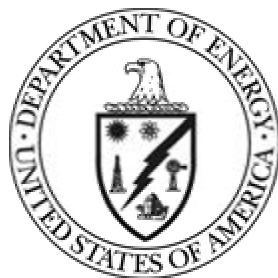


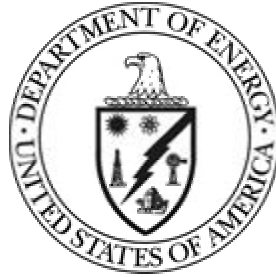
# Department of Energy FY 2005 Congressional Budget Request



**Power Marketing Administrations**  
**Southeastern Power Administration**  
**Southwestern Power Administration**  
**Western Area Power Administration**  
**Bonneville Power Administration**



# Department of Energy FY 2005 Congressional Budget Request



## Power Marketing Administrations Southeastern Power Administration Southwestern Power Administration Western Area Power Administration Bonneville Power Administration





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## Volume 6

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The Department of Energy's FY 2005 Congressional Budget justification is available on the Office of Management, Budget and Evaluation/CFO homepage at <http://www.mbe.doe.gov/budget/>





# Department of Energy Appropriation Account Summary

(dollars in thousands -OMB Scoring)

	FY 2003 Comparable Approp	FY 2004 Comparable Approp	FY 2005 Congress Request	FY 2005 vs. FY 2004	
<b>Energy and Water Development</b>					
Energy Programs					
Energy supply.....	730,215	788,620	835,266	+46,646	+5.9%
Non-Defense site acceleration completion.....	156,129	162,411	151,850	-10,561	-6.5%
Uranium enrichment D&D fund.....	320,563	414,027	500,200	+86,173	+20.8%
Non-Defense environmental services.....	161,852	306,439	291,296	-15,143	-4.9%
Science.....	3,322,244	3,500,169	3,431,718	-68,451	-2.0%
Nuclear waste disposal.....	144,058	188,879	749,000	+560,121	+296.6%
Departmental administration.....	89,219	93,720	122,611	+28,891	+30.8%
Inspector general.....	37,426	39,229	41,508	+2,279	+5.8%
<b>Total, Energy Programs.....</b>	<b>4,961,706</b>	<b>5,493,494</b>	<b>6,123,449</b>	<b>+629,955</b>	<b>+11.5%</b>
Atomic Energy Defense Activities					
National nuclear security administration:					
Weapons activities.....	5,961,345	6,233,503	6,568,453	+334,950	+5.4%
Defense nuclear nonproliferation.....	1,223,453	1,334,040	1,348,647	+14,607	+1.1%
Naval reactors.....	702,196	761,878	797,900	+36,022	+4.7%
Office of the administrator.....	330,314	336,826	333,700	-3,126	-0.9%
<b>Total, National nuclear security administration.....</b>	<b>8,217,308</b>	<b>8,666,247</b>	<b>9,048,700</b>	<b>+382,453</b>	<b>+4.4%</b>
Environmental and other defense activities:					
Defense site acceleration completion.....	5,496,409	5,576,760	5,970,837	+394,077	+7.1%
Defense environmental services.....	1,105,778	1,012,610	982,470	-30,140	-3.0%
Other defense activities.....	637,125	670,083	663,636	-6,447	-1.0%
Defense nuclear waste disposal.....	312,952	387,699	131,000	-256,699	-66.2%
<b>Total, Environmental &amp; other defense activities.....</b>	<b>7,552,264</b>	<b>7,647,152</b>	<b>7,747,943</b>	<b>+100,791</b>	<b>+1.3%</b>
<b>Total, Atomic Energy Defense Activities.....</b>	<b>15,769,572</b>	<b>16,313,399</b>	<b>16,796,643</b>	<b>+483,244</b>	<b>+3.0%</b>
Defense EM privatization (rescission).....	—	-15,329	—	+15,329	100%
Power marketing administrations:					
Southeastern power administration.....	4,505	5,070	5,200	+130	+2.6%
Southwestern power administration.....	27,200	28,431	29,352	+921	+3.2%
Western area power administration.....	167,760	176,900	173,100	-3,800	-2.1%
Falcon & Amistad operating & maintenance fund.....	2,716	2,625	2,827	+202	+7.7%
<b>Total, Power marketing administrations.....</b>	<b>202,181</b>	<b>213,026</b>	<b>210,479</b>	<b>-2,547</b>	<b>-1.2%</b>
Federal energy regulatory commission.....	—	—	—	—	—
<b>Subtotal, Energy and Water Development .....</b>	<b>20,933,459</b>	<b>22,004,590</b>	<b>23,130,571</b>	<b>+1,125,981</b>	<b>+5.1%</b>
Uranium enrichment D&D fund discretionary payments...	-432,731	-449,333	-463,000	-13,667	-3.0%
Excess fees and recoveries, FERC.....	-22,669	-18,000	-15,000	+3,000	+16.7%
Colorado River Basins.....	-22,000	-22,000	-23,000	-1,000	-4.5%
<b>Total, Energy and Water Development.....</b>	<b>20,456,059</b>	<b>21,515,257</b>	<b>22,629,571</b>	<b>+1,114,314</b>	<b>+5.2%</b>



