



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

MEMORANDUM TO DEE LEE  
ELGIE HOLSTEIN

THROUGH:

Chris Sale

Woody Jackson

Kathy Peroff

Gary Bennethum

FROM:

Lori Krauss

SUBJECT:

Federal Energy Regulatory Commission (FERC) Cost Data Requirements  
for Billing Under the Federal Power Act

Action

Attached is a draft memorandum from the Office of Management and Budget (OMB) to the Chief Financial Officers of the U.S. Department of Agriculture, the Department of the Interior, and the Department of Commerce. The memorandum specifies that these agencies must provide hydropower licensing cost data annually to FERC, which has the statutory responsibility to collect these costs on behalf of the Federal government. Both the Energy and Science Division (ESD), and the Office of Federal Financial Management (OFFM) recommend that the Acting Deputy Director sign the memorandum.

Background

Under the Federal Power Act (FPA), FERC collects fees for costs other Federal agencies incur during FERC's licensing or relicensing of hydroelectric projects. These costs are primarily for environmental studies, and total about \$7 million per year. However, this amount will likely double in the next few years, because over 200 hydroelectric projects will become due for relicensing. Historically, the agencies have given FERC a single cost figure, and FERC then allocated this amount to individual licensees based on a regulatory formula. Agencies have not had the ability to provide detailed cost data to FERC. They also have had little incentive to provide data to FERC, because the monies collected go to the U.S. Treasury, not to the agencies.

Licensees subject to past and current billings have filed appeals of the billings with FERC, alleging that FERC has no evidence to support the billings. FERC believes that if the licensees pursue litigation, courts are likely to rule in favor of the licensees. Unless FERC is able to obtain the cost data and documentation it needs to support future billings, it is likely to stop billing licensees for other agencies "unsupported" costs, rather than risk an adverse court ruling.

As agencies implement the recent cost accounting standards as required by OMB SFAS-4, agencies should have the ability to provide detailed hydropower licensing cost data to FERC. FERC has asked for OMB's assistance in collecting this cost data from the agencies in order to carry out its statutory billing responsibility for the Federal government.

ESD and OFFM staff believe that the best way of ensuring that agencies provide the necessary cost data to FERC, is for the Acting Deputy Director for Management to issue the attached memorandum to the Chief Financial Officers of the affected agencies. The memorandum will bring the issue to an appropriate level of attention, and specify the information FERC needs, as well as each agencies' responsibility for maintaining supporting documentation and identifying a contact for public inquiries related to the cost data.

Attachment



MEMORANDUM TO: SALLY THOMPSON, US DEPARTMENT OF AGRICULTURE  
JOHN BERRY, DEPARTMENT OF THE INTERIOR  
LINDA J. BLIMES, DEPARTMENT OF COMMERCE

FROM: Acting OMB Deputy Director for Management

SUBJECT: Federal Energy Regulatory Commission (FERC) Cost Data  
Requirements for Billing Under the Federal Power Act

Part 1 of the Federal Power Act (FPA) requires that all Federal government costs for administering hydropower licensing provisions be recovered through annual fees to licensees. FERC is responsible for billing these fees, based on costs incurred by Federal agencies under these provisions (i.e., the U.S. Department of Agriculture, the Department of the Interior, and the Department of Commerce). In order to accurately bill licensees for these costs, FERC must obtain accurate and timely cost data from participating agencies.

Accordingly, agencies shall provide the following information to FERC on an annual basis:

- Costs of administering Part 1 of the FPA, broken out by type of applicant (state, municipal, or non-municipal applicant), based on time spent on applicant type.
- Description of work performed.
- Certification by appropriate agency official that the costs are accurate for the related work performed.

Cost reports, covering the immediately preceding fiscal year, shall be provided to FERC no later than May 15<sup>th</sup> of each fiscal year. Reports should be mailed to Fannie Kingsberry, Federal Energy Regulatory Commission, Division of Financial Services, 888 First Street Northeast, Washington, D.C. 20426.

Additionally, agencies shall retain supporting documentation and shall designate an agency point-of-contact to respond to licensee inquiries related to each agency's role in administering Part 1 of the FPA.