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Power Marketing Administrations: Offsetting Collections in the President's FY2006 Budget Proposal

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Summary

The federal government operates four Power Marketing Administrations (PMAs) to market hydropower generated at federally constructed dams. The President's FY2006 budget proposal includes a reclassification of receipts to allow three of these PMAs — Southeastern Power Administration, Southwestern Power Administration, and Western Area Power Administration — to fund their program direction and their operation and maintenance (O&M) expenses through offsetting collections. It also proposes that the PMAs use offsetting collections to directly finance some Corps of Engineers and Bureau of Reclamation hydropower expenses. The PMAs currently deposit receipts into the Treasury and Congress appropriates general Treasury funds to the PMAs, Corps, and Bureau for these power-related expenses. The President's proposal would have little or no effect on PMA's power rates, while the effect on Corps and Bureau funding is uncertain. It would, however, reduce the amount of money PMAs deposit into the Treasury. This report will not be updated.

Introduction

The federal government operates four Power Marketing Administrations (PMAs) — Bonneville Power Administration (BPA), Southeastern Power Administration (SEPA), Southwestern Power Administration (SWPA), and Western Area Power Administration (WAPA) — to market hydropower generated at federally constructed multi-purpose dams. These dams are generally operated and maintained by the Corps of Engineers or the Bureau of Reclamation. The PMAs are required to set power rates sufficient to recover, among other expenses, some of the costs of operating and maintaining these federal facilities.[1]

[1] For more information on the PMAs budgets, see CRS Report RL32798, *Power Marketing Administrations: Proposals for Market-Based Rates*, by Kyna Powers.

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Current and Proposed Funding Mechanism. Under current law, the PMAs are required to recover — through their rate-payers — certain costs. Included in these costs are their program direction expenses (i.e., salaries, travel, support services, etc.) and O&M expenses for selected Corps and Bureau hydropower facilities.[2] While all of the PMAs recover these costs, only BPA, which is self-financed, directly funds these expenses. SEPA, SWPA, and WAPA deposit their revenues, minus certain offsetting collections, into the federal Treasury. Congress then appropriates funds from the general Treasury for O&M and other expenses.

The President's FY2006 budget would alter how the three PMAs finance certain expenses. Specifically, it would allow the PMAs to spend some of their revenues — up to a congressionally specified cap — on their program direction expense without the money passing through the appropriations process. Therefore, this revenue would not be deposited into the Treasury, nor would it be appropriated to the PMAs.

The President's budget would also allow the three PMAs to directly reimburse the Corps and Bureau — up to a congressionally specified amount — for the power share of their O&M activities at selected hydropower facilities. Under this system, PMA collections that cover these federal expenses would not go to the Treasury. Rather, the PMAs would deposit these revenues directly into the agencies' accounts and this funding would appear in the Corps and Bureau budgets as collections offsetting their appropriations.

Funding for PMAs. Implementing the President's proposal for offsetting collections would have little effect on the overall amount of money the PMAs have to conduct their operations. As shown in **Table 1**, the amount of new budget authority for the PMAs would decrease from FY2005 to FY2006, but new offsetting collections[3] for their program direction and O&M expenses would make up for this amount.

Table 1. New Budget Authority and Offsetting Collections

PMA	PMAs' New Budget Authority ($ in thousands)			New Offsetting Collections for PMA Expenses in FY2006 ($ in thousands)
	FY2005	FY2006	Difference	
SEPA	$5,158	$0	-$5,158	$5,600[a]
SWPA	$29,177	$3,166	-$25,951	$27,000[b]
WAPA	$171,715	$53,957	-$117,758	$186,800[c]

Source: Office of Management and Budget, *Department of Energy FY2006 Congressional Budget Request*, DOE/ME-0051 (Feb. 2005). This excludes Corps and Bureau offsetting collections.

[a] Offsetting collections for program direction.

[b] Offsetting collections for O&M.

[c] Offsetting collections for program direction and O&M. This figure does not reflect that PP&W offsetting collections, which existed prior to FY2006, decreased by $79,100 from FY2005 to FY2006.