# Department of Energy Appropriation Account Summary

(dollars in thousands -OMB Scoring)

	FY 2003 Comparable Approp	FY 2004 Comparable Approp	FY 2005 Congress Request	FY 2005 vs. FY 2004	
<b>Interior and Related Agencies</b>					
Fossil energy research and development.....	611,149	672,771	635,799	-36,972	-5.5%
Naval petroleum and oil shale reserves.....	17,715	17,995	20,000	+2,005	+11.1%
Elk Hills school lands fund.....	36,000	36,000	36,000	—	—
Energy conservation.....	880,176	877,984	875,933	-2,051	-0.2%
Economic regulation.....	1,477	1,034	—	-1,034	-100.0%
Strategic petroleum reserve.....	171,732	170,948	172,100	+1,152	+0.7%
Strategic petroleum account.....	1,955	—	—	—	—
Northeast home heating oil reserve.....	5,961	4,939	5,000	+61	+1.2%
Energy information administration.....	80,087	81,100	85,000	+3,900	+4.8%
Subtotal, Interior Accounts.....	1,806,252	1,862,771	1,829,832	-32,939	-1.8%
Clean coal technology.....	-47,000	-98,000	-140,000	-42,000	-42.9%
<b>Total, Interior and Related Agencies.....</b>	<b>1,759,252</b>	<b>1,764,771</b>	<b>1,689,832</b>	<b>-74,939</b>	<b>-4.2%</b>
<b>Total, Discretionary Funding.....</b>	<b>22,215,311</b>	<b>23,280,028</b>	<b>24,319,403</b>	<b>+1,039,375</b>	<b>+4.5%</b>
Yucca mountain--mandatory collection to offset discretionary funding.....	—	—	-749,000	-749,000	n/a
<b>Total, Discretionary Funding.....</b>	<b>22,215,311</b>	<b>23,280,028</b>	<b>23,570,403</b>	<b>+290,375</b>	<b>+1.2%</b>



# **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 <sup>a</sup>	5,100	-30	5,070 <sup>b</sup>	5,200
Purchase Power and Wheeling <sup>c</sup> .....	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.

<sup>a</sup> Reflects a rescission of \$29,471 (P.L. 108-7).

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

<sup>c</sup> 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<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 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 (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.

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

<sup>b</sup> 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 <sup>a</sup>	39,070 <sup>b</sup>	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%

<sup>a</sup> Reflects a rescission of \$29,471 (P.L. 108-7).

<sup>b</sup> 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 &gt;100 for Control Performance Standard (CPS) 1 and &gt; 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 &gt; 100 for (CPS) 1 and &gt;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 &gt; 100 for (CPS) 1 and &gt;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 &gt; 100 for (CPS) 1 and &gt;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 &gt;100); and 2) CPS2 which limits any imbalance magnitude to acceptable levels (rating &gt;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
Southeastern Power Administration					
Program Direction .....	4,577 <sup>a</sup>	5,100	-30	5,070 <sup>b</sup>	5,200
Purchase Power and Wheeling <sup>c</sup> .....	34,463	34,000	0	34,000	0
<b>Total Southeastern Program Level .....</b>	<b>39,040</b>	<b>39,100</b>	<b>-30</b>	<b>39,070</b>	<b>5,200</b>
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
<b>Total Budget Authority Request.....</b>	<b>4,505</b>	<b>5,100</b>	<b>-30</b>	<b>5,070</b>	<b>5,200</b>

**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.

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<sup>a</sup> Reflects a rescission of \$29,471 (P.L. 108-7).

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

<sup>c</sup> 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 <sup>a</sup>	FY 2004 <sup>b</sup>	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.

<sup>a</sup> Reflects a rescission of \$29,471 (P.L. 108-7).

<sup>b</sup> 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 Expenses** .....1,083                      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<sup>b</sup>. 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.

