

Southeastern Power Administration

Southeastern Power Administration

Proposed Appropriation Language

For necessary expenses of operation and maintenance of power transmission facilities and of marketing electric power and energy, including transmission wheeling and ancillary services, pursuant the provisions of section 5 of the Flood Control Act of 1944 (16 U.S.C. 825s), as applied to the southeastern power area, [\$5,100,000] \$5,200,000, to remain available until expended; in addition, [notwithstanding the provisions of 31 U.S.C. 3302, up to \$19,000,000 collected by the Southeastern Power Administration pursuant to the Flood Control Act to recover purchase power and wheeling expenses shall be credited to this account as offsetting collections, to remain available until expended for the sole purpose of making purchase power and wheeling expenditures] *from amounts received in advance from customers, \$32,700,000 may be credited to this account, and is available until expended for the sole purpose of making purchase power and wheeling expenditures.*

Explanation of Change

Customer advances of \$32,700,000 will be collected to be used for purchase power and wheeling expenses.

Southeastern Power Administration

Overview

Appropriation Summary by Program

(dollars in thousands)

	FY 2003 Comparable Appropriation	FY 2004 Original Appropriation	FY 2004 Adjustments	FY 2004 Comparable Appropriation	FY 2005 Request
Southeastern Power Administration					
Program Direction	4,577 ^a	5,100	-30	5,070 ^b	5,200
Purchase Power and Wheeling ^c	34,463	34,000	0	34,000	0
Subtotal, Southeastern Power Administration	39,040	39,100	-30	39,070	5,200
Use of prior year balances	-72	0	0	0	0
Offsetting collections	-14,463	-19,000	0	-19,000	0
Offsetting collections (P.L. 106-377)	-20,000	-15,000	0	-15,000	0
Total, Southeastern Power Administration	4,505	5,100	-30	5,070	5,200

Preface

As the Nation moves forward to strengthen its national and economic security, the Department of Energy (DOE) leads a critical effort promoting a diverse supply and delivery of reliable, affordable, and environmentally sound energy. Southeastern Power Administration (Southeastern) supports this effort by marketing and delivering hydroelectric power to the southeast. Southeastern’s FY 2005 budget supports DOE’s Strategic Goal, Energy Security, and will address the Office of Management and Budget’s (OMB) performance assessment recommendation to develop short and long-term goals that are results oriented and aligned with this budget submission.

Within the Southeastern appropriation is one program: Operation and Maintenance (two subprograms).

This overview will describe Strategic Context, Mission, Benefits, Strategic Goals and Funding by General Goal. These items together put the appropriation in perspective. The Annual Performance Results and Targets, Means, Strategies and Validation and Verification sections address how the goals will be achieved and how performance will be measured. Finally, this Overview will address Program Assessment Rating Tool (PART) and Significant Program Shifts.

^a Reflects a rescission of \$29,471 (P.L. 108-7).

^b Reflects a rescission of \$30,090 from the Consolidated (Omnibus) Appropriations Bill for FY 2004.

^c The total purchase power and wheeling requirements are \$46.0 million, \$46.0 million, and \$46.9 million for FY 2003, FY 2004, and FY 2005, respectively. No Federal financing is requested in FY 2005; rather customers are encouraged to enter the market to make their own arrangements. Southeastern will continue to support those unable or unwilling through alternative financing methods including net billing and customer advances.

Strategic Context

Following Publication of the Administration’s National Energy Policy, the Department developed a Strategic Plan that defines its mission, four strategic goals for accomplishing that mission, and seven general goals to support the strategic goals. Each appropriation has developed quantifiable goals to support the general goals. Thus, the “goal cascade” is the following:

Department Mission – Strategic Goal (25 years) – General Goal (10-15 years) – Program Goal (GPRA Unit) (10-15 years)

To provide a concrete link between budget, performance, and reporting, the Department developed a “GPRA^a unit” concept. Within DOE, a GPRA Unit defines a major activity or group of activities that support the core mission and aligns resources with specific goals. Each GPRA Unit has completed or will complete a PART. A unique program goal was developed for each GPRA unit. A numbering scheme has been established for tracking performance and reporting.^b

The goal cascade accomplishes two things. First, it ties major activities for each program to successive goals and, ultimately, to DOE’s mission. This helps ensure the Department focuses its resources on fulfilling its mission. Second, the cascade allows DOE to track progress against quantifiable goals and to tie resources to each goal at any level in the cascade. Thus, the cascade facilitates the integration of budget and performance information in support of the GPRA and the President’s Management Agenda (PMA).

Mission

The mission of Southeastern is to market and deliver Federal hydroelectric power at the lowest possible cost to public bodies and cooperatives in the southeastern United States in a professional, innovative, customer oriented manner, while continuing to meet the challenges of an ever-changing electric utility environment through continuous improvements.

Benefits

Southeastern supports the Department’s Energy Strategic Goal by managing the dispatch and distribution of Federal hydroelectric power resources in the southeastern United States in an affordable, and environmentally sound manner while meeting National utility performance standards and balancing the diverse interests of other water resource users. Effective management of the hydroelectric power resources ensures that a diverse supply of generating resources is maintained in order to enhance regional power system reliability.

Power revenues repay taxpayer’s investment in the Federal power system and regional economic benefits result from the lower cost of the Federal power. Southeastern has implemented rates that repay emergency power purchases within the fiscal year that they are incurred and is on track to repay Federal investment in hydroelectric resources within required time periods.

^a Government Performance and Results Act of 1993.

^b The numbering scheme uses the following convention: First 2 digits identify the General Goal (01-07); second 2 digits identify the GPRA Unit; last four digits are reserved for future use.

