

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 included 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 (about \$110 million in FY 2009). 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 Water & Light Plant Board of Jonesboro, Arkansas, signed a Memorandum of Agreement (MOA) that allows SWPA customers to pay for specific O&M projects that they deem 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, more than \$181 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.

Customer Involvement is the Key

A critical component of 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.

How It Would Work

Congress and its Appropriations Committees would lose no control over Corps hydropower O&M and major rehabilitation funding under our proposal. Instead, the annual Energy & Water Development Appropriations bill would direct SWPA to transfer a specific amount of revenues (about \$110 million would be needed in FY 2009) to the Corps of Engineers to fund O&M and major rehabilitation of hydro

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plants at Corps dams. The report accompanying the appropriation bill would specify which Corps projects are receiving how much money under the transfer — just as current reports specify how much O&M money is being provided to each Corps project.

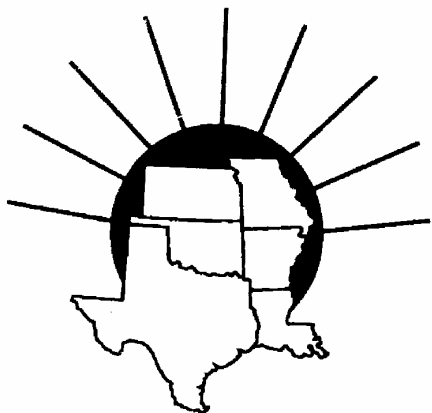
Why Something Needs to be Done

Corps hydro facilities are aging. Many components — including generators and turbines — are nearing the end of their useful life. The need for funds increases each year, yet the amount of appropriations seems to be less each year. As a result, forced outages are increasing, forcing PMAs and their customers to replace lost hydro generation with energy produced from coal, natural gas and diesel. This increases the dependence of foreign fuels, exacerbates the domestic shortage of natural gas, and increases greenhouse gas emissions. If the government is serious about addressing global warming and energy independence, they should put our money where their mouth is.

What We Want You to Do

As Congress considers budget and appropriations bills, 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, as well as the Senate Environment and Public Works Committee and the House Transportation and Infrastructure Committee. Ask them to support legislation that would allow SWPA 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 SWPA 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 via the Energy and Water Development Appropriations bill.



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