<b>Total, Southeastern Power Administration</b> .....	<b>4,577</b>	<b>5,070</b>	<b>5,200</b>
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### Explanation of Funding Changes

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

<sup>b</sup> 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>
<b>Total Funding Change, Program Direction.....</b>	<b><u>+130</u></b>

### 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
<b>Purchase Power and Wheeling</b>					
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%
<b>Alternative Financing</b>					
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

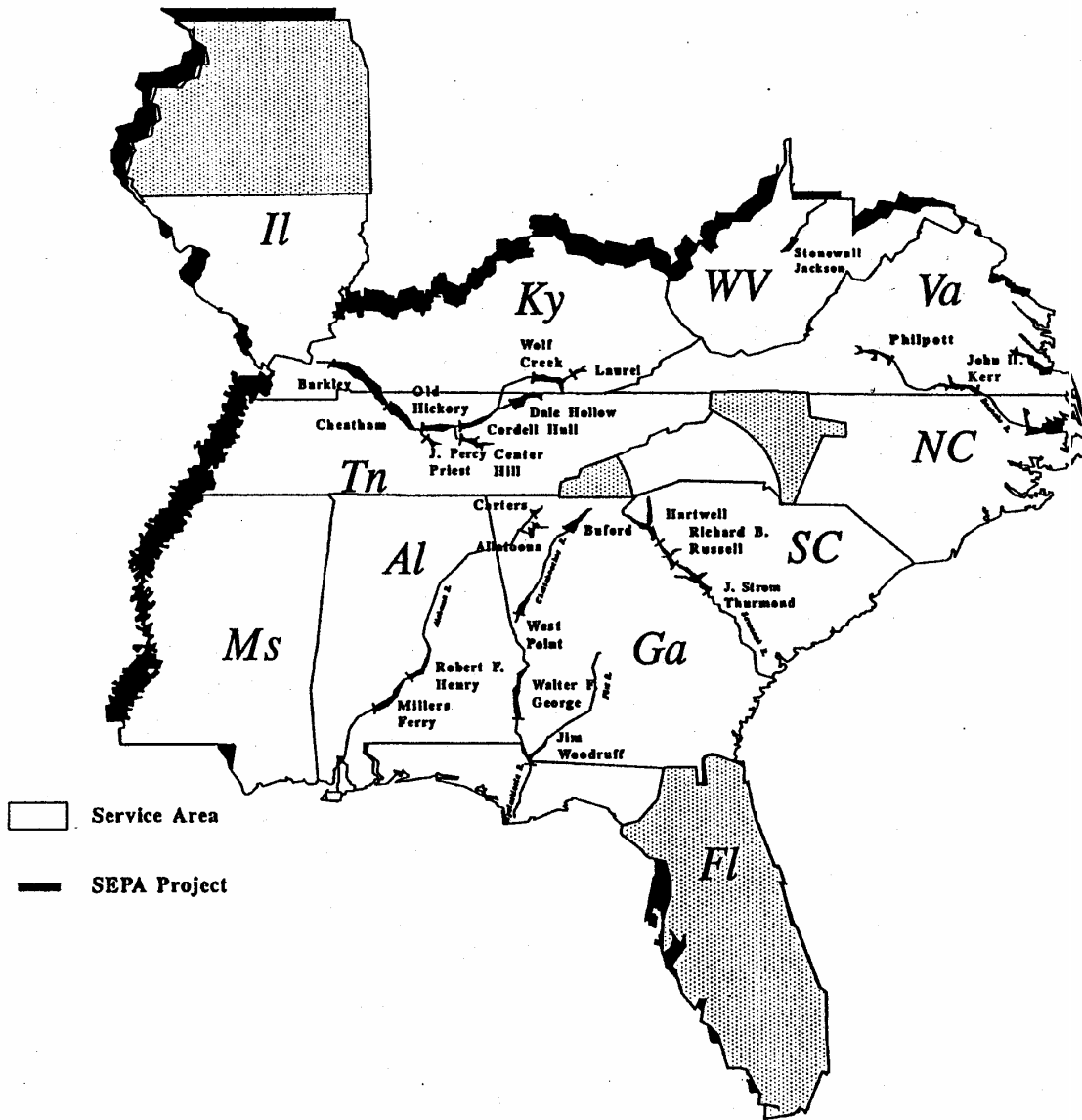
(dollars in thousands)

	FY 2003	FY 2004	FY 2005
<b>Purchase Power</b> .....	<b>13,800</b>	<b>12,800</b>	<b>12,000</b>
▪ 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
<b>Wheeling</b> .....	<b>32,239</b>	<b>33,200</b>	<b>34,900</b>
▪ 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
<b>Total, Purchased Power and Wheeling</b> .....	<b>46,039</b>	<b>46,000</b>	<b>46,900</b>

## Explanation of Funding Changes

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

# 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 <sup>a b</sup> .....	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

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

<sup>b</sup> 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) <sup>a</sup> .....	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 <sup>b</sup> .....	9,347,209	7,961,400	7,961,400

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<sup>a</sup> 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.

