

1 **NORTHWEST PUBLIC POWER ASSOCIATION**

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3 **15-06 Archived Resolution**

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5 **OPPOSITION TO THE SALE OF OR MOVE TO MARKET RATES FOR**
6 **POWER MARKETING ADMINISTRATIONS**
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8 Bills and Administration budgets continue to be proposed calling for
9 the sale of the federal power marketing administrations (PMAs).
10 Additionally, the Bush Administration's budget for fiscal year 2006 includes
11 a proposal to require that the rates for PMA power be increased by 20
12 percent annually until the rates reach "market" rates. The budget
13 documents state that this proposal is based on the assertion made in a
14 previous report issued by the Government Accountability Office (GAO) that
15 the PMAs are subsidized by taxpayers. This assertion is simply not true. In
16 that report, the GAO used an arbitrary methodology for calculating
17 supposed "subsidies," as well as several other erroneous assumptions,
18 including assumptions related to market rates.

19 The fact is the capital costs of the federal hydroelectric power facilities
20 whose output is marketed by the PMAs are being repaid to the Treasury
21 with interest. The operations and maintenance costs of these projects also
22 are paid by the customers. These projects therefore are valuable revenue
23 producing assets, and in the long run their sale or move to market rates
24 would not contribute to the reduction of the federal deficit, but in fact, may
25 cause the deficit to increase. Furthermore, the sale of or move to market
26 rates for these facilities would result in increased electric rates, which would
27 seriously disrupt the economies of certain regions.

28 In short, this proposal to move PMA rates to market rates, based on
29 an erroneous report, will simply result in a substantial increase in retail
30 electric rates for millions of Northwest customers. Moreover, market rates
31 have proven to be extremely volatile and are almost always higher than cost-
32 based rates, as evidenced by the strong desire of most wholesale power
33 suppliers to be granted market rate authority from the Federal Energy
34 Regulatory Commission. This proposal or any effort to sell the PMAs is ill-
35 advised and should be rejected.

36 NWPPA opposes this proposal to move to market rates and any effort
37 to sell the PMAs as not being in the best long-term interests of the U.S.
38 Government or the PMAs customers. Without cost-based rates charged by
39 the PMAs, regulators and others will lose a valuable yardstick for
40 determining whether market-based rates charged by other suppliers are just
41 and reasonable.

42 NWPPA also urges continued improvements in the management and
43 operation of the federal power production facilities. If the federal
44 hydroelectric power projects are to be sold, preference in the purchase
45 should be given to existing customers, and the price should be based on net
46 present value.

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50 Origination Date: 1997
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