

# **Southwestern Power Administration**

# Southwestern Power Administration

## Proposed Appropriation Language

For necessary expenses of operation and maintenance of power transmission facilities and of marketing electric power and energy, for construction and acquisition of transmission lines, substations and appurtenant facilities, and for administrative expenses, including official reception and representation expenses in an amount not to exceed \$1,500 in carrying out the provisions of section 5 of the Flood Control Act of 1944 (16 U.S.C. 825s), as applied to the southwestern power area, [\$28,600,000] \$29,352,000, to remain available until expended[: *Provided*, That, notwithstanding the provisions of 31 U.S.C. 3302, up to \$1,512,000 collected by the Southwestern 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; in addition, notwithstanding 31 U.S.C. 3302, beginning in fiscal year 2004 and thereafter, such funds as are received by the Southwestern Power Administration from any State, municipality, corporation, association, firm, district, or individual as advance payment for work that is associated with Southwestern's transmission facilities, consistent with that authorized in section 5 of the Flood Control Act, shall be credited to this account and be available until expended].

## Explanation of Change

The only change from the language proposed in FY 2004 is to the proposed funding level.



# Southwestern 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
Southwestern Power Administration <sup>a</sup>					
Operation and Maintenance (O&M).....	29,400	30,400	-169	30,231	29,352
Subtotal, Southwestern Power Administration.....	29,400 <sup>b</sup>	30,400	-169	30,231 <sup>c</sup>	29,352
Use of Prior Year Balances .....	-400	0	0	0	0
Offsetting Collections .....	-1,512	-1,512	0	-1,512	0
Offsetting Collections (P.L. 106-377) .....	-288	-288	0	-288	0
Total, Southwestern Power Administration.....	27,200	28,600	-169	28,431	29,352

## Preface

As the Nation moves forward to strengthen its national and economic security, the Department of Energy (DOE) leads this critical effort promoting a diverse supply and delivery of reliable, affordable, and environmentally sound energy. Southwestern Power Administration (Southwestern) exists to meet its public responsibilities, consistent with the Flood Control Act of 1944, to market and reliably deliver Federal power, recover power costs, and repay the Federal investment consistent with sound business principals, giving preference to public bodies and cooperatives while encouraging the most widespread use of power.

Within Southwestern's appropriation, there is one program: Operation and Maintenance (four 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 and 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.

<sup>a</sup> Southwestern's budget request is based on average power generation under normal operating conditions. The Continuing Fund presently codified at 16 U.S.C. 825s-1, as amended by Public Law No. 101-101, will continue to be used to defray emergency expenses to ensure continuity of electric service and continuous operation of the facilities.

<sup>b</sup> Reflects a total rescission of \$177,957 (Operations and Maintenance, \$24,434; Construction, \$38,637; Program Direction, \$114,886) (P.L. 108-7).

<sup>c</sup> Reflects a total rescission of \$168,740 (Operations and Maintenance, \$27,512; Construction, \$27,918; Program Direction, \$113,310) from the Consolidated (Omnibus) Appropriations Bill for FY 2004.

## 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 yrs) – General Goal (10-15 yrs) – Program Goal (GPRA Unit) (10-15 yrs)

To provide a concrete link between budget, performance, and reporting, the Department developed a "GPRA<sup>a</sup> 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 Program Assessment Rating Tool (PART). A unique program goal was developed for each GPRA unit. A numbering scheme has been established for tracking performance and reporting.<sup>b</sup>

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.

## Mission

Southwestern's mission is to market and reliably deliver Federal hydroelectric power with preference to public bodies and cooperatives. This is accomplished by maximizing the use of Federal assets to repay the Federal investment while balancing power needs with the diverse interests of other water resource users, and implementing public policy.

## Benefits

The Southwestern appropriation supports the Energy Strategic Goal of the Department's mission by providing delivery of reliable, affordable, and environmentally sound energy. Southwestern, in conjunction with the U. S. Army Corps of Engineers (Corps), participates in this effort by managing the multipurpose operation of the Federal hydropower system to enable effective marketing, generation, and delivery of clean, reliable, cost-based electric power. This Federal program provides reliable energy to the Nation and provides reliable off-site power to help restore other power generation sources during energy emergencies.

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<sup>a</sup> Government Performance and Results Act of 1993.

<sup>b</sup> The numbering scheme uses the following numbering convention: First 2 digits identify the General Goal 4; second two digits identify the GPRA Unit; last four digits are reserved for future use.

Southwestern's program provides the Nation numerous benefits. 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' investments 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.

## **Strategic Goals**

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 Southwestern Power Administration appropriation supports the following goal:

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 improvement in our mix of energy options, and improving energy efficiency.

The subprograms funded within the Southwestern Power Administration appropriation have one Program Goal that contributes to the General Goal in the "goal cascade". This goal is:

Program Goal 04.52.00.00: Market and Deliver Federal Power: Customers benefit from Federal power by purchasing and receiving low cost, reliable electricity from Federal multipurpose hydroelectric dams at cost-based rates that produce revenues sufficient to repay all power costs to the American taxpayers.

## **Contribution to General Goal**

Through four subprograms (Operations and Maintenance, Purchased Power and Wheeling, Construction, and Program Direction) and Federal and non-Federal reimbursable authority, Southwestern contributes to the Energy Security goal by marketing and delivering all available hydroelectric power from Corps dams while balancing power needs with the diverse interests of other water resource users; operating and maintaining a Federal power system in an effective and cost efficient manner to assure reliability; and, maximizing the use of Federal assets to repay the investment (principal and interest), as well as operation and maintenance costs of the Southwestern Federal power system 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 04.52.00.00,					
Southwestern Power Administration .....	29,400.	30,231	29,352	-879	-3.0%
Subtotal, General Goal 4 .....	29,400 <sup>a</sup>	30,231 <sup>b</sup>	29,352	-879	-3.0%
Use of Prior Year Balances .....	-400	0	0	0	0%
Offsetting Collections .....	-1,512	-1,512	0	+1,512	+100.0%
Offsetting Collections (P.L. 106-377) .....	-288	-288	0	+288	+100.0%
Total, General Goal 4.....	27,200	28,431	29,352	+921	+3.2%

<sup>a</sup> Reflects a total rescission of \$177,957 (Operations and Maintenance, \$24,434; Construction, \$38,637; Program Direction, \$114,886) (P.L. 108-7).

