

FINDING THE FUNDING

Using PMA Revenues for Hydro O&M

Finding the funding for the operation and maintenance (O&M) of Corps of Engineers hydropower facilities seems to get more difficult with each passing year. Traditionally, the money has been appropriated annually by Congress, and these expenditures have been collected from federal hydropower customers and returned to the Treasury through wholesale power rates charged by the power marketing administrations (PMAs). The slow erosion in appropriated dollars for this function has begun to threaten the reliability of the federal power system.

President Bush's FY 2006 budget request includes a proposal to fund the Corps' hydro O&M through PMA revenues, rather than by appropriations. In simple terms, Southwestern Power Administration (SWPA), rather than transferring 100 percent of its annual revenues to the Treasury, would withhold enough revenue to fund the Corps' hydro O&M at the level approved by Congress. The proposal would be revenue-neutral to the Treasury.

SWPA's customers have recognized this growing funding problem and have already acted. In 1999, at the prompting of SWPA's customers, the Corps, SWPA and the City of Jonesboro, Arkansas, signed a Memorandum of Agreement (MOA) that allows the customer to pay for specific O&M projects that SWPA customers have deemed essential to maintain the reliability of SWPA's energy and power delivery. This MOA is the first of its kind in the nation. Since it was implemented, about \$49.5 million has been provided for hydro O&M through this process. It is supported by the power customers because they recognize the importance of maintaining critical facilities and they are actively involved in selecting the projects to be funded.

In addition, Southwestern Power Resources Association (SPRA) joined with its sister federal power customer associations to support enactment of legislation that broadens federal power customer financing of critical Corps hydropower facilities when appropriations are not available. This statute (Section 212 of the Water Resources Development Act of 2000, 33 U.S.C.A. § 2321a) allows any federal power preference customers to provide funding for a broad range of Corps hydro activities, including the major rehabilitation and upgrading of entire hydropower stations.

Customer Involvement is the Key

A critical component of these alternative methods to fund Corps hydro O&M is federal power customer involvement in the process. The preference customers are willing to finance Corps activities only to the extent that they are allowed to participate in the selection of the projects to be funded with their dollars and to follow the implementation of these projects.

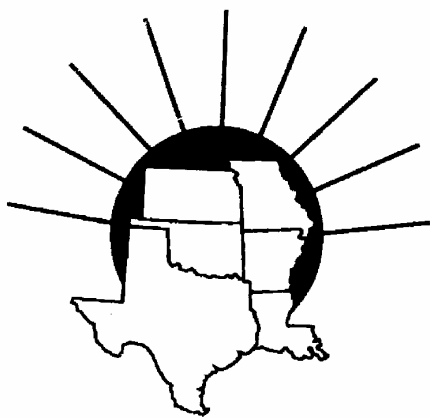
SWPA's customers are committed to off-budget financing of Corps' hydro O&M, but only if the power customers are actively involved in the process of selecting and overseeing the projects to be funded.

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What We Want You to Do

As Congress considers the FY 2006 budget request and appropriations, here is what the rural electric cooperatives and municipally owned electric utilities that purchase SWPA power are asking of their Congressional delegations:

- ***Continue to appropriate*** sufficient O&M funds to the Corps of Engineers to maintain the reliability and deliverability of federal power until such time as an alternative financing vehicle is enacted and implemented.
- ***Contact your colleagues*** on the Budget and Appropriations Committees. Ask them to support legislation that would allow the PMAs to fund Corps hydro O&M with receipts from federal power sales.
- ***Insist on power customer and PMA involvement*** in both the selection of projects to be funded via this alternative and determining the annual amount each PMA shall provide the Corps for hydro O&M funding.
- ***Insist on Congressional review and approval*** of the Corps O&M projects to be funded and the total level of funding to be provided from PMA revenues on an annual basis.



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