<sup>b</sup> 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)
<b><u>Kerr-Philpott System</u></b>				888.4*	463*	463*
John H. Kerr.....	VA-NC	1	204,000			
Philpott.....	VA	1	14,000			
<b><u>Georgia-Alabama-South Carolina System</u></b>				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			
<b><u>Jim Woodruff Project</u></b>				223	237	237
<b><u>Cumberland System</u></b>				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			
<b><u>Stonewall Jackson Project</u></b>				1	1	1
<b>TOTAL POWER MARKETED</b>			<b>23 3,392,675</b>	<b>9,318.2</b>	<b>7,887</b>	<b>7,887</b>

\* 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

# **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 style="padding-left: 20px;">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 style="padding-left: 20px;">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 style="padding-left: 20px;">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 style="padding-left: 20px;">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

<b>Total Funding Change, Construction</b> .....	<b>+648</b>
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## 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
---------	---------	---------

**Salaries and Benefits ..... 14,332 15,374 15,729**

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
---------	---------	---------

**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.

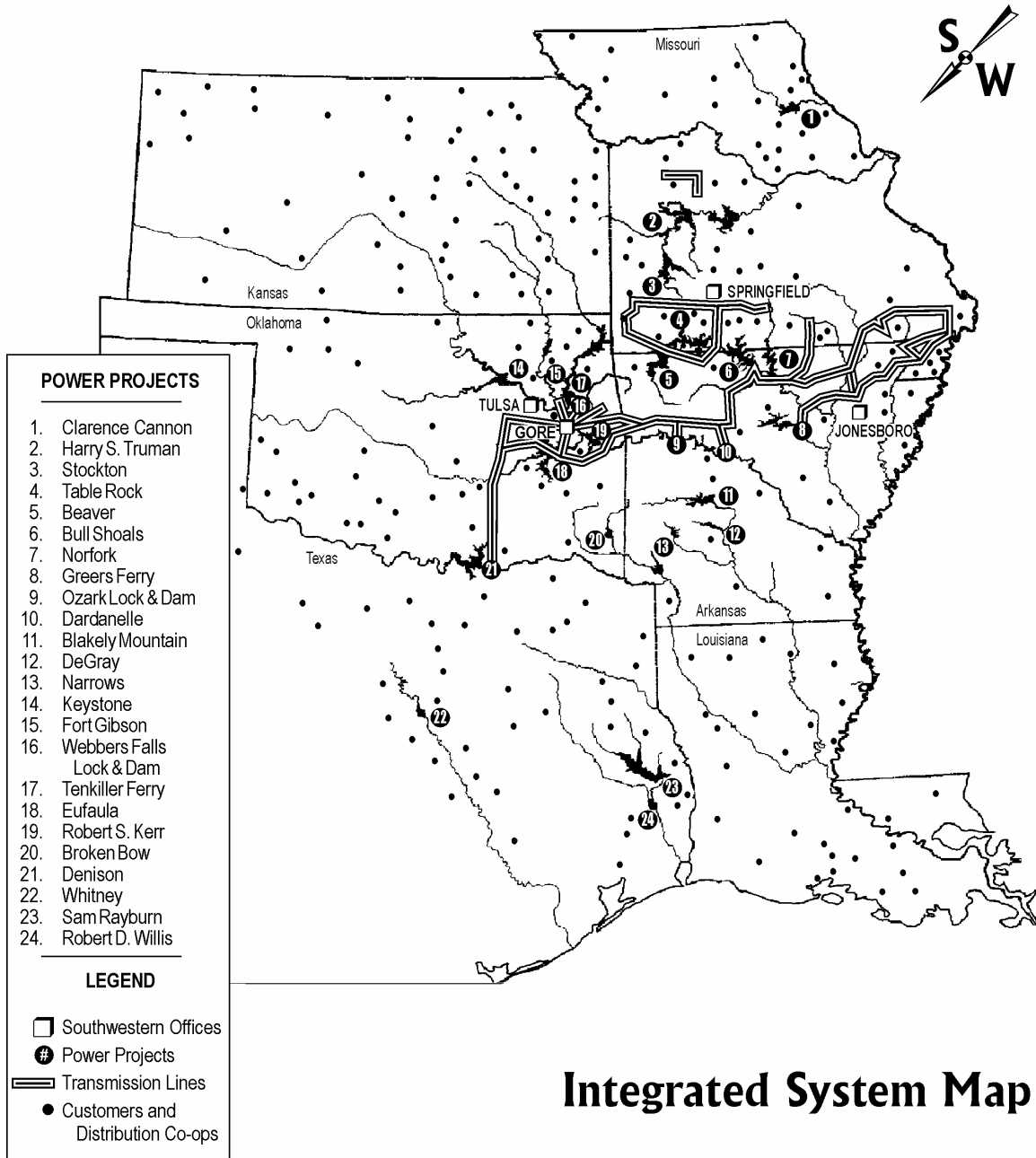
<sup>b</sup> Reflects use of power receipts to fund U.S. Army Corps of Engineers operation and maintenance of power facilities beginning in FY 2004.