<sup>b</sup> Reflects a total rescission of \$168,740 (Operations and Maintenance, \$27,512; Construction, \$27,918; Program Direction, \$113,310) from the Consolidated (Omnibus) Appropriations Bill for 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
Southwestern Power Administration, Operation and Maintenance					
<p>Attain average North American Electric Reliability Council (NERC) compliance ratings of 100 or higher for Control Performance Standard 1, and 90 or above for Control Performance Standard 2. (ER9-1)</p> <p>Actual:</p> <p>CPS 1: 195.2 CPS 2: 99.8</p>	<p>Attain average NERC compliance ratings of 100 or higher for Control Performance Standard 1, and 90 or above for Control Performance Standard 2. (ER2-5)</p> <p>Actual:</p> <p>CPS 1: 188.3 CPS 2: 99.6</p>	<p>Attain average NERC compliance ratings of 100 or higher for Control Performance Standard 1, and 90 or above for Control Performance Standard 2. (ER9-1)</p> <p>Actual:</p> <p>CPS 1: 192.8 CPS 2: 99.8</p>	<p>Attain average NERC compliance ratings of 100 or higher for Control Performance Standard 1, and 90 or above for Control Performance Standard 2. (PMA9-2a)</p> <p>Actual:</p> <p>CPS 1: 187.3 CPS 2: 99.5</p>	<p>Attain average NERC compliance ratings of 100 or higher for Control Performance Standard 1, and 90 or above for Control Performance Standard 2. (ER9-3)</p>	<p>Attain average NERC compliance ratings for the following NERC Control Performance Standards (CPS) measuring the balance between power generation and load, including support for system frequency: 1) CPS1, which measures generation/load balance on one minute intervals (rating <math>\geq 100</math>); and 2) CPS2, which limits any imbalance magnitude to acceptable levels (rating <math>\geq 90</math>).</p>
<p>Meet planned annual repayment of principal on Federal power investment. (ER9-2)</p> <p>Actual: \$6.8 million</p>	<p>Meet planned annual repayment of principal on Federal power investment. (ER2-5)</p> <p>Actual: \$19.9 million</p>	<p>Meet planned annual repayment of principal on Federal power investment. (ER9-1)</p> <p>Actual: \$39.3 million</p>	<p>Meet planned annual repayment of principal on Federal power investment. (PMA9-2b)</p> <p>Actual: Year-end Results not available.</p>	<p>Meet planned annual repayment of principal on Federal power investment. (ER9-3)</p>	<p>Repay 1.0% on the Federal investment each year.</p>
<p>Achieve a recordable accident frequency rate for recordable injuries per 200,000 hours worked of not greater than 3.3, or the Bureau of Labor Statistics' industry rate, whichever is lower. (ER9-3)</p> <p>Actual: 0 recordable injuries per 200,000 hours worked.</p>	<p>Achieve a recordable accident frequency rate for recordable injuries per 200,000 hours worked of not greater than 3.3, or the Bureau of Labor Statistics' industry rate, whichever is lower. (ER2-5)</p> <p>Actual: 3.1 recordable injuries per 200,000 hours worked.</p>	<p>Achieve a recordable accident frequency rate for recordable injuries per 200,000 hours worked of not greater than 3.3, or the Bureau of Labor Statistics' industry rate, whichever is lower. (ER9-1)</p> <p>Actual: 5.5 recordable injuries per 200,000 hours worked.</p>	<p>Achieve a recordable accident frequency rate for recordable injuries per 200,000 hours worked of not greater than 3.3, or the Bureau of Labor Statistics' industry rate, whichever is lower. (PMA9-2c)</p> <p>Actual: 1.3 recordable injuries per 200,000 hours worked.</p>	<p>Achieve a recordable accident frequency rate for recordable injuries per 200,000 hours worked of not greater than 5.3, or the Bureau of Labor Statistics' industry rate, whichever is lower. (ER9-3)</p> <p>Repayment of Federal Power Investment: Repay the Federal investment within the required repayment period. (ER9-3)</p> <p>System Reliability Performance: Achieve a System Average Interruption Duration Index (SAIDI) of not more than 150 minutes of total preventable outages per year. (ER9-3)</p>	<p>Provide \$488 million in economic benefits to the region from the sale of hydroelectric power (under average water conditions).</p> <p>Incur no more than 3 preventable transmission outages per year.</p> <p>Limit increases in average annual operating cost per kilowatt-hour to the average annual inflation rate.</p>

\* The FY 2005 Annual Performance Targets are placeholders.

## Means and Strategies

Southwestern 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.

Southwestern will implement the following means:

- Perform replacements on transmission, communication, and control system equipment to assure power system reliability.
- Operate the Federal power system effectively and efficiently by providing training and certification to update workforce skills and using up-to-date power system technology.
- Assure power rates are sufficient to repay the Federal investment by conducting annual power repayment studies.
- Conduct business process reviews to maximize efficiency and eliminate redundancy.
- Provide economic benefits to the region by marketing and delivering all available hydropower.

Southwestern will implement the following strategies:

- Meet increasing demands for electric power by funding the Corps' power related operation and maintenance costs in Southwestern's service area from receipts derived from the sale of Federal power.
- Maintain Southwestern's power system through appropriations, net billing, bill crediting, and reimbursable authority (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 power system, facilities, and information technology (IT) systems.
- Address changes in the electric utility industry, technology, and workload by moving administrative and indirect positions to direct ("front line") positions as opportunities arise.
- 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 Southwestern'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, Southwestern performs the following collaboration activities:

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

## **Validation and Verification**

To validate and verify program performance, Southwestern will conduct various internal and external reviews and audits. In addition, Southwestern's program is subject to continuing review by internal and external entities such as Congress, the General Accounting Office (GAO), 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, Southwestern, 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 Office of Management and Budget (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.

Southwestern participated in the PART during the FY 2004 budget cycle. OMB gave Southwestern an overall "Moderately Effective" rating. Southwestern received comparatively high scores for Planning and Management, which were attributed to Southwestern meeting national electric utility standards, conducting internal management reviews, and having a well-developed and reviewed transmission replacement program. OMB provided lower scores for Program Purpose and Results/Accountability. OMB's lower score for Program Purpose was based on OMB's view that Southwestern's power marketing program is not optimally designed and does not meet all of its financial obligations. The score for Results/Accountability reflected OMB's view that Southwestern had "inadequate long- and short-term goals, measures and targets, particularly efficiency measures."

Southwestern's power marketing functions conform with requirements of the Flood Control Act of 1944. In order to address several of OMB's Program Purpose views, authorizing legislation would be required to change the eligibility criteria for receipt of Federal hydropower. In addition, rate sufficiency reviews by FERC and the annual financial audit demonstrate that Southwestern is meeting its mandated financial obligations. However, the GAO has identified other areas that can be improved under existing authorizations of which several areas have been addressed. Southwestern will continue to pursue its legal mandate in regard to marketing of Federal power, customer preference, cost recovery, and widespread use of power. Southwestern has developed new performance goals, including one efficiency goal, reflected in the "Annual Results and Targets" section of this budget request, thereby making a stronger link between the goals and Southwestern's funding request. Southwestern continues to work with OMB towards finalizing these goals.