Southeastern further supports the Energy Security Goal by promoting strategies that enhance energy efficiency and renewable energy technologies. Effective management of hydroelectric resources combined with promotion of energy efficiency and renewable technologies are components that contribute to the long term solution of economic and environmental challenges.

Strategic Goal

The Department's Strategic Plan identifies four strategic goals (one each for defense, energy, science, and environmental aspects of the mission) plus seven general goals that tie to the strategic goals. The Southeastern Power Administration supports the following Strategic and General Goals:

Energy Strategic Goal: To protect our national and economic security by reducing imports and promoting a diverse supply of reliable, affordable, and environmentally sound energy.

General Goal 4, Energy Security: Improve energy security by developing technologies that foster a diverse supply of reliable, affordable and environmentally sound energy by providing for reliable delivery of energy, guarding against energy emergencies, exploring advanced technologies that make a fundamental change in our mix of energy options, and improving energy efficiency.

The subprograms funded within the Southeastern Power Administration appropriation have one Program Goal that contributes to the General Goal in the "goal cascade". This goal is Program Goal 04.51.00.00: Market and Deliver Federal Power: Customers receive the benefits of Federal power that produce adequate revenue to repay the American taxpayers' investments allocated to power.

Contribution to General Goal 4

Southeastern contributes to the Energy Security Goal by performing its power marketing mission through two subprogram activities: Program Direction and Purchase Power and Wheeling.

Southeastern contributes to General Goal 4, Energy Security, by marketing and delivering all available hydroelectric power from U.S. Army Corps of Engineers (Corps) dams while balancing power needs with the diverse interests of other water resource users; market and deliver Federal power in a cost efficient manner to assure reliability of the power system and maximize the use of Federal assets to repay the investment (principal and interest) while supporting the President's Management Agenda.

Funding By General Goal

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	\$ Change	% Change
General Goal 4, Energy Security					
Program Goal 04.51.00.00	39,040 ^a	39,070 ^b	5,200	-33,870	-86.7%
Subtotal, General Goal 4	39,040	39,070	5,200	-33,870	-86.7%
Use of prior year balances	-72	0	0	0	n/a
Offsetting collections	-14,463	-19,000	0	+19,000	+100.0%
Offsetting collections (P.L. 106-377)	-20,000	-15,000	0	+15,000	+100.0%
Total, General Goal 4 Southeastern Power Administration	4,505	5,070	5,200	+130	+2.6%

^a Reflects a rescission of \$29,471 (P.L. 108-7).

^b Reflects a rescission of \$30,090 from the Consolidated (Omnibus) Appropriations Act of FY 2004.

Annual Performance Results and Targets

FY 2000 Results	FY 2001 Results	FY 2002 Results	FY 2003 Results	FY 2004 Targets	FY 2005 Targets
<p>System Reliability Performance: Goal Met. Attained average NERC compliance ratings >100 for Control Performance Standard (CPS) 1 and > 90 for Control Performance Standard (CPS)2. Goal met (ER2-5).</p> <p>Actual: CPS 1: 149 CPS 2: 100</p>	<p>System Reliability Performance: Goal Met. Attained average NERC compliance ratings of > 100 for (CPS) 1 and >90 for (CPS) 2. Goal met. (ER2-5)</p> <p>Actual: CPS 1: 188 CPS 2: 100</p>	<p>System Reliability Performance: Goal Met. Attained average NERC compliance ratings of > 100 for (CPS) 1 and >90 for (CPS) 2. Goal met. (ER2-5).</p> <p>Actual: CPS 1: 218 CPS 2: 98</p>	<p>System Reliability Performance: Goal met. Attained average NERC compliance ratings of > 100 for (CPS) 1 and >90 for (CPS) 2. Goal met. (ER9-1)</p> <p>Actual: CPS 1: 182 CPS 2: 97</p>	<p>System Reliability Performance: Attain an average monthly NERC compliance ratings of 100 or higher for Control Performance Standard (CPS) 1 and a rating of 90 or above for CPS2. (ER9-1)</p>	<p>Annual Power System Operations Control Area Performance: Attain acceptable North American Electric Reliability Council (NERC) ratings for the following NERC Control Performance Standards (CPS) measuring the balance between power generation and load: 1) CPS1 which measures generation/load balance and support system frequency on one minute intervals (rating >100); and 2) CPS2 which limits any imbalance magnitude to acceptable levels (rating >90). (ER4-51)</p> <p>System Reliability Performance: Provide reliable service to customers each year by maintaining full compliance with NERC and SERC operating policies and standards as a foundation for its operations reliability program. (ER4-51)</p> <p>Repayment of Federal Power Investment Performance: repay 1 percent on the Federal investment each year. (ER4-51)</p>
<p>Repayment of Federal Power Investment: Meet planned annual repayment of Federal power investment. Goal not met due to low water conditions. (ER2-5)</p> <p>Actual: \$-7.6 million</p>	<p>Repayment of Federal Power Investment: Meet planned annual repayment of Federal power investment. Goal not met due to low water conditions. (ER2-5)</p> <p>Actual: \$-13.2 million</p>	<p>Repayment of Federal Power Investment: Meet planned annual repayment of Federal power investment. Goal not met due to low water conditions. (ER2-5)</p> <p>Actual: \$ 5.35 million</p>	<p>Repayment of Federal Power Investment: Meet planned annual repayment of principal on Federal power investment. Goal met. (ER9-2)</p> <p>Actual: \$37.5 million</p>	<p>Repayment of Federal Power Investment: Meet required repayment of Federal power investment within the required repayment period. (ER9-1)</p>	
<p>Achieved a recordable accident frequency rate of 0 for recordable injuries per 200,000 hours worked Goal met. (ER2-5)</p> <p>Actual: 0 accidents</p>	<p>Achieved a recordable accident frequency rate of 0 for recordable injuries per 200,000 hours worked. Goal met. (ER2-5)</p> <p>Actual: 0 accidents</p>	<p>Achieved a recordable accident frequency rate of 0 for recordable injuries per 200,000 hours worked. Goal met. (ER2-5)</p> <p>Actual: 0 accidents</p>	<p>Achieve a recordable accident frequency rate for recordable injuries per 200,000 hours worked of not greater than 3.3, or the latest published Bureau of Labor Statistics' industry rate, whichever is lower. (ER9-3)</p> <p>Actual: 0 accidents</p>	<p>Achieve a recordable accident frequency rate for recordable injuries per 200,000 hours worked of not greater than 3.3, or the latest published Bureau of Labor Statistics' industry rate, whichever is lower. (ER9-1)</p>	

