**Northwest Public Power Association**

**Resolution 2016-06**

**Opposition to Changing the Role and Rates of the**

**Power Marketing Administrations**

**Background**

Congress and the Administration occasionally call for the sale of the federal power marketing administrations (PMAs) or require that the rates for PMA power be increased by a certain percent annually until the rates reach “market” rates. Arguments in favor of this approach state that the PMAs are being subsidized by taxpayers. This assertion is simply not true.

The fact is PMA customers repay, with interest, the capital costs of the federal hydropower facilities whose output is marketed by the PMAs. As well, the operations and maintenance costs of these projects are paid by the customers. The sale of or move to market rates for these facilities would result in increased electric rates, which would seriously disrupt the economies of certain regions.

Similarly, efforts by the Department of Energy to limit the independence, redefine the mission, or ignore regional differences can also be costly and disruptive to the PMAs and their customers. The March 2012, six-page memorandum entitled “Defining the Future”, was an initiative sent by then Energy Secretary Steven Chu to the Administrators of the four PMAs seeking to change the historic role of their agencies. The memorandum called on the PMAs to implement activities that were beyond their statutory role without input from the customers that would bear the financial burden of their deployment. While widely rejected by Congress and PMA customers, these policy themes continue to surface, including in the 2014 report by the Center for a New Energy Economy, otherwise known as the “[Gov.] Ritter Report.”

**NWPPA’s Position**

* NWPPA supports maintaining the historic mission of the PMAs to distribute federal hydropower at cost-based rates.
* NWPPA supports efforts to modernize the PMAs that are borne through a customer driven bottoms-up approach.
* NWPPA supports minimizing costs to electric customers and opposes any proposals to sell the PMAs or move to market rates. Market rates have proven to be extremely volatile and are almost always higher than cost-based rates.
* NWPPA believes that any proposal to move to market rates or to sell the PMAs is not in the best long-term interests of the U.S. Government or the PMAs customers.
* NWPPA supports and will protect the “Preference Clause” and the rights of preference utilities in all circumstances.

Origination Date: 1997 – Revised: March 2005 – Archived: 2006 – Re-Activated: 2011 and modified in 2012 and 2014, 2015.