## Significant Program Shifts

- The FY 2005 request reflects the Administration's proposal to fund the U.S. Army Corps of Engineers' (Corps) hydropower operation and maintenance costs in Southwestern's service area from receipts derived by Southwestern from the sale of Federal power and related services.
- The authority to use power receipts to fund the Purchased Power and Wheeling subprogram will expire at the end of FY 2004. Southwestern proposes to fund this program through alternative financing arrangements [net billing, bill crediting, and reimbursable authority (customer advances)] and other operational arrangements with customers.
- Southwestern has integrated the principles of the President's Management Agenda into its operations to be more effective and cost efficient. Improvements have been made in each of the five initiatives as described below. Southwestern is participating in the DOE Quarterly President's Management Agenda Scorecard to track progress toward meeting rating requirements.
  - **Human Capital Initiative:** Consistent with Southwestern's updated Workforce Restructuring Plan, Southwestern utilizes retention pay, recruitment bonuses, and advance in-hire rates to maintain and improve staffing for critical and difficult to fill positions. The Southwestern Leadership Enhancement Program, cross-training assignments, mentoring, and the Employee Development Program are utilized to promote succession planning and are included in the Southwestern Management Succession Plan. Southwestern has provided significant training in contract administration, performance management, and Microsoft Word and Excel. Emphasis is continuing to be placed on e-Government by utilizing the Employee Self-Service and the Corporate Human Resources Information Management System Paperless Personnel Processing System. Southwestern has implemented the process of "cascading" the Administrator's performance measures down to all managers and supervisors, thereby, linking pay and performance. Plans are being finalized to link non-supervisors to this process. Achievement Improvement and Measurement Awards are used to encourage productivity through specific performance measures resulting in ongoing program improvement. Southwestern has developed a Business Vision and has submitted it to DOE.
  - **Competitive Sourcing:** Competitive Sourcing is being utilized by Southwestern in the areas of Information Technology, Financial Management, Engineering and Drafting, Administrative Support, and Right-of-Way Clearing. Southwestern submitted the Federal Activities Inventory Reform Act information to DOE in April 2002 and May 2003. Southwestern is currently exempt from the A-76 process.
  - **Expanding E-Government:** Southwestern is implementing this initiative by meeting the requirements of OMB Circular A-11; by participating in the Federal Enterprise Architecture (FEA); and, by participating in the Department's E-Government projects. Southwestern has submitted the annual Federal Information Security Management Act report. Three IT employees commenced training to attain Level I Project Management certification. Work is in progress and on schedule to complete the certification and accreditation of our major systems in FY 2004. Southwestern has completed both the Business Reference Model and the Application Layer in support of the FEA and has participated in the Department's I-Manage, Innovative Department of Energy E-Government Applications Initiative, and the Extended Common Integrated Technology Environment Initiative. Southwestern has an up-to-date Cyber Security Program Plan that has prevented a cyber security compromise, and all users of Southwestern's IT resources receive annual cyber security training.

- **Improved Financial Performance:** Southwestern is consistently improving financial performance as evidenced by the fact that Oracle financial software meets the requirements prescribed by the Joint Financial Management Improvement Program. This system provides real-time, on-line complete budgetary and financial data. Southwestern met the OMB prescribed year-end accelerated reporting guidelines, the Finance and Accounting Centralized Trial Balance Statements submissions, and received an “Unqualified Opinion” from the Independent Auditors. The Federal Managers’ Financial Integrity Act required no corrective actions. Southwestern’s Administrator performed an annual Management Control and Financial Management System Review and submitted an Assurance Memorandum to the Secretary of Energy. Southwestern implemented the Defense Financial Accounting System for time and attendance, and is in the process of upgrading Oracle financials software to Version 11i.
- **Budget and Performance Integration:** Southwestern’s Budget is linked to the Department’s Energy Strategic Goal and General Goal 4, Energy Security. Southwestern’s Budget is also linked to its program goals. As a result of OMB’s PART findings, Southwestern developed new program goals. Southwestern is currently working with OMB to refine these goals, which are reflected for FY 2005 in the “Annual Performance Results and Targets” section.



# Southwestern Power Administration

## Funding by Site by Program

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	\$ Change	% Change
Southwestern Power Administration.....	29,400	30,231	29,352	-879	-3.0%
Total, Southwestern Power Administration .....	29,400	30,231	29,352	-879	-3.0%

## Site Description

An Agency of the Department of Energy, Southwestern Power Administration (Southwestern) was created in 1943 to market and deliver power and energy produced at U.S. Army Corps of Engineers (Corps) hydroelectric power projects. Southwestern markets and delivers power at wholesale rates to 78 municipal utilities, 22 rural electric cooperatives, and three government entities in the six states of Arkansas, Kansas, Louisiana, Missouri, Oklahoma, and Texas. In order to integrate the operation of the Federal hydroelectric generating plants and to transmit power from 24 multi-purpose Corps dams to customers, Southwestern operates and maintains 1,380 miles of high-voltage transmission line, 24 substations, and 47 microwave and very high frequency radio sites. Southwestern operates from four locations. The Headquarters is located in Tulsa, Oklahoma and the Dispatch Center is located in Springfield, Missouri. The maintenance crews are located in Jonesboro, Arkansas; Gore, Oklahoma; and Springfield, Missouri.



# Operation and Maintenance

## 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
Operation and Maintenance					
Operations and Maintenance.....	3,790	4,663	-28	4,635	4,676
Purchased Power and Wheeling <sup>a</sup> .....	1,800	1,800	0	1,800	0
Construction.....	5,992	4,732	-28	4,704	5,352
Program Direction.....	17,818	19,205	-113	19,092	19,324
Subtotal, Operation and Maintenance.....	29,400 <sup>b</sup>	30,400	-169	30,231 <sup>c</sup>	29,352
Use of Prior-Year Balances.....	-400	0	0	0	0
Offsetting Collections, PPW.....	-1,512	-1,512	0	-1,512	0
Offsetting Collections, PPW (P.L. 106-377).....	-288	-288	0	-288	0
Total, Operation and Maintenance.....	27,200	28,600	-169	28,431	29,352

### Public Law Authorizations:

Public Law 78-534, Section 5, Flood Control Act of 1944  
 Public Law 95-91, Section 302, DOE Organization Act of 1977  
 Public Law 102-486, Section 721, Energy Policy Act of 1992  
 Public Law 101-101, Title III, Continuing Fund (amended 1989)  
 Public Law 106-377, Appropriations Act, FY 2001

### Mission

The mission of the Operation and Maintenance program is to market and reliably deliver Federal hydroelectric power with preference to public bodies and cooperatives. This is accomplished by maximizing the use of Federal assets to repay the Federal investment while balancing power needs with the diverse interests of other water resource users, and implementing public policy.

<sup>a</sup> The total purchase power and wheeling requirements are \$11.5 million, \$9.3 million, and \$11.2 million for FY 2003, FY 2004, and FY 2005 respectively. No Federal receipt financing is requested in FY 2005; rather customers are encouraged to enter the market to make their own arrangements. Southwestern will continue to support those unable or unwilling through alternative financing methods including net billing, bill crediting, Federal and non-Federal reimbursable authority.

<sup>b</sup> Reflects a total rescission of \$177,957 (Operations and Maintenance, \$24,434; Construction, \$38,637; Program Direction, \$114,886) (P.L. 108-7).

<sup>c</sup> Reflects a total rescission of \$168,740 (Operations and Maintenance, \$27,512; Construction, \$27,918; Program Direction, \$113,310) from the Consolidated (Omnibus) Appropriations Act of FY 2004.

## **Benefits**

The Southwestern appropriation supports the Energy Strategic Goal of the Department's mission by providing delivery of reliable, affordable, and environmentally sound energy. Southwestern, in conjunction with the U. S. Army Corps of Engineers (Corps), participates in this effort by managing the multipurpose operation of the Federal hydropower system to enable effective marketing, generation, and delivery of clean, reliable, cost-based electric power. This Federal program provides reliable energy to the Nation and provides reliable off-site power to help restore other power generation sources during energy emergencies.

Southwestern's program provides the Nation numerous benefits. 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.