Means and Strategies

Southeastern will use various means and strategies to achieve its program goals. However, various external factors may impact the ability to achieve these goals. The program also performs collaborative activities to help meet its goals.

Southeastern will implement the following means:

- Assure power rates are adequate to repay the Federal investment by conducting annual power repayment studies.
- Provide training and certification to update workforce skills and using up-to-date power system technology.
- Conduct business process reviews to maximize efficiency and eliminate redundancy.
- Provide economic benefits to the region by marketing and delivering all available hydropower.

Southeastern will implement the following strategies:

- Market and deliver power using appropriations, net billing, bill crediting, and customer advances.
- Maintain a diverse and knowledgeable workforce by employee training, leadership development, retention programs, and aggressive recruitment activities.
- Market all available hydropower by working with the Corps, states, cooperatives, and municipalities where power is generated to meet the expectations of our customers while balancing the interest of other water users.
- Maintain the security of the Federal, facilities, and information technology (IT) systems.
- Maximize the capabilities of business systems to improve processes and provide greater efficiency.

These strategies will result in a well maintained, modern Federal power system and an expert workforce to operate the system in the most effective and cost efficient manner possible.

The following external factors could affect Southeastern's ability to achieve its program goals:

- Achieving and maintaining system reliability can be affected by weather, natural disasters, changes in the North American Electric Reliability Council (NERC) operating standards, new load patterns, deregulation of the electricity market, changing electric industry organizational structures, and additions to other utilities' transmission systems interconnected to the Federal system.
- Achieving repayment of the Federal power investment and providing economic growth to the region can be affected by weather, power markets, natural disasters, and other external costs and revenue factors.
- Achieving cost efficiencies and maintaining an operating cost per kilowatt-hour lower than the inflation rate can be affected by security level requirements, industry changes, equipment failure, regulatory mandates, Congressional requirements, and other unforeseen requirements.

In carrying out its mission to market and deliver hydroelectric power, Southeastern performs the following collaboration activities:

- Southeastern coordinates operational activities with the Corps, the regional electric reliability councils, NERC, and its customers to provide the most efficient use of Federal assets.

Validation and Verification

To validate and verify program performance, Southeastern will conduct various internal and external reviews and audits. In addition, Southeastern's program is subject to continuing review by internal and external entities such as Congress, the General Accounting Office, the Department's Inspector General, the Federal Energy Regulatory Commission (FERC), the U.S. Environmental Protection Agency, the Office of Personnel Management, the Department of Energy, Southeastern, NERC, and the Regional Reliability Council.

Program Assessment Rating Tool (PART)

The Department implemented a tool to evaluate selected programs. PART was developed by the OMB to provide a standardized way to assess the effectiveness of the Federal Government's portfolio of programs. The structured framework of the PART provides a means through which programs can assess their activities differently than through traditional reviews.

The current focus is to establish outcome- and output-oriented goals, the successful completion of which will lead to benefits to the public, such as increased national security and energy security, and improved environmental conditions. DOE has incorporated feedback from OMB into the FY 2005 Budget Request, and the Department will take the necessary steps to continue to improve performance.

During the FY 2004 budget cycle, Southeastern participated in a program assessment with OMB using the PART. The resulting scores and findings were provided to Congress with the FY 2004 budget request. In the PART review, OMB rated Southeastern "Moderately Effective" for Results/Accountability (73) and Management (86). These scores are attributed to Southeastern meeting national electric utility standards and conducting internal management reviews. OMB provided lower scores for Program Purpose (60) and Planning (71). OMB's lower score for Program Purpose is attributed to OMB's findings that Southeastern's power marketing program is not optimally designed and does not meet all of its repayment obligations. The score for Planning reflects OMB's finding that Southeastern does not have adequate long-term goals, targets and measures, specifically efficiency measures. Recommendations for improvement directed the agency to: continue current operations and develop long term goals, measures and targets; develop and collect data on efficiency measures comparable to those used by private industry; review program and develop recommendations to improve its power marketing functions; and directed the management team to design recommendations to help the program recover its costs and fully repay its annual debt service obligations.

Southeastern's power marketing functions conform with requirements of the Flood Control Act of 1944. To address several of OMB's Program Purpose findings, a change in the legislation would be required. Annual Financial Audit and rate reviews by the Federal Energy Regulatory Commission verify that Southeastern is meeting its financial obligations. However various General Accounting Office reports have identified some areas that may be improved under existing authorizations. Southeastern is implementing modifications to improve OMB's ratings related to Planning. Southeastern is continuing

to work with OMB on long-term goals, including two efficiency goals. Associated annual targets are reflected in the “Annual Results and Targets” section of this budget request.

