of the benefits flowing to the flood control purpose.
- All costs of the multipurpose water resource projects assigned by the Corps to the power purpose (in the case of Bull Shoals, more than \$73 million) *plus the interest on this federal investment* must be recovered to the U.S. Treasury within a specific time period through SWPA's electric rates. SWPA must also recover all annual operation and maintenance costs assigned to the power purpose, plus its own annual O&M costs incurred in marketing and transmitting the power and energy to its customers. Of all the authorized project purposes, only hydropower and water supply must recover all the construction costs, annual costs and interest.
- At the beginning of each year, SWPA conducts a *repayment study* to determine if its rates are sufficient to recover all of these costs on time and in full. If the study shows the rates to be insufficient to do so, the rates are raised. If the study shows that the rates are recovering more than the federal costs, the rates are lowered. *The oft-heard comment that federal power is "subsidized" is a myth!*



Southwestern Power Resources Association

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