# Operations and Maintenance

## Funding Schedule by Activity

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	\$ Change	% Change
Operations and Maintenance (O&M)					
Power Marketing .....	350	350	440	+90	+25.7%
Operations .....	1,299	2,027	2,825	+798	+39.4%
Maintenance .....	2,141	2,258	1,411	-847	-37.5%
Subtotal, Operations and Maintenance .....	3,790 <sup>a</sup>	4,635 <sup>b</sup>	4,676	+41	+0.9%
Use of Prior Year Balances .....	-60	0	0	0	0.0%
Total, Operations and Maintenance .....	3,730	4,635	4,676	+41	+0.9%

## Description

The mission of the Operations and Maintenance subprogram is to assure continued reliability of the Federal power system by replacing aging equipment and removing constraints which would impede power flows, thus meeting the expectations of the National Energy Policy (NEP) and the Department of Energy's (DOE) Strategic Plan. This subprogram fulfills the requirements of Section 5 of the Flood Control Act of 1944 and reflects the Southwestern Power Administration's (Southwestern) program goal of providing customers the benefits of low cost, reliable electricity from Federal multipurpose hydroelectric dams at cost-based rates that produce revenues sufficient to repay all power costs to the American taxpayers.

## Benefits

The activities of the Operations and Maintenance subprogram are critical components in maintaining the reliability of the Federal power system facilities, which are part of the Nation's interconnected generation and transmission system. Through the use of domestic, renewable hydroelectric energy, Southwestern provides clean, safe, reliable, cost-based electric power to its customers while limiting environmental impacts. Both the NEP and DOE's Energy Strategic Goal reinforce the importance of domestic, renewable hydroelectric energy by emphasizing its ongoing significant contribution to the Nation's past and future energy supply and Southwestern's "important role in meeting demand" by supplying hydroelectric power to its customers. Both emphasize the need to repair, maintain, and improve the transmission and generation infrastructure while avoiding loss of reliability.

Southwestern's participation in the regional electric reliability council and the regional transmission organization (RTO) development process reinforces Southwestern's role as part of the Nation's interconnected electric grid. As the demand for the transmission of power increases on the Nation's power systems, the need to maintain, replace, and provide for additions and interconnections on the Federal power system is critical in assuring reliable delivery. The Department has identified the

<sup>a</sup> Reflects a general across-the-board rescission of \$24,434 (P.L. 108-7).

<sup>b</sup> Reflects a rescission of \$27,512 from the Consolidated (Omnibus) Appropriations Bill for FY 2004.

Supervisory Control and Data Acquisition/Energy Management System (SCADA/EMS), transmission lines, substations, and communication facilities as critical infrastructure.

Southwestern will use appropriations and alternative financing arrangements [net billing, bill crediting, and reimbursable authority (customer advances)] with customers and others who provide services and funds to assure a dependable and reliable Federal power system. Southwestern's authority to use net billing and bill crediting is inherent in the authority provided by the Flood Control Act of 1944, and has been affirmed by the Comptroller General<sup>a</sup>.

### Detailed Justification

(dollars in thousands)

FY 2003	FY 2004	FY 2005
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**Power Marketing** ..... **350**                      **350**                      **440**

The Power Marketing activity requires funding for technical and economic studies to support Southwestern's transmission planning, water resources, communications, and maintenance activities. Technical and economic studies provide data to analyze and evaluate the impacts of proposed operational changes and for making decisions based on cost/benefit analysis. Funding is also required for regional electric reliability council membership fees for Southwestern's participation in the development of an RTO.

The NEP identified bottlenecks in the Nation's interconnected electrical grid, which could impede power flows. Studies will continue to be conducted to assure any constraints on Southwestern's system are removed. The funding level is appropriate for the average number of studies required per year, which operationally impact how Southwestern markets and delivers power. The funding level for this activity is derived from negotiated architect/engineering contracts. The increase in funding is due to the costs associated with the development of an RTO.

**Operations** ..... **1,299**                      **2,027**                      **2,825**

Transmission operations include costs for communication activities associated with the dispatch and delivery of power; the environmental, safety and health activities; other transmission activity costs such as physical security, cyber security, and day-to-day power dispatch functions.

▪ **Communications** ..... **735**                      **1,286**                      **1,868**

This subactivity requires funding for the purchase of supplies and materials, digital test equipment, repair and purchase of system modules and equipment. Funding is required for the replacement of obsolete power and energy accounting equipment and modification of existing remote terminal units that monitor and control the Federal power system. Funding is required for SCADA/EMS maintenance agreements, e-tagging system that electronically schedules power for customers, load forecasting, and technical support that protects the cyber infrastructure. Upgrades are required to enable Southwestern to meet the goals of the NEP and the DOE Strategic Plan by replacing deteriorating infrastructure to assure reliability and continue to actively participate in the development of a RTO. The funding level for communications maintenance is derived from maintenance history, the age of the equipment, expected life span, annual diagnostic maintenance testing, and historical price information. The increase in funding is due to SCADA support activities such as improved e-tagging and load forecasting to meet the demands of the changing electric utility industry and technical support to implement security measures.

<sup>a</sup> 1956 WL 3064 (Comp. Gen.)

(dollars in thousands)

FY 2003	FY 2004	FY 2005
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▪ **Environmental, Safety and Health.....** **365** **593** **576**

This subactivity requires funding for environmental activities including waste disposal/clean-up of oil and polychlorinated biphenyl contaminants from old circuit breakers and transformers; environmental assessments for threatened and endangered species, property transfers, wetland assessments, environmental library access, Toxic Substance Control Act and Resource Conservation Recovery Act compliance, contractor services, and requirements of DOE Order 450.1. The Safety and Health Program activities require funding for Occupational Safety and Health Administration compliance, aviation safety, industrial hygiene, medical examinations, medical officer, wellness program, safety equipment, and first aid supplies. The decrease in funding is due to reduced costs for environmental contractor support.

▪ **Other Transmission .....** **199** **148** **381**

This subactivity requires funding for physical security, field utility costs for substations and microwave sites, and the day-to-day expenses of the dispatch center. The increase in funding is due to physical security requirements as mandated by the Department of Homeland Security and to meet the critical infrastructure protection program criteria as set forth in Presidential Decision Directive No. 63.

**Maintenance .....** **2,141** **2,258** **1,411**

The Maintenance activity requires funding for routine repair, maintenance, and improvement of Southwestern's 24 substations and 1,380 miles of high-voltage transmission lines and assures power is reliably and safely delivered to customers. Southwestern's initial facilities, which were built approximately 60 years ago, are constantly evaluated through the Maintenance Management Information System (MMIS), a systematic maintenance program. The funding level for this activity is derived from MMIS data (age, risk of failure, life cycle of equipment), field crew evaluation, obsolescence of technology, and lack of replacement parts are all variables used in determining the level of funding required for a fiscal year. This budget request reflects Southwestern's assessment of the funding required to assure continued reliability of the Federal power system by replacing aging equipment and removing constraints that impede power flows, thus meeting the expectations of the NEP and the DOE's Strategic Plan.