Significant Program Shifts

- The FY 2005 request reflects the Administration’s proposal to fund the Corps’ operation and maintenance costs allocated to the power function in Southeastern’s service area for repayment using receipts from the sale of power and related services
- The authority to use power receipts to fund the Purchase Power and Wheeling subprogram will expire at the end of FY 2004. Southeastern proposes to fund this activity through alternative financing arrangements (net billing, bill crediting and customer advances) and other operational agreements with customers.
- Southeastern fully supports the President’s Management Agenda (PMA) to become a more efficient and more effective government and embrace the “Where We’d Be Proud To Be” concept. We have integrated the principles of four PMA initiatives into our organization and are in the process of working with OMB and DOE to make performance measures more focused and useful for making management decisions. We are participating in DOE’s quarterly PMA Scorecard process and are working closely with them to demonstrate improvements being made at Southeastern.
- Southeastern revised its Strategic Plan in 2003 to address implementation of its Human Capital Plan to ensure that Southeastern retains qualified employees well into the future, despite an aging workforce. Southeastern’s plan addresses organizational alignment; succession planning; recruitment, retention and development of talented employees; and establishment of a performance culture. Southeastern has trained all General Schedule managers and supervisors on implementation of a new performance system that cascades performance expectations from Senior Executive Service performance plans. A developmental matrix for project managers is being developed that includes both experience and educational recommendations at progressive levels of project management responsibility.
- Southeastern has successfully implemented several e-Government initiatives including on-line services for training registration, automated human resource processes, including recruiting capabilities. Southeastern’s information technology network infrastructure architecture has been completed. Southeastern has established the cyber security architecture layer based upon the Federal Architecture Model. In FY 2002, Southeastern began submitting business cases for all major information technology investments.
- Beginning with FY 2003, Southeastern integrated its performance measures with its budget request, provided a five-year plan that ties the funding request to the annual performance targets and links it with that of the Department’s overall program. Southeastern also participated in OMB’s PART for the FY 2004 budget. The PART assessment presents an opportunity to improve agency GPRA plans and reports, and establishes a meaningful, systematic link between GPRA and the budget process.

Southeastern Power Administration

Funding by Site by Program

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	\$ Change	% Change
Southeastern Power Administration.....	39,040	39,070	5,200	-33,870	-86.7%
Total, Southeastern Power Administration.....	39,040	39,070	5,200	-33,870	-86.7%

Site Description

Southeastern is one of four Power Marketing Administrations within the Department of Energy. Southeastern was created in 1950 to market power and energy produced at U.S. Army Corps of Engineers hydroelectric power projects. Southeastern markets power at wholesale rates to 176 municipal utilities, 127 rural electric cooperatives, 2 investor-owned utilities, and 1 government agency, in the 11 states of Florida, Georgia, South Carolina, North Carolina, Tennessee, Alabama, Mississippi, Virginia, West Virginia, Kentucky and Illinois. Southeastern is located in Elberton, Georgia, and has no field offices.

Southeastern Power Administration

Funding Profile by Subprogram

(dollars in thousands)

	FY 2003 Comparable Appropriation	FY 2004 Original Appropriation	FY 2004 Adjustments	FY 2004 Comparable Appropriation	FY 2005 Request
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Southeastern Power Administration					
Program Direction	4,577 ^a	5,100	-30	5,070 ^b	5,200
Purchase Power and Wheeling ^c	34,463	34,000	0	34,000	0
Total Southeastern Program Level	39,040	39,100	-30	39,070	5,200
Use of Prior Year Balances	-72	0	0	0	0
Offsetting Collections	-14,463	-19,000	0	-19,000	0
Offsetting Collections Realized (P.L. 106-377)	-20,000	-15,000	0	-15,000	0
Total Budget Authority Request.....	4,505	5,100	-30	5,070	5,200

Public Law Authorizations:

- Public Law 78-534, Flood Control Act of 1944
- Public Law 95-91, DOE Organization Act of 1977, Section 302
- Public Law 101-1-1, Title III, Continuing Fund (amended 1989)
- Public Law 102-486, Energy Policy Act of 1992

Mission

Southeastern’s power marketing and wheeling activities fulfill the requirements of Section 5 of the Flood Control Act of 1944 and reflect Southeastern’s goals and objectives to market and deliver cost-based power in a safe and reliable manner while providing environmental and economic benefits to the region and repaying the Federal investment plus interest.

Benefits

Southeastern’s appropriation supports the Energy Strategic Goal of the Department’s mission by providing delivery of reliable, affordable, and environmentally sound energy. Southeastern, in conjunction with the Corps, participates in this effort by managing the power delivery from multiple purpose hydropower projects through effective marketing, and delivery of clean, safe, reliable, cost-based electric power. This Federal program provides reliable energy to the Nation, which can “cold-start” other power generation sources during energy emergencies.

^a Reflects a rescission of \$29,471 (P.L. 108-7).

^b Reflects a rescission of \$30,090 from the Consolidated (Omnibus) Appropriations Act of FY 2004.

^c The total purchase power and wheeling requirements are \$46.0 million, \$46.0 million, and \$46.9 million for FY 2003, FY 2004, and FY 2005, respectively. No Federal financing is requested in FY 2005; rather customers are encouraged to enter the market to make their own arrangements. Southeastern will continue to support those unable or unwilling through alternative financing methods including net billing and customer advances.

Southeastern's program provides numerous benefits to the nation. The significant benefits provided are:

- Operating a reliable Federal power system in the most effective, cost efficient, and environmentally sound manner while meeting national utility performance standards and balancing the diverse interests of other water resource users.
- Repaying the American taxpayers' investment in the Federal power system.
- Providing reliable delivery of power to customers.
- Being a low-cost provider of electricity in the region.
- Promoting economic growth in the region.