## 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						
		2	59,400	76	76	76
		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>						
				972	984	999
				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.

# **Western Power Administration**

# **Construction, Rehabilitation, Operation and Maintenance**

## **Western Area Power Administration**

### **Proposed Appropriation Language**

For carrying out the functions authorized by title III, section 302(a)(1)(E) of the Act of August 4, 1977 (42 U.S.C. 7152), and other related activities including conservation and renewable resources programs as authorized, including official reception and representation expenses in an amount not to exceed \$1,500, [\$177,950,000] \$173,100,000, to remain available until expended, of which [\$167,236,000] \$170,756,000 shall be derived from the Department of the Interior Reclamation Fund[: *Provided*, That of the amount herein appropriated, \$6,200,000 is for deposit into the Utah Reclamation Mitigation and Conservation Account pursuant to title IV of the Reclamation Projects Authorization and Adjustment Act of 1992: *Provided further*, That notwithstanding the provision of 31 U.S.C. 3002, up to \$162,108,000 collected by the Western Area Power Administration pursuant to the Flood Control Act of 1944 and the Reclamation Project Act of 1939 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: *Provided further*, That the \$750,000 that is made available under this heading for a transmission study on the placement of 500 megawatt wind energy in North Dakota and South Dakota may be nonreimbursable: *Provided further*, That, in accordance with section 203 of the Colorado River Basin Salinity Control Act (43 U.S. C. 1593), electrical power supply and delivery assistance may be provided to the local distribution utility as required to maintain proper voltage levels at the Big Sandy River Diffuse Source Control Unit].

[SEC. 125. Of the funds made available in the Energy and Water Development Appropriations Act, 2004, to the Western Area Power Administration, up to \$166,100,000 collected by the Western Area Power Administration pursuant to the Flood Control Act of 1944 and the Reclamation Project Act of 1939 to recover purchase power and wheeling expenses shall be credited to the “Construction, Rehabilitation, Operation and Maintenance, Western Area Power Administration” account as offsetting collections.]

### **Explanation of Change**

The language changes propose that the appropriation to Western Area Power Administration for deposit to the Utah Reclamation Mitigation and Conservation Account be transferred to the Department of the Interior, the use of offsetting collections for making purchase power and wheeling expenditures be partly replaced with customer advances, the language pertaining to the reimbursement of certain FY 2004 appropriation amounts and the language authorizing certain assistance to maintain proper voltage levels at the Big Sandy River Diffuse Source Control Unit be removed.





# **Falcon and Amistad Operating and Maintenance Fund**

## **Proposed Appropriation Language**

For operation, maintenance, and emergency costs for the hydroelectric facilities at the Falcon and Amistad Dams, [\$2,640,000] \$2,827,000, to remain available until expended, and to be derived from the Falcon and Amistad Operating and Maintenance Fund of the Western Area Power Administration, as provided in section 423 of the Foreign Relations Authorization Act, Fiscal Years 1994 and 1995.

## **Explanation of Change**

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



# Western Area 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
Western Area Power Administration Accounts					
Construction, Rehabilitation, Operation and Maintenance (CROM) Account Operating Expenses <sup>a</sup>					
Planned Use of Prior Year Balances	359,767	364,050	+2,942	366,992	176,768
Offsetting Collections from Colorado River Dam Fund (P.L. 98-381)	-1,200	0	0	0	0
Offsetting Collections, Purchase power and wheeling expenses	-4,683	-3,992	0	-3,992	-3,668
	-186,124	-182,108	-3,992	-186,100	0
Total, CROM Account Budget Authority	167,760 <sup>b</sup>	177,950	-1,050 <sup>c</sup>	176,900	173,100
Falcon and Amistad Operating and Maintenance Account Budget Authority					
	2,716 <sup>d</sup>	2,640	-15 <sup>e</sup>	2,625	2,827
Colorado River Basins Power Marketing Fund (CRBPMF) Operating Expenses					
Offsetting Collections Realized	409,794	193,561	0	193,561	206,617
	-431,794	-215,561	0	-215,561	-229,617
Total, CRBPMF Budget Authority	-22,000	-22,000	0	-22,000	-23,000
Total, Western Area Power Administration	148,476	158,590	-1,065	157,525	152,927

## 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. Western Area Power Administration (Western), in conjunction with the U.S. Army Corps of Engineers (Corps), the U.S. Bureau of Reclamation (USBR), and the State Department's International Boundary and Water Commission (IBWC), supports this critical effort by managing the multipurpose operation of the Federal hydropower system to effectively deliver a supply

<sup>a</sup> FY 2003, FY 2004, and FY 2005 CROM funding amounts exclude \$160.2 million, \$84.9 million and \$218.2 million, respectively, for planned alternative financing of the purchase power and wheeling program.