▪ **Substation Maintenance .....** **907** **1,120** **810**

This subactivity requires funding for revenue meters, electrical equipment, batteries, and maintaining and updating system drawings. In addition, funding is required for vehicle maintenance, repairs, parts and materials, and fuel to perform general maintenance projects while maintaining system reliability as required by Southwestern's participation in a regional electric reliability council. Relay and circuit breaker test equipment will be funded through alternative financing arrangements with customers. The funding level for this subactivity is derived from MMIS data, which provides the age and condition of the existing equipment facilitating projection of maintenance intervals.

(dollars in thousands)

FY 2003	FY 2004	FY 2005
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▪ <b>Transmission Line Maintenance .....</b>	<b>1,234</b>	<b>1,138</b>	<b>601</b>
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This subactivity requires funding for the purchase of wood and steel structures, crossarms and braces, routine vehicle repair and maintenance, and fuel costs. The funding required for steel and wood structures is derived from the Overhead Transmission Maintenance System (OTMS) data. Through the use of the OTMS, the number of units (poles, crossarms, and insulators) to be replaced, age of such units, and testing criteria is determined. The funding level is appropriate for the number of structures and components to be purchased as set forth by Southwestern's maintenance plans in meeting the goals of the NEP to maintain a reliable transmission system. The decrease in funding is due to a change in funding mechanism from appropriations to alternative financing arrangements with customers to perform ROW clearing, herbicide application, and aerial patrol of the transmission system.

<b>Total, Operations and Maintenance.....</b>	<b>3,790</b>	<b>4,635</b>	<b>4,676</b>
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## Explanation of Funding Changes

FY 2005 vs. FY 2004 (\$000)
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### Power Marketing

- Increase in funding is due to the costs associated with the participation and development of an RTO. ....
 +90

### Operations

- Increase in funding is due to SCADA support activities, such as: improved e-tagging scheduling and integrated service (+\$192,000), load forecasting service (+\$27,000), technical support (+\$322,000) to ensure infrastructure protection, hardware and software upgrades (+\$41,000), and facilities security (+\$233,000); offset with a decrease in environmental contractor support (-\$17,000). ....
 +798

### Maintenance

- Decrease in funding is due to alternative financing arrangements for relay and circuit breaker test equipment (-\$310,000), ROW clearing services (-\$412,000), and aerial patrol of transmission system (-\$125,000). ....
 -847

<b>Total Funding Change, Operation and Maintenance .....</b>	<b>+41</b>
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# Purchased Power and Wheeling

## Funding Schedule by Activity

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	\$ Change	% Change
Purchased Power and Wheeling (PPW)					
System Support Activities.....	8,000	7,000	8,000	+1,000	+14.3%
Other Contractual Activities .....	3,500	3,600	3,200	-400	-11.1%
Total, PPW (gross) .....	11,500	10,600	11,200	+600	+5.7%
Less, Use of Alternative Financing – Reimbursable Authority (customer advances), Net Billing, Bill Crediting					
Purchased Power .....	3,560	1,900	5,200	+3,300	+173.7%
Power Losses .....	2,700	3,300	2,800	-500	-15.2%
Wheeling .....	3,440	3,600	3,200	-400	-11.1%
Subtotal, Alternative Financing .....	9,700	8,800	11,200	+2,400	+27.3%
Subtotal, PPW.....	1,800	1,800	0	-1,800	-100.0%
Offsetting Collections .....	-1,800	-1,800	0	+1,800	+100.0%
Total, PPW Budget Authority .....	0	0	0	0	0

## Description

The mission of the Purchased Power and Wheeling subprogram is to assure continued reliability of the Federal power system by providing for the purchase of energy to meet limited peaking power contractual obligations. Such purchases are blended with the available Federal hydroelectric power and energy to make a more beneficial and reliable product and to assure repayment of the Federal investment plus interest, thus meeting the expectations of the National Energy Policy (NEP) and the Department of Energy's (DOE) Strategic Plan. This subprogram fulfills the requirements of Section 5 of the Flood Control Act of 1944 and reflects Southwestern Power Administration's (Southwestern) program goal of providing customers the benefits of low cost, reliable electricity from Federal multipurpose hydroelectric dams at cost-based rates that produce revenues sufficient to repay all power costs to the American taxpayers.

## Benefits

The activities of the Purchased Power and Wheeling (PPW) subprogram provide for the purchase of energy to meet limited peaking power contractual obligations. Southwestern's contracts provide only for 1200 hours of peaking power per year, representing a portion of its customers' firm load requirements. The customers provide their own resources and/or purchases for the remainder of their firm loads. This subprogram also provides for wheeling services to deliver Federal power. Both the NEP and DOE's Strategic Plan reinforce the importance of domestic, renewable hydroelectric energy by emphasizing its ongoing significant contribution to the Nation's past and future energy supply and Southwestern's "important role in meeting demand" by supplying hydroelectric power to its customers.

The reduced level of energy banking available from other electric utilities requires Southwestern to use alternative financing to fund power deliveries in FY 2005. Southwestern will continue using net billing, bill crediting, and reimbursable authority (customer advances) to fund this subprogram.

### Detailed Justification

(dollars in thousands)

FY 2003	FY 2004	FY 2005
---------	---------	---------

**System Support Activities..... 8,000 7,000 8,000**

This activity requires funding for system support activities that assure all peaking power obligations for purchased power demands are met. In addition, energy purchases must be provided for replacement of transmission line losses associated with the delivery of non-Federal power over the Federal transmission system as required under Federal Energy Regulatory Commission (FERC) Order 888. Southwestern will continue to deliver limited peaking power and provide for power losses through power purchases. The funding level for this activity is derived from load/resources analyses based on average water conditions that forecast hydropower generation and the historical price paid for purchased power. The increase in funding is due to the market prices and the reduced availability of banked energy.

**Other Contractual Activities ..... 3,500 3,600 3,200**

This activity requires funding for other contractual activities that provide for wheeling services associated with the purchase of transmission service to meet limited peaking power obligations and for the integration of projects for the delivery of Federal power. The funding level for this activity is derived from contractual wheeling requirements. Southwestern will continue using alternative financing methods [net billing, bill crediting, and reimbursable authority (customer advances)] to meet wheeling requirements. The decrease in funding is due to projected cost reductions for wheeling services based on a change in contractual pricing and delivery terms.

**Total, Purchased Power and Wheeling ..... 11,500 10,600 11,200**

### Explanation of Funding Changes

FY 2005 vs. FY 2004 (\$000)
-----------------------------------

**System Support Activities**

- Increase in system support reflects Southwestern’s anticipated needs based on average water conditions, variable market prices, and limited availability of energy banks. .... +1,000

**Other Contractual Activities**

- Decrease in contractual pricing and delivery terms for wheeling services..... -400

**Total Funding Change, Purchased Power and Wheeling ..... +600**

# Construction

## Funding Schedule by Activity

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	\$ Change	% Change
Construction					
Transmission System Replacements.....	5,411	4,599	4,982	+383	+8.3%
Capital Equipment Not Related to Construction .....	581	105	370	+265	+252.4%
Subtotal, Construction .....	5,992 <sup>a</sup>	4,704 <sup>b</sup>	5,352	+648	+13.8%
Use of Prior Year Balances .....	-270	0	0	0	0.0%
Total, Construction.....	5,722	4,704	5,352	+648	+13.8%

## Description

The mission of the Construction subprogram is to assure continued reliability of the Federal power system by providing for additions, modifications, replacements, and interconnections to the transmission, substation, and communication facilities, thus meeting the expectations of the National Energy Policy (NEP) and the Department of Energy’s (DOE) Strategic Plan. This subprogram fulfills the requirements of Section 5 of the Flood Control Act of 1944 and reflects Southwestern Power Administration’s (Southwestern) program goal of providing customers the benefits of low cost, reliable electricity from Federal multipurpose hydroelectric dams at cost-based rates that produce revenues sufficient to repay all power costs to the American taxpayers.