Program Direction

Funding Profile by Category

(dollars in thousands/whole FTEs)

	FY 2003 ^a	FY 2004 ^b	FY 2005	\$ Change	% Change
Southeastern Power Administration					
Salaries and Benefits.....	3,305	3,726	3,790	+64	+1.7%
Travel	150	150	126	-24	-16.0%
Support Services	39	68	35	-33	-48.5%
Other Related Expenses	1,083	1,126	1,249	+123	+10.9%
Subtotal, Program Direction	4,577	5,070	5,200	+130	+2.6%
Use of Prior Year Balances	-72	0	0	0	0.0%
Total, Program Direction	4,505	5,070	5,200	+130	+2.6%
Full Time Equivalents	42	42	42	0	+0.0%

Mission

Program direction provides the Federal staffing resources and associated expenses required to provide overall direction and execution of Southeastern's program. Southeastern coordinates and cooperates with its partners to operate projects in a manner that enhances the value and reliability of hydropower. Priority is given to integrating environmental concerns and determinations into program actions. Emerging energy efficiency technologies are integrated with marketing strategies and programs.

As stated in the Departmental Strategic Plan, DOE's Strategic and General Goals will be accomplished not only through the efforts of the major program offices in the Department but with additional effort from offices which support the programs in carrying out the mission. Southeastern Power Administration performs critical functions that directly support the mission of the Department. These functions include: marketing and delivering hydroelectric power generated at Federal hydroelectric projects in the southeast; and promoting energy efficiency and development of renewable energy among cooperative and municipal utility customers.

^a Reflects a rescission of \$29,471 (P.L. 108-7).

^b Reflects a rescission of \$30,090 from the Consolidated (Omnibus) Appropriations Act of FY 2004.

Detailed Justification

(dollars in thousands)

FY 2003	FY 2004	FY 2005
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Salaries and Benefits..... 3,305 3,726 3,790

Funding supports salaries and benefits for 42 Federal employees who market the Federal hydropower and provide administrative support. The salary estimate is derived from the current year budgeted salaries, plus cost-of-living adjustments, promotions, within grade increases, awards, retirement payouts for unused leave and overtime. Benefits are calculated based on a percentage of prior year actuals as applied against FY 2005 calculated salaries. The funding provides for negotiation, preparation, execution, and administration of all contracts for the disposition of electric power, and ensures continuity of electric service to customers. The funding covers Federal employees who schedule pumping energy and coordinate between the providers of the pumping energy and the project and account for all transactions relative to pumping operations of the Carters and Richard B. Russell Projects. Southeastern performs control area services for Hartwell, Russell and Thurmond Projects and coordinates power operations of projects with all parties making determinations of capacity and energy availability weekly. Performance is measured by the System Reliability Performance Indicators that provide control area compliance ratings. Southeastern's goal is to meet or exceed the control performance standards 1 and 2 of the National Electric Reliability Council. The funding provides billing, collection, and payment functions for approximately 300 contracts that benefit more than 500 preference customers. Southeastern also executes budget, accounting and financial management activities, prepares repayment analyses of each system to determine rates and issue a rate presentation as needed. Southeastern's performance is measured by comparing planned and actual repayment of principal on power investment. Funding also covers continuing engineering studies, the review of project operations and evaluation of impacts of proposed or actual changes to project operations. Funding also supports Information Management and Homeland Security initiatives.

Travel..... 150 150 126

The estimate provides transportation and per diem expenses incurred for participation in development of a regional transmission organization, contract negotiations, preference customer meetings, rate forums, hearings, and meetings, Congressional hearings, site visits of existing and new projects, Competitive Resource Strategy meetings, operations meetings with industry self-regulating groups which include Southeastern Electric Reliability Council (SERC), Virginia Carolina Electric Reliability Group (VACAR), Florida Reliability Coordinating Council & NERC, hydropower task force meetings with the Corps, Customer, and SEPA Working Group (C2SWG), National Environmental Policy Act (NEPA) activities, training, Power Marketing Policy Forums, national and state customer meetings with the National Rural Electric Cooperative Association (NRECA), the American Public Power Association (APPA), Southeastern Federal Power Customers O&M Subcommittee meetings, Interagency Task Force on Finance, Technical Advisory Group meetings, FERC pre-filings and hearings, and headquarters responsibilities.

Support Services..... 39 68 35

Continue Competitive Resource Strategies Program, which supports preference customer efforts to address energy efficiency issues, and promote development of renewable resources to support the President's National Energy Policy. Develop specification of training programs, prepare program plans, conduct training, and review and evaluate contractors.

(dollars in thousands)

FY 2003	FY 2004	FY 2005
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Other Related Expenses1,083 1,126 1,249

Provide administrative support for the office, rent, communications, maintenance, contract services (library services, support for DOE Power Marketing Liaison Office, independent audit of the Southeastern Federal Power Program financial statements), supplies, materials, and equipment and support for various initiatives associated with Homeland Security^b. Supports installation of various electronic hardware and software for the operations center and provides maintenance to integrate real-time data from the control area and provides the data to other transmission operators in the Regional Transmission Organization (RTO) as well as NERC. This equipment will support additional NERC data requirements that may be implemented in light of the August 2003 blackout in the mid-west and northeast U.S. This system is a resource intensive application that requires maintenance of interconnected fiber optic communication lines for the Supervisory Control and Data Acquisition (SCADA) system. Also reflects expenses associated with infrastructure support: telecommunications equipment, accounting system maintenance, building and computer security equipment, computer hardware and software, and office equipment and financial management system (Oracle). This funding allows the agency to fulfill its obligations under General Goal 4, guard against energy emergencies.