<sup>b</sup> FY 2003 amount reflects the general across-the-board rescission of \$1,097,577 (P.L. 108-7).

<sup>c</sup> FY 2004 amount reflects the general 0.59% across-the-board rescission of \$1,049,905.

<sup>d</sup> FY 2003 amount reflects the general across-the-board rescission of \$17,771 (P.L. 108-7).

<sup>e</sup> FY 2004 amount reflects the general 0.59% across-the-board rescission of \$15,576.

of reliable, affordable, and environmentally sound hydropower across a well operated and maintained, high-voltage, integrated transmission system, thereby limiting energy emergencies and reliance on energy imports.

Within the three appropriation accounts (e.g. Construction, Rehabilitation, Operation and Maintenance Account (CROM), the Falcon and Amistad Operating and Maintenance Fund, and the Colorado River Basins Power Marketing Fund (CRBPMF)), there is one program: Western Area Power Administration (total of eight subprograms (five subprograms in the CROM account, one subprogram in the Falcon and Amistad O&M Fund, and two subprograms in the CRBPMF)).

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.

## **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 (PMA).

## **Mission**

Western markets and delivers reliable, cost-based Federal hydroelectric power and related services in the central and western United States. Western repays the Federal investment for which it is responsible within the timeframes established by law and regulations.

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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 (01 through 07); second two digits identify the GPRA Unit; last four digits are reserved for future use.

## **Benefits**

Western delivers reliable power and related services over a 1.3-million-square-mile area to a diverse group of several hundred customers, including municipalities, cooperatives, public utility and irrigation districts, Federal and State agencies, and Native American tribes. Western's marketing efforts and delivery capability provides for recovery of annual operational costs, including the generating agencies' costs, and repayment of taxpayer investment in the Federal hydropower program.

## **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 Western Area Power Administration appropriations support 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 program funded by the Construction, Rehabilitation, Operation and Maintenance – Western Area Power Administration, the Falcon and Amistad Operating and Maintenance Fund, and the Colorado River Basins Power Marketing Fund appropriations has one Program Goal that contributes to the General Goal in the “goal cascade”. This goal is:

Program Goal 04.53.00.00: Market and Deliver Federal Power – Customers receive the benefits of Federal power that produce sufficient revenue to repay the American taxpayers' investments allocated to power.

### **Contribution to General Goal 4**

Within Western's three accounts (Construction, Rehabilitation, Operation and Maintenance Account, the Falcon and Amistad Operating and Maintenance Fund, and the Colorado River Basins Power Marketing Fund), Western contributes to the Energy Security goal by performing its power marketing mission in a manner that maintains the safety of employees and the public, ensures the reliability of its power system in an evolving electric utility industry, and repays the United States Treasury for the costs associated with the generation and transmission of the power and related services within the timeframes established by law and regulation.

## Funding by General Goal

(dollars in thousands)

	FY 2003 <sup>a</sup>	FY 2004 <sup>b</sup>	FY 2005	\$ Change	% Change
General Goal 4, Energy Security					
Program Goal 04.53.00.00, Western Area Power Administration accounts					
Construction, Rehabilitation, Operation and Maintenance Account (CROM).....	359,767	366,992	176,768	-190,224	-51.8%
Falcon and Amistad Operating and Maintenance Account.....	2,716	2,625	2,827	+202	+7.7%
Colorado River Basins Power Marketing Fund (CRBPMF) Operating Expenses ...	409,794	193,561	206,617	+13,056	+6.7%
Subtotal, General Goal 4.....	772,277	563,178	386,212	-176,966	-31.4%
Use of Prior Year Balances (CROM) .....	-1,200	0	0	0	0.0%
Offsetting Collections (CROM) .....	-190,807	-190,092	-3,668	+186,424	+98.1%
Offsetting Collections (CRBPMF) .....	-431,794	-215,561	-229,617	-14,056	-6.5%
Total, General Goal 4 (Western Area Power Administration accounts) .....	148,476	157,525	152,927	-4,598	-2.9%

<sup>a</sup> FY 2003 amounts reflect rescission of \$1,097,577 to CROM, and \$17,771 to Falcon and Amistad (P.L. 108-7).