### Benefits

The activities of the Construction subprogram enables Southwestern to market and deliver Federal hydropower in the most reliable, safe, efficient, cost effective manner to meet the operational criteria required as a participant in the National grid while avoiding transmission infrastructure deterioration. Both the NEP and DOE’s Strategic Plan reinforce the importance of domestic, renewable hydroelectric energy by emphasizing its ongoing significant contribution to the Nation’s past and future energy supply and Southwestern’s “important role in meeting demand” by supplying hydroelectric power to its customers. Southwestern’s participation in the regional electric reliability council and the regional transmission organization development reinforces Southwestern’s role as an integral part of the Nation’s interconnected generation and transmission system. As the demand for the transmission of power on the Nation’s power systems increases, the need to provide additions, replacements, and interconnections on the Federal power system is critical in assuring the reliable delivery. Southwestern will use appropriations and alternative financing arrangements [net billing, bill crediting, and reimbursable authority (customer advances)] with customers and others who provide services and funds to assure a dependable and reliable Federal power system. Southwestern’s authority to use net billing and bill crediting is inherent in the authority provided by the Flood Control Act of 1944, and has been affirmed by the Comptroller General <sup>c</sup>.

<sup>a</sup> Reflects a general across-the-board rescission of \$38,637 (P.L. 108.7).

<sup>b</sup> Reflects a rescission of \$27,918 from the Consolidated (Omnibus) Appropriations Bill for FY 2004.

<sup>c</sup> 1956 WL 3064 (Comp. Gen.)

## Detailed Justification

(dollars in thousands)

FY 2003	FY 2004	FY 2005
---------	---------	---------

**Transmission System Replacements .....** **5,411**      **4,599**      **4,982**

This activity requires funding for all construction projects planned to assure system reliability by replacing aging and deteriorating equipment, thereby removing constraints that limit power flows. The projects reflect Southwestern’s efforts to reduce the risk of more frequent and extended service outages, avoid more costly replacements in the future, and support the increased transmission system usage. The funding level for this activity is derived from system age, risk of equipment failure, life cycles, maintenance crew observations, obsolescence of technology, unavailable replacement parts, budget constraints, cost, and need for more capacity. These variables are assessed and incorporated into Southwestern’s 10-year construction plan.

Southwestern’s planned Construction projects are subject to change based on unanticipated equipment failure, customer needs, and weather conditions. The realities of maintaining a complex interconnected power system means unforeseen priority projects will arise from time to time causing a reprioritization of planned projects. All projects share the commonality of replacing aging and deteriorating equipment necessary to maintain the reliability of the Federal power system.

▪ **Substation Equipment Replacements .....** **137**      **332**      **474**

This subactivity requires funding for facility design work, installation of remote terminal units, substation metering, and telemetry equipment replacements. The increase in funding is due to the escalating reliability requirements of the regional electric reliability council.

▪ **Communication Equipment Replacements .....** **5,274**      **4,267**      **4,508**

This subactivity requires funding for all communication equipment replacements, which are planned to provide improved system reliability and reduce future maintenance and equipment costs. This includes installation of 113 miles of optical ground wire, construction of microwave towers, sitework at three communication facilities, and replacement of analog microwave radios with digital equipment. The increase in funding is due to an increase in communication equipment replacements planned for FY 2005.

**Capital Equipment Not Related to Construction.....** **581**      **105**      **370**

This activity requires funding for the replacement of vehicles, tractor-trailers, and heavy equipment used for maintenance and repair of the transmission system and facilities. The replacement criterion Southwestern utilizes is derived from the General Services Administration (GSA) and DOE usage and replacement guidelines. The replacement criteria Southwestern utilizes for specialized equipment needed to maintain 1,380 miles of transmission line is operation duration and age. These vehicles far exceed their useful lives and require high levels of maintenance. The vehicle cost estimates are derived from GSA pricing schedules. The increase in funding is due to the need to replace eight special purpose vehicles, five more than in FY 2004.

**Total, Construction .....** **5,992**      **4,704**      **5,352**

## Explanation of Funding Changes

FY 2005 vs FY 2004 (\$000)
----------------------------------

**Transmission System Replacements**

- Increase in funding is due to communication equipment replacements (+\$273,000) and an increase in facility design to meet requirements of the regional electric reliability council (+\$110,000). ..... +383

**Capital Equipment Not Related to Construction**

- Increase in funding is due to the replacement of five special purpose vehicles. .... +265

**Total Funding Change, Construction** ..... +648



## Program Direction

### Funding Profile by Category

(dollars in thousands/whole FTEs)

	FY 2003	FY 2004	FY 2005	\$ Change	% Change
Program Direction					
Salaries and Benefits.....	14,332	15,374	15,729	+355	+2.3%
Travel .....	620	635	635	0	0.0%
Support Services .....	1,586	1,533	1,375	-158	-10.3%
Other Related Expenses .....	1,280	1,550	1,585	+35	+2.3%
Subtotal, Program Direction .....	17,818 <sup>a</sup>	19,092 <sup>b</sup>	19,324	+232	+1.2%
Use of Prior Year Balances .....	-70	0	0	0	0.0%
Total, Program Direction .....	17,748	19,092	19,324	+232	+1.2%
Full time Equivalents.....	178	179	179	0	0.0%

### Mission

The mission of the Program Direction subprogram is to assure continued reliability of the Federal power system by providing the Federal staffing resources and associated costs required to provide overall direction and execution of Southwestern Power Administration's (Southwestern) Operation and Maintenance Program. This subprogram supports the President's National Energy Policy (NEP) and the Department of Energy's (DOE) Energy Mission, Strategic Goal 4, Energy Security, by providing delivery of reliable, affordable, and environmentally sound energy to the Nation. This subprogram fulfills the requirements of Section 5 of the Flood Control Act of 1944 and reflect Southwestern's program goal to provide customers the benefits of low cost, reliable electricity from Federal multipurpose hydroelectric dams at cost-based rates that produce revenues sufficient to repay all power costs to the American taxpayers. This subprogram also reflects Southwestern's Five-Year Workforce Plan and its Business Vision.

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. Southwestern performs critical functions, which directly support the mission of the Department. The functions include managing information technology, ensuring sound legal advice and fiscal stewardship, developing and implementing uniform program policy and procedures, maintaining and supporting our workforce, safeguarding our work spaces, providing Congressional and public liaison and meeting the challenges of operating and maintaining the Federal power system to assure reliability, while meeting the growing demand for power, and the need to avoid deterioration of the infrastructure.

<sup>a</sup> Reflects a general across-the-board rescission of \$114,886 (P.L. 108-7).

<sup>b</sup> Reflects a rescission of \$113,310 from the Consolidated (Omnibus) Appropriations Bill for FY 2004.