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[2] The PMAs also recover expenses related to transmission (purchase power and wheeling or PPW). The PMAs already use offsetting collections for most PP&W costs, thus they are outside the scope of this report.

[3] This does not include existing offsetting collections for PP&W or outlays to the Corps or Bureau for their O&M expenses.

Funding for the Corps and Bureau. The President's proposal would alter the way the Corps[4] and Bureau receive funding for their power-related expenses at selected facilities. Specifically, the FY2006 request would reclassify PMA receipts, allowing them to be credited into Corps and Bureau accounts. The intent is for the PMAs to directly reimburse the agencies for their O&M activities at selected hydropower facilities, rather than their being reimbursed indirectly through annual appropriations.

The current process for paying for Corps and Bureau hydropower O&M starts with the Corps and Bureau estimating their power-related expenses for a given year, and submitting these figures as part of their budget request for general appropriations. In its appropriations reports, Congress recommends specific O&M figures for Corps and Bureau facilities; the PMAs collect this amount from rate-payers and deposit it into the Treasury. The President's proposal would remove these activities from the appropriations process. The PMAs would coordinate directly with the Corps and Bureau to determine O&M needs for the upcoming fiscal year and ask Congress to approve their proposal for offsetting collections. Then, the PMAs would directly finance these Bureau and Corps O&M expenses by depositing the PMAs' collections in the agencies' accounts through offsetting collections.

While it is unclear how this process would affect Corps and Bureau O&M funding (i.e., whether hydropower O&M funding would increase or decrease), it likely would increase communication and coordination among these federal entities.

Treasury Receipts. Under the offsetting collections proposal, the main budgetary change would be a decrease in PMA-related Treasury receipts. The President's budget indicates that the PMAs' total proprietary receipts, which are equivalent to their Treasury deposits, would decrease by $293.2 million from FY2005 to FY2006. The decrease is primarily attributable to all new PMA-related offsetting collections — including those for the PMAs (**Table 1**) and for the Corps and Bureau — which would correspond to a decrease in general Treasury appropriations.[5] (See **Table 2**.) Therefore, reclassifying some of the PMAs' current Treasury deposits as offsetting collections would reduce the flexibility of Congress to use these receipts to fund non-PMA expenses. However, Congress would retain the authority, through the appropriations process, to place a cap on PMAs' use of offsetting collections.

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[4] For more information on the Corps of Engineers, see CRS Issue Brief IB10120, *Corps of Engineers Civil Works Program: Issues for the 109th Congress*, by Nicole T. Carter and Pervaze A. Sheikh.

[5] From year to year, the size of Treasury deposits change based on a combination of factors including the PMAs' revenues and debt repayment.

Table 2. Change in Treasury Receipts Relative to New Offsetting Collections

PMA	Total Proprietary Receipts ($ in thousands)			Change in Total Offsetting Collections ($ in thousands)
	FY2005	FY2006	Difference	
SEPA	$174,493	$94,262	-$80,231	$82,271[a]
SWPA	$100,700	$19,331	-$81,369	$83,735[b]
WAPA	$273,405	$141,786	-$131,619	$167,845[c]
Total	***$548,598***	***$255,378***	***-$293,219***	***$333,851***

Source: Office of Management and Budget, *Department of Energy FY2006 Congressional Budget Request*, DOE/ME-0051 (Feb. 2005). Includes offsetting collections for the PMAs and for the Corps and Bureau.

[a] $77,958 in new direct funding for Corps Hydropower O&M, plus a $4,313 increase in PP&W offsetting collections.

[b] $85,400 in new offsetting collections ($58,400 for Offsetting Collections Realized, Corps of Engineers' O&M/R, $27,000 Offsetting Collections Realized for Southwestern program direction and O&M), minus $1,661 in existing offsetting collections for PP&W.

[c] $246,945 in new offsetting collections ($27,453 transferred to the Corps, $30,000 transferred to the Bureau, $186,800 WAPA O&M offsetting collections, and $2,692 in Falcon Amistad O&M) minus $79,100 for decrease in existing offsetting collections for PP&W.

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