<sup>b</sup> FY 2004 amounts reflect the 0.59% rescission of \$1,049,905 to CROM, and \$15,576 to Falcon and Amistad.

## Annual Performance Results and Targets

FY 2000 Results	FY 2001 Results	FY 2002 Results	FY 2003 Results	FY 2004 Targets	FY 2005 Targets
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### Western Area Power Administration

<p>Transmission System Performance: Ensure that each power system control area operated by a PMA receives, for each month of the fiscal year, a Control Compliance Rating of "Pass" using the North American Electric Reliability Council performance standard. (MET GOAL)</p>	<p>Transmission System Performance: (MET GOAL)</p> <p>Actual: CPS1: 186.9 CPS2: 98.5</p>	<p>Transmission System Performance: (MET GOAL)</p> <p>Actual: CPS1: 185.7 CPS2: 98.5</p>	<p>System Reliability Performance: The target is to attain 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>Actual: CPS1: 184.2 CPS2: 98.1</p>	<p>System Reliability Performance: Attain 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>System Reliability Performance: Attain acceptable North American Electric Reliability Council (NERC) ratings for the following 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&gt;100); and 2) CPS2 which limits any imbalance magnitude to acceptable levels (rating&gt;90).</p>
<p>Actual: CPS1: 199.4 CPS2: 98.3</p>				<p>System Reliability Performance: Accountable customer and/or transmission element outages will not exceed the average number of outages for the past five years. (ER9-1)</p>	<p>System Reliability Performance: Accountable customer and/or transmission element outages will not exceed the average number of outages for the past five years.</p>
					<p>System Reliability Performance: Maintain ratio of repair work hours to total maintenance hours at less than or equal to 10%.</p>



FY 2000 Results	FY 2001 Results	FY 2002 Results	FY 2003 Results	FY 2004 Targets	FY 2005 Targets
<p>Repayment of Federal Power Investment: Meet planned repayment of principal on power investment. (DID NOT MEET GOAL)</p> <p>Actual: \$78.0M</p>	<p>Repayment of Federal Power Investment: (DID NOT MEET GOAL)</p> <p>Actual: \$54.1M</p>	<p>Repayment of Federal Power Investment: (MET GOAL)</p> <p>Actual: \$57.2 M</p>	<p>Repayment of Federal Power Investment: For FY 2003, year-end results are not available. The target is to meet planned annual repayment of principal on Federal power investment. (ER9-2)</p> <p>Actual: Results not available</p>	<p>Repayment of Federal Power Investment: Meet planned annual repayment of principal on Federal power investment. (ER9-1)</p>	<p>Repayment of Federal Power Investment: Meet 10 year (FY 1995-2005) planned repayment for Western's major projects.</p> <p>Repayment of Federal Power Investment: Ensure unpaid Federal Investment is equal to or less than the allowable unpaid Federal investment.</p>
<p>Safety: Achieve a safety performance of a 3.3 recordable accident frequency rate for recordable injuries per 200,000 hours worked or the Bureau of Labor Statistics' industry rate, whichever is lower. (MET GOAL)</p> <p>Actual: 1.9</p>	<p>Safety, Recordable accident frequency rate: (MET GOAL)</p> <p>Actual: 1.9</p>	<p>Safety, Recordable accident frequency rate: (MET GOAL)</p> <p>Actual: 1.7</p>	<p>Recordable Accident Frequency Rate: FY 2003 results aren't available. The target is to achieve a recordable accident frequency rate for recordable injuries per 200,000 hours worked of 3.3 or less, or the latest published Bureau of Labor Statistics' industry rate, whichever is lower. (ER9-3)</p> <p>Actual: 2.5</p>	<p>Recordable Accident Frequency Rate: 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>	<p>Recordable Accident Frequency Rate: 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.</p>

## Means and Strategies

Western will use various means and strategies, outlined below, to achieve its program goal to ensure customers continue to receive maximum benefit from the Federal hydropower program while repayment of taxpayer investment in the program is secured. Various external factors are also shown which may impact Western's ability to achieve these goals. In addition, Western also requires the collaborative support of its Federal hydropower partners to help achieve its goals.

Western will implement the following means:

- Western will make improvements and perform maintenance on its transmission, communications, and control systems while adhering to strict safety practices.
- Western will also make improvements to its analytic capabilities, work force skills, and employee retention.

Western will continue the following strategies:

- Western will utilize sound business practices and prudent risk management.
- Western will continue to train its employees in occupational safety and health regulations, policies, and procedures, and hold safety meetings at employee, supervisory and management levels in order to keep its safety culture strong. Accidents will be reviewed to ensure that lessons are learned and proper work controls are in place.