Total, Southeastern Power Administration	4,577	5,070	5,200
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Explanation of Funding Changes

FY 2005 vs. FY 2004 (\$000)

Salaries and Benefits

- Escalation of cost of living adjustments +64

Travel

- Decrease in funds allocated for travel..... -24

Support Services

- Decrease in funds allocated for energy efficiency and renewable energy education and training..... -33

Other Related Expenses

- Increase in rent to GSA. +11
- Rent to others for emergency site (previously charged to contract services). +7
- Audit expense increase due to inflation. +15
- Communications increase is due to dedicated service lines to generating projects..... +79
- Printing and reproduction expenses unchanged..... 0

^b Includes approximately \$12,000 for Safeguards and Security expenditures associated with Homeland Security primarily associated with cyber security, property and personnel security.

▪ Decrease in funds allocated for operator licenses.....	-22
▪ Maintenance agreements increase due to Oracle accounting system maintenance and control center SCADA system.....	+25
▪ Supplies and materials increase.....	+33
▪ Contract services increase to reflect inclusion of reliability council memberships and DOE Power Marketing Liaison Office	+121
▪ Equipment expenses decrease	-173
▪ Working Capital Fund increase.....	+27
Subtotal, Other Related Expenses	<u>+123</u>
Total Funding Change, Program Direction.....	<u>+130</u>

Support Services

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	\$ Change	% Change
Technical Support Services					
Energy Efficiency, Competitiveness and Renewable Energy Workshops	39	68	35	-33	-48.5%
Total, Technical Support Services	<u>39</u>	<u>68</u>	<u>35</u>	<u>-33</u>	<u>-48.5%</u>

Other Related Expenses

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	\$ Change	% Change
Other Related Expenses					
Rent to GSA.....	312	314	325	+11	+3.5%
Rent to Others	0	0	7	+7	+100.0%
Audit of Financial Statements.....	114	115	130	+15	+13.0%
Communications, Utilities, Misc.	41	10	89	+79	+790.0%
Printing and Reproduction	6	6	6	0	0.0%
Tuition.....	27	33	11	-22	-66.7%
Maintenance Agreements	201	201	226	+25	+12.4%
Supplies and Materials.....	87	6	39	+33	+550.0%
Contract Services	190	250	371	+121	+48.4%
Equipment	105	191	18	-173	-90.6%
Working Capital Fund	0	0	27	+27	+100.0%
Total, Other Related Expenses	<u>1,083</u>	<u>1,126</u>	<u>1,249</u>	<u>+123</u>	<u>+10.9%</u>

Purchase Power and Wheeling

Funding Profile by Activity

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	\$ Change	% Change
Purchase Power and Wheeling					
Purchase Power.....	13,800	12,800	12,000	-800	-6.3%
Wheeling.....	32,239	33,200	34,900	+1,700	+5.1%
Subtotal, Purchase Power and Wheeling.....	46,039	46,000	46,900	+900	+2.0%
Alternative Financing					
Customer Advances	0	0	-32,700	-32,700	-100.0%
Net Billing.....	-11,576	-12,000	-14,200	-2,200	-18.3%
Subtotal, Alternative Financing.....	-11,576	-12,000	-46,900	-34,900	-290.8%
Subtotal, Purchase Power and Wheeling.....	34,463	34,000	0	-34,000	-100.0%
Offsetting Collections Realized.....	-34,463	-34,000	0	+34,000	+100.0%
Total, Purchase Power and Wheeling Budget Authority	0	0	0	0	+0.0%

Mission

Purchase Power and wheeling provides funding to acquire transmission access, ancillary services and electricity for the Richard B. Russell and Carters Pumping Generators. Transmission expenses are based on contracts Southeastern maintains with area transmission providers connected to the projects. These transmission providers agree to deliver specified amounts of Federal power to customers of the Government, and Southeastern agrees to compensate the utility for the transmission services performed. Purchase power costs are estimated based on expected costs. Southeastern maintains a Continuing Fund that is used to finance power purchases under emergency conditions that include, but are not limited to, adverse water conditions and unplanned generation outages.

The FY 2005 request uses customer advances and net billing to pay for purchase power and wheeling expenses. No Federal appropriations will be required to fund purchase power and wheeling expenses in FY 2005 and subsequent years. The phase-out assumes that customers, acting independently or in partnerships, will acquire replacement power and transmission services directly from suppliers. Southeastern will continue to assist their customers in arranging the funding of these activities through alternative financing mechanisms as needed.