Southwestern has assessed its performance in all five areas of the President’s Management Agenda [Strategic Management of Human Capital, Expanded Electronic Government (E-Government), Competitive Sourcing, Improved Financial Performance, and Budget and Performance Integration]. Southwestern is working with the Office of Management and Budget and DOE in these areas to achieve an overall scorecard rating of 100 percent, “Green.”

Southwestern’s Program Direction subprogram provides compensation and all related expenses for 179 Federal personnel who operate and maintain Southwestern’s high-voltage power system and associated facilities including the critical Supervisory Control and Data Acquisition/Energy Management System (SCADA/EMS) and plan, design, and supervise the construction of replacements, upgrades, and additions (capital investments) to the power system facilities. All personnel are critical to Southwestern’s role as an integral part of the Nation’s interconnected electric grid. By the end of FY 2004, approximately 27 percent of Southwestern’s staff will be eligible for retirement. Projected retirements will increase Southwestern’s need for recruitment, relocation, travel, and training requirements to meet the challenges of operating and maintaining the Federal power system to assure reliability, while meeting the growing demand for transmission access, and the need to avoid further deterioration of the infrastructure as specified within NEP goals and Southwestern’s statutory requirements.

Southwestern will continue to share facilities and administrative services with another DOE office at Southwestern’s Tulsa Headquarters facility. The arrangement continues to be cost efficient and beneficial for both offices.

### **Detailed Justification**

(dollars in thousands)

FY 2003	FY 2004	FY 2005
---------	---------	---------

<b>Salaries and Benefits .....</b>	<b>14,332</b>	<b>15,374</b>	<b>15,729</b>
------------------------------------	---------------	---------------	---------------

This activity requires funding for 179 skilled Federal employees, who market and deliver the Federal hydropower, operate and maintain Southwestern’s high-voltage interconnected power system and associated facilities, and provide administrative support. Seventy percent of Southwestern’s staffing budget is directed toward front-line employees performing marketing, operations, and maintenance of the transmission system rather than administrative/management functions. The funding level for salaries is derived from the current year budgeted salaries plus cost-of-living adjustments, promotions, and within grade increases. The funding level for benefits is derived from a percentage of budgeted salaries. The FY 2005 level supports 179 FTE, of which 45 percent of FTE is driven by union contract requirements and regional pay determinations; the other 55 percent is a function of the President’s proposed salary increases. Overtime, awards, including the DOE’s Cascading Performance Management Plan, relocation funding in accordance with succession planning, and workers’ compensation are also included in this activity. The increase in funding is due to union-negotiated and Administratively Determined wages and a +1.5% cost of living adjustment for General Schedule employees.

(dollars in thousands)

FY 2003	FY 2004	FY 2005
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**Travel**..... **620**      **635**      **635**

This activity requires funding for transportation and per diem incurred in the operation and maintenance of Southwestern’s geographically dispersed power system and the performance of general administrative functions. The funding level for this activity is derived from the daily requirement of the field maintenance personnel to maintain 1,380 miles of transmission line, 24 substations, communication equipment, supervisory control, and data acquisition network. The funding for this activity remains constant.

**Support Services**..... **1,586**      **1,533**      **1,375**

This activity requires funding for management support services including information technology, E-Government, and clerical/records management support. The funding level for this activity is derived from the most recent negotiated contract amount for support services essential to achieve Southwestern’s mission. The decrease in funding is due to the Agency goal of reducing administrative, non-direct program expenses and focusing on direct infrastructure protection.

**Other Related Expenses**..... **1,280**      **1,550**      **1,585**

This activity requires funding for rental space; office equipment such as copiers, printers, and related maintenance; paper; training; tuition fees; and the employee and management development programs in support of the President’s Management Agenda, Human Capital Initiative. Other funding requirements include contract services for the financial audit; public affairs; janitorial services; mail services; headquarters facility security; special emphasis programs, diversity recruitment, Historically Black Colleges and Universities program, investigations in support of the EEO program; and services of the Power Marketing Liaison Office (PMLO). The funding level for this activity is derived from Southwestern’s training plan, age of equipment, comparative vendor estimates, escalation of contract terms, and square footage. The increase in funding is due to employee development and rental space inflation.

**Total, Program Direction**..... **17,818**      **19,092**      **19,324**

## Explanation of Funding Changes

FY 2005 vs. FY 2004 (\$000)
-----------------------------------

### Salaries and Benefits

- Increase in salaries and benefits reflects union-negotiated and Administratively Determined wages and a +1.5% cost of living adjustment for General Schedule employees. ....
 +355

### Support Services

- Decrease reflects a reduction in support services for clerical/records management. ....
 -158

### Other Related Expenses

- Increase in training costs reflects investment in Human Capital through the use of the leadership enhancement program and additional safety training for field personnel. ....
 +22
- Increase in rental space costs due to the terms of the negotiated contract. ....
 +57
- Decrease in other administrative costs reflects a reduction in the PMLO services (-\$19,000) and EEO investigations (-\$25,000).....
 -44

Subtotal Funding Changes, Other Related Expenses .....	+35
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<b>Total Funding Change, Program Direction .....</b>	<b>+232</b>
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## Support Services by Category

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	\$ Change	% Change
Total, Technical Support .....	0	0	0	0	0.0%
<b>Management Support</b>					
Management and professional support services .....	1,586	1,533	1,375	-158	-10.3%
Total, Management Support .....	1,586	1,533	1,375	-158	-10.3%
<b>Total, Support Services .....</b>	<b>1,586</b>	<b>1,533</b>	<b>1,375</b>	<b>-158</b>	<b>-10.3%</b>

## Other Related Expenses by Category

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	\$ Change	% Change
<b>Other Related Expenses</b>					
Training.....	40	65	87	+22	+33.8%
Printing and Reproduction .....	36	42	42	0	0.0%
Rental Space.....	560	654	711	+57	+8.7%
Other .....	644	789	745	-44	-5.6%
<b>Total, Other Related Expenses .....</b>	<b>1,280</b>	<b>1,550</b>	<b>1,585</b>	<b>+35</b>	<b>+2.3%</b>

## Revenues and Receipts

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Gross Revenues							
Sale and Transmission of Electric Energy .....	108,200	116,800	114,800	115,000	115,500	115,600	115,600
<b>Total, Gross Revenues .....</b>	<b>108,200</b>	<b>116,800</b>	<b>114,800</b>	<b>115,000</b>	<b>115,500</b>	<b>115,600</b>	<b>115,600</b>
Net Billing Credited as an Offsetting Receipt.....	-18,112	-22,968	-22,200	-26,500	-26,800	-28,100	-28,300
Offsetting Collections Realized, Purchased Power and Wheeling <sup>a</sup> .....	-1,800	-1,800	0	0	0	0	0
Offsetting Collections Realized, Corps of Engineers' O&M/R <sup>b</sup> .....	0	0	-61,700	-58,400	-56,300	-58,400	-59,500
<b>Total Proprietary Receipts .....</b>	<b>88,288</b>	<b>92,032</b>	<b>30,900</b>	<b>30,100</b>	<b>32,400</b>	<b>29,100</b>	<b>27,800</b>
Percent of Sales to Preference Customers .....	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Energy Sales and Power Marketed (billion kilowatt hours).....	5.5	5.5	5.5	5.4	5.4	5.4	5.4

<sup>a</sup> Reflects use of power receipts to fund purchased power and wheeling activities.