Detailed Program Justification

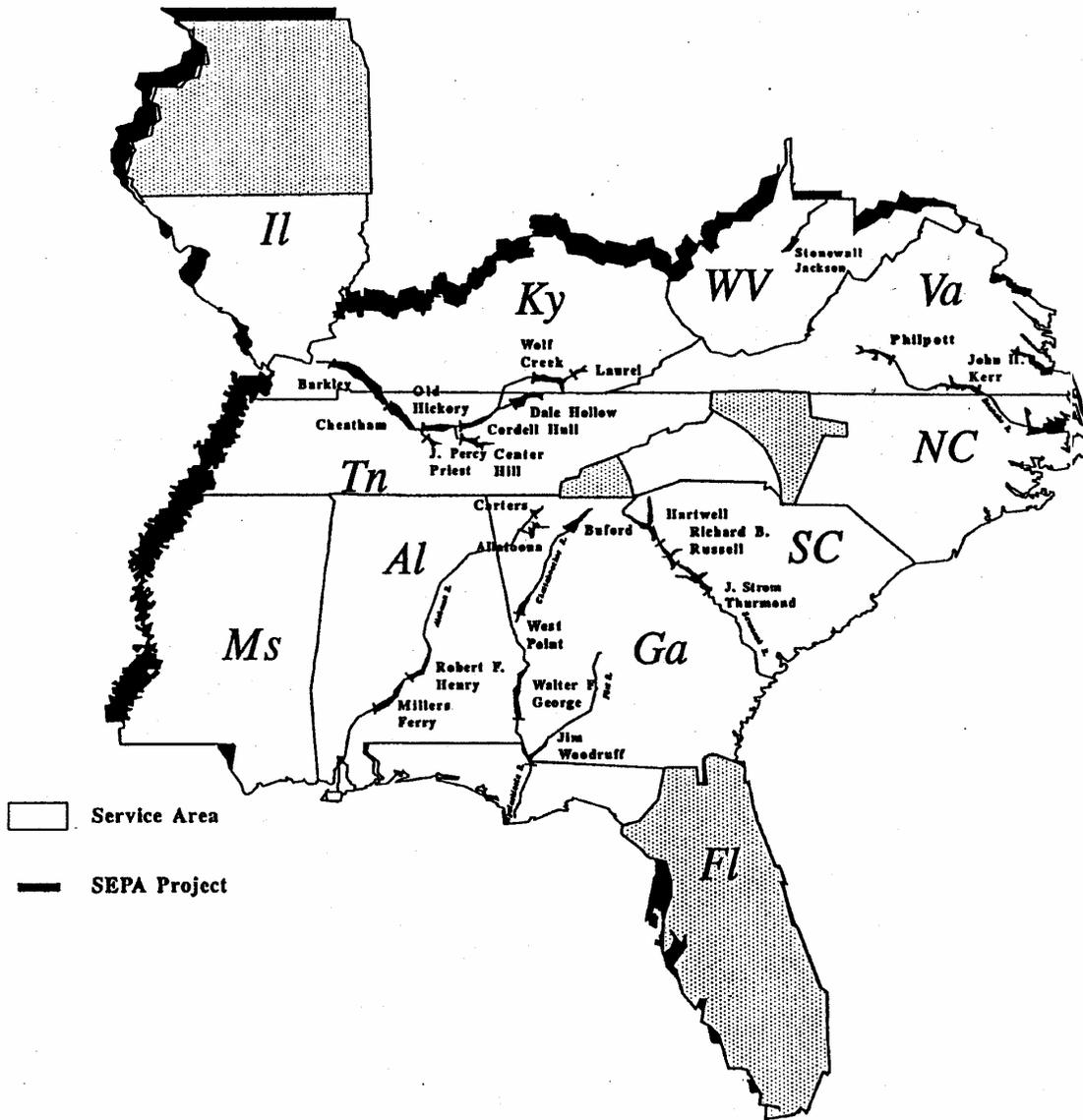
(dollars in thousands)

	FY 2003	FY 2004	FY 2005
Purchase Power	13,800	12,800	12,000
▪ Pumping: Russell Project..... Purchase of energy to pump water into the Richard B. Russell Project for later release.	8,000	8,000	8,000
▪ Pumping: Carters Project..... Purchase of energy to pump water into the Carters Project for later release.	4,000	4,000	4,000
▪ Default power Purchase of default power to firm up ancillary service contractual obligations.	1,000	0	0
▪ Support Jim Woodruff Project..... Purchase of energy during periods of adverse water conditions.	800	800	0
Wheeling	32,239	33,200	34,900
▪ Wheeling service charges Wheeling service charges for delivery of power over non-Federal systems.	27,811	28,772	30,136
▪ Ancillary Services..... Payment for ancillary services.	4,428	4,428	4,764
Total, Purchased Power and Wheeling	46,039	46,000	46,900

Explanation of Funding Changes

	FY 2005 vs. FY 2004 (\$000)
Purchase Power	
▪ Default power will be acquired by activating the Continuing Fund.....	0
Wheeling	
▪ Southern Company rate increase and delivery of increased capacity at the Russell project.....	+900
Total Funding Change, Purchase Power and Wheeling	+900

Service Area Map



Revenue and Receipts

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Southeastern Power Administration							
Gross Revenues ^{a b}	196,679	222,825	230,693	232,018	233,505	234,556	235,660
Less:							
Continuing Fund.....	0	0	0	0	0	0	0
Use of Offsetting Collections to fund PPW	-27,697	-34,000	0	0	0	0	0
Use of Customer Advances to fund PPW	0	0	-32,700	-32,891	-33,102	-33,251	-33,407
Direct Funding Corps Hydropower O&M	0	0	-59,500	-69,000	-74,000	-76,000	-79,000
Net Billing Amount Credited as an Offsetting Receipt	-11,576	-12,000	-14,200	-14,417	-14,649	-14,892	-15,147
Total Proprietary Receipts.....	157,406	176,825	124,293	115,710	111,754	110,413	108,106
Percent of Sales to Preference Customers	99%	99%	99%	99%	99%	99%	99%
Energy Sales and Power Marketed (in billions of kilowatt hours).....	9	8	8	8	8	8	8

^a Gross revenue in FY 2003, including allocated revenue from Corps and Headwater Benefits, was \$211,806,789.

^b Russell units on line in FY 2003, rate increase goes into effect in FY 2004.

System Statistics

	FY 2003 Actual	FY 2004 Estimate	FY 2005 Estimate
<u>Generating Capacity:</u>			
Nameplate Capacity (KW).....	3,392,675	3,392,675	3,392,675
Peak Capacity (KW) ^a	3,710,000	3,710,000	3,710,000
<u>Generating Stations</u>			
Generating Projects (Number).....	23	23	23
<u>Available Energy</u>			
Energy from Streamflow (MWH).....	9,081,098	7,459,272	7,459,272
Energy generated from Pumping (MWH).....	236,500	427,128	427,128
Energy Purchased for Replacement.....	29,611	75,000	75,000
Total, Energy available for marketing ^b	9,347,209	7,961,400	7,961,400

^a Southeastern markets capacity based on nameplate plus an overload factor. NERC requires that Southeastern keep a portion of the capacity in reserve for emergency purposes and to cover losses.

^b Gross amount. Transmission losses of approximately 10 percent are deducted from this amount to estimate the amount of energy marketed.

Power Marketed, Wheeled, or Exchanged by Project

Project	State	Plants	Installed Capacity (KW)	FY 2003 Actual (GWH)	FY 2004 Estimated Power (GWH)	FY 2005 Estimated Power (GWH)
<u>Kerr-Philpott System</u>				888.4*	463*	463*
John H. Kerr.....	VA-NC	1	204,000			
Philpott.....	VA	1	14,000			
<u>Georgia-Alabama-South Carolina System</u>				4,013.8*	4,059*	4,059*
Allatoona.....	GA	1	74,000			
Buford.....	GA	1	86,000			
Carters.....	GA	1	500,000			
J. Strom Thurmond.....	GA-SC	1	280,000			
Walter F. George.....	GA-AL	1	130,000			
Hartwell.....	GA-SC	1	344,000			
R. F. Henry.....	AL	1	68,000			
Millers Ferry.....	AL	1	75,000			
West Point.....	GA-AL	1	73,375			
Richard B. Russell.....	GA-SC	1	600,000			
<u>Jim Woodruff Project</u>				223	237	237
	FL-GA	1	30,000			
<u>Cumberland System</u>				4,192*	3,127*	3,127*
Barkley.....	KY	1	130,000			
Center Hill.....	TN	1	135,000			
Cheatham.....	TN	1	36,000			
Cordell Hull.....	TN	1	100,000			
Dale Hollow.....	TN	1	54,000			
Old Hickory.....	TN	1	100,000			
J. Percy Priest.....	TN	1	28,000			
Wolf Creek.....	TN	1	270,000			
Laurel.....	TN	1	61,000			
<u>Stonewall Jackson Project</u>				1	1	1
	WV	1	300			
TOTAL POWER MARKETED			23 3,392,675	9,318.2	7,887	7,887

* Projects are integrated hydraulically, electrically, and financially for marketing purposes.

Pending Litigation

In *Central Electric Power Cooperative, Inc., et al. vs. Southeastern Power Administration, et al.*, No. 3-91-2449-0 (D.C.S.C.; filed August 15, 1991), six customers in South Carolina filed suit against Southeastern in U.S. District Court requesting the court to declare illegal Southeastern's energy surcharge contained in its 1990 approved rates for the Georgia-Alabama-South Carolina System, as applied to these customers. These six customers (five cooperatives and the South Carolina Public Service Authority) have declined to participate in a voluntary, short-term rate increase during 1989, while 168 other customers in the system participated in the voluntary rate increase earlier than allowed by their contracts. The short-term rate change was required to offset the effects of extensive droughts in the southeast and escalating Corps operation and maintenance costs. The energy surcharge contained in those rates was used to collect the portion of the costs not recovered from these six customers, and the costs were fully collected by September 1993.

A ruling was made by the District Court on October 17, 2001. In its judgment the District Court found for the customers and ordered a refund in the amount of \$3,544,316 be made. After this judgment was issued, the customers petitioned the District Court to clarify certain elements, including the award of pre-judgment interest on the amount of the refund. The District Court ruled on the petition and issued a final order. Appeals were filed by the Plaintiffs and by the Department of Justice on behalf of Southeastern and the United States on September 5 and September 9, 2002, respectively. A hearing was held on June 5, 2003 in Richmond, VA. In a decision dated July 29, 2003, the Fourth Circuit Court of Appeals ruled in favor of Southeastern. The court held that Southeastern was not arbitrary and capricious when it imposed an energy surcharge on Central Electric Power Cooperative and the other appellees.

Alternative Financing

<u>2003</u>	Transmission	Purchase Power	Offsetting Collections	Net Billing	Appropriated Funds
Jim Woodruff System.....	0	800	-600	-200	0
Kerr-Philpott System	4,795	0	-4,795	0	0
GA-AL-SC System.....	17,646	13,000	-26,676	-3,970	0
Cumberland System	9,798	0	-2,392	-7,406	0
	32,239	13,800	-34,463	-11,576	0

<u>2004</u>	Transmission	Purchase Power	Offsetting Collections	Net Billing	Appropriated Funds
Jim Woodruff System.....	264	800	-600	-464	0
Kerr-Philpott System.....	4,716	0	-4,716	0	0
GA-AL-SC System.....	20,081	12,000	-27,951	-4,130	0
Cumberland System	8,139	0	-733	-7,406	0
	33,200	12,800	-34,000	-12,000	0

<u>2005</u>	Transmission	Purchase Power	Customer Advances (Alternative Financing)	Net Billing	Appropriated Funds
Jim Woodruff System.....	264	0	0	-264	0
Kerr-Philpott System.....	4,716	0	-4,716		0
GA-AL-SC System.....	20,130	12,000	-27,781	-4,349	0
Cumberland System	9,790	0	-203	-9,587	0
	34,900	12,000	-32,700	-14,200	0