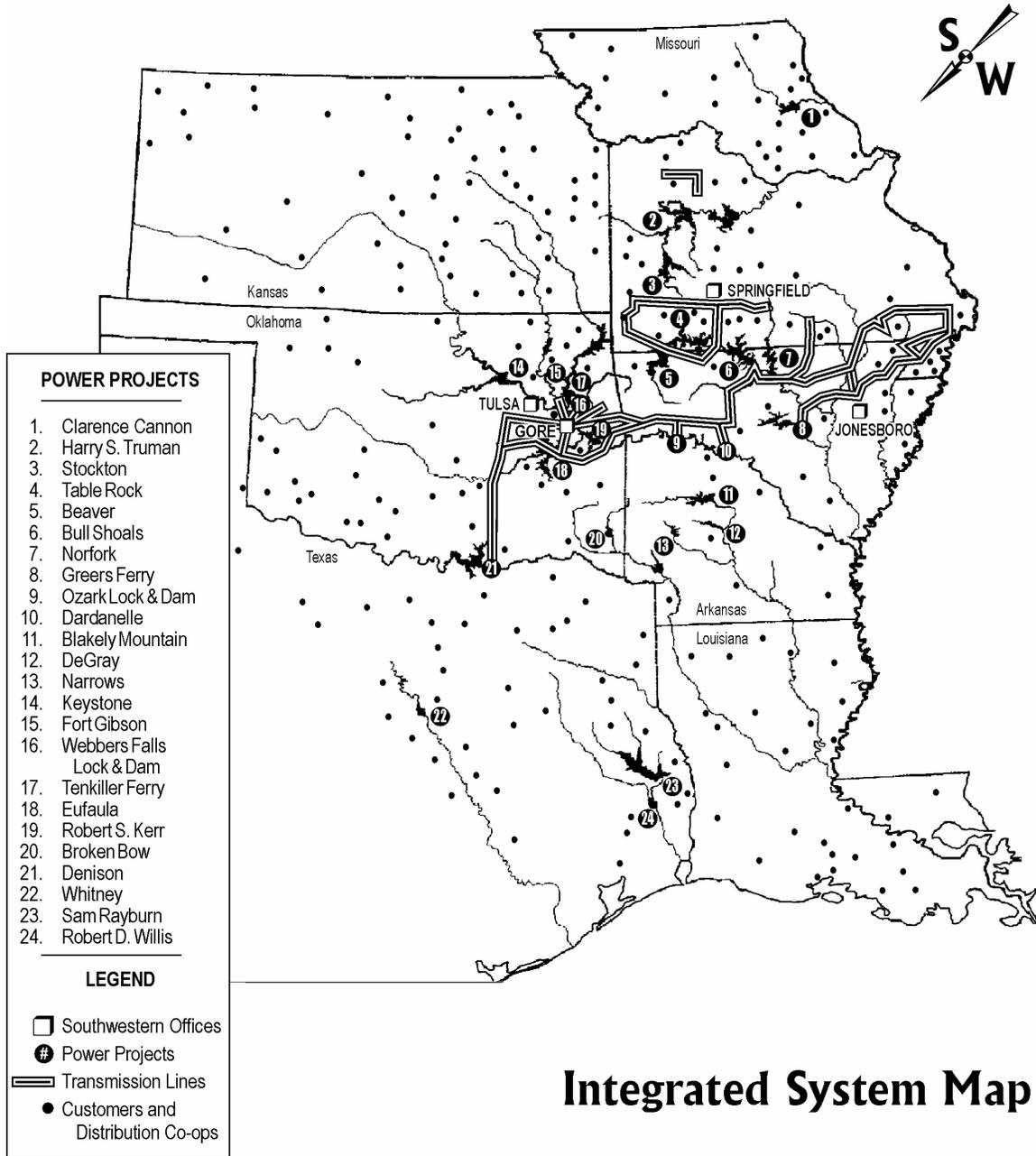
<sup>b</sup> Reflects use of power receipts to fund U.S. Army Corps of Engineers operation and maintenance of power facilities beginning in FY 2004.

## System Statistics

	FY 2003 Estimate	FY 2004 Estimate	FY 2005 Estimate
Generating Capacity (kilowatts)			
Installed Capacity .....	2,181,800	2,181,800	2,181,800
Peak Capacity .....	2,052,500	2,052,500	2,052,500
Generating Stations			
Generating Projects (Number) .....	24	24	24
Substations/Switchyards (Number) .....	24	24	24
Substations/Switchyards (kVA Capacity) .....	1,026,900	1,026,900	1,026,900
Available Energy (Megawatt hours)			
Energy Generated .....	5,292,100	5,291,900	5,276,100
Energy Received .....	173,600	173,700	178,900
Total, Energy Available for Marketing .....	<u>5,465,700</u>	<u>5,465,600</u>	<u>5,455,000</u>
Transmission Lines (Circuit-Miles)			
161-KV .....	1,117	1,117	1,117
138-KV .....	164	164	164
69-KV .....	99	99	99
Total, Transmission Lines .....	<u>1,380</u>	<u>1,380</u>	<u>1,380</u>

# System Map

## Southwestern Power Administration



### Integrated System Map

## Power Marketed, Wheeled, or Exchanged By Project

	State	Number of Plants	Installed Capacity (kW)	FY 2003 Estimated Energy (GWh)	FY 2004 Estimated Energy (GWh)	FY 2005 Estimated Energy (GWh)
<b>Power Marketed</b>						
Interconnected System.....	Missouri	4	463,200	1,895	1,895	1,893
	Arkansas	9	1,045,100	1,045	1,045	1,042
	Oklahoma	7	514,100	1,047	1,047	1,045
	Texas	2	100,000	545	545	543
	Louisiana	0	0	362	362	361
	Kansas	0	0	420	420	419
Subtotals.....		22	2,122,400	5,314	5,314	5,303
<b>Isolated:</b>						
Robert D. Willis Project						
Sam Rayburn Project						
	50% to Texas .....	2	59,400	76	76	76
	50% to Louisiana .....	0	0	76	76	76
Subtotals.....		2	59,400	152	152	152
Total, Power Marketed .....		24	2,181,800	5,466	5,466	5,455
<b>Power Wheeled/Exchanged</b>						
Wheeled (MW) .....				972	984	999
Exchanged (GWh) .....				58	57	57

## **Pending Litigation**

Southwestern Power Administration (Southwestern) is not party to any court actions as of this date (January 5, 2004). However, Southwestern is party to an action pending before the Federal Energy Regulatory Commission. On May 13, 2003, Entergy Services, Inc. (Entergy), as agent for Entergy Arkansas, Inc., filed a Notice of Termination before the Federal Energy Regulatory Commission (Commission), to permit the termination of Contract DE-PM75-94SW00246-M002 (Contract 246) between Southwestern and Entergy. On May 16, 2003, Southwestern filed a Complaint before the Commission asking them to issue an order requiring Entergy to cease and desist from threatening termination of Contract 246. On November 14, 2003, Entergy filed a proposed settlement agreement between Southwestern and Entergy before the Commission to resolve the dispute.

Southwestern management believes that the possibility of incurring financially material liability in this matter is remote.