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

- Achieving and maintaining system reliability can be affected by weather, natural disasters, changes in NERC operation 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 and maintaining planned repayment can be affected by weather, power markets, natural disasters, and other external costs and revenue factors.
- Achieving and maintaining safety goals can be affected by the loss of expertise due to retirements and the inability to replace the expertise, weather conditions, encroachment on rights-of-way, terrain, and location of the equipment being maintained.

Successful collaboration of the Federal hydropower partners is necessary for Western to achieve its goals. Western coordinates its operational activities with the U.S. Army Corps of Engineers, Bureau of Reclamation, International Boundary and Water Commission, North American Electric Reliability Council (NERC), regional electric reliability councils, and its customers to provide the most efficient use of Federal assets.

## **Validation and Verification**

Annual performance goals for operational reliability are evaluated against NERC operating standards for the electric utility industry; repayment performance is determined by standards set forth in DOE Order RA 6120.2; and safety performance is baselined against Bureau of Labor Statistics published industry safety rates.

To validate and verify program performance, Western will conduct various internal reviews and audits. In addition, Western's program is subject to continuing independent review by 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, 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 financial and 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.

For the FY 2004 Budget, Western participated in a program assessment with the OMB using the PART. The resulting scores and findings were provided to Congress with the FY 2004 budget request. In the PART review, OMB gave Western fairly high scores for Planning (78), Results and Accountability (78), and Management (91). These scores were attributed to Western meeting National electric utility standards, conducting internal management reviews, and having a well-developed and reviewed transmission replacement program. OMB provided a lower score for Program Purpose (60); this score was attributed to OMB's findings that suggest Western's purpose does not make a unique contribution to solving the industry's problems and competes with private industry. To address several of the findings, changes in the legislation would be required. The General Accounting Office has identified other areas that can be improved under existing authorizations. In the interim, Western will continue to pursue its statutory mandates with regard to marketing of Federal power, customer preference, cost recovery, widespread use of power, and disposition of revenues.

The scores for Planning and Results/Accountability reflect the OMB finding that Western did not have adequate long-term goals, targets and measures; specifically efficiency measures. Western is continuing to develop measures of long- and short-term performance, including efficiency measures; changes are included in the FY 2005 column of the "Annual Results and Targets" section of this budget request. Western is continuing to work with OMB in finalizing these goals.

## **Significant Program Shifts**

- The FY 2005 request continues to assume implementation of the Administration's FY 2004 proposal to fund certain U.S. Army Corps of Engineers' (Corps) operation and maintenance costs with

Western collected power receipts. The Corps' hydropower related operation and maintenance and small, short-lived, capital investments in Western's service area allocated to the power function for repayment is proposed for funding using receipts from the sale of power and related services. In addition, the budget extends the receipt funding proposal to cover the annual hydropower related operation and maintenance and research and development expenditures of the Department of Interior's Bureau of Reclamation hydropower facilities in Western's service area. The receipt funding method will help to ensure resources, recovered from the Federal hydropower program beneficiaries, are made available to the hydropower generating agencies to adequately operate and maintain their respective hydropower generating assets.

- The FY 2005 request assumes the final phase-out of the Federal financing of the Power Marketing Administration's purchase power and wheeling activities. Industry restructuring and resulting competition now makes it attractive for many Western customers to shop for power and transmission services. Authority to use receipts to fund the purchase power and wheeling requirements expires at the end of FY 2004. For customers that are unable or unwilling to conduct these activities on their own, Western will continue to provide support using alternative financing methods (such as net billing, bill crediting and customer advances). In addition, the budget request displays these activities in FY 2005 at levels limited to historical average water levels and prevailing prices in 2002 and 2003. Use of the Emergency/Continuing Fund is anticipated if water levels fall below these long-term averages and result in power generation constraints.
- The FY 2005 request does not include funding for the Utah Reclamation Mitigation and Conservation Account. New appropriation language is proposed to transfer authorities and future contributions for the Account from the Secretary of Energy, Western Area Power Administration to the Secretary of the Interior, Bureau of Reclamation.
- Responding to a May 2001 directive by DOE Secretary Spencer Abraham, Western put together a public-private partnership to resolve the longstanding congestion problem along Path 15, a transmission bottleneck between northern and southern California. On June 12, 2002, the Federal Energy Regulatory Commission approved a Letter Agreement setting out cost recovery and incentive proposals for this non-Federally financed \$306 million upgrade to the transmission line. The California Independent System Operator voted to accept the upgrade on June 25, 2002. On May 27, 2003, Western announced the firm it selected to construct the transmission line portion of the project. Western and its Path 15 partners, Trans-Elect Inc. and Pacific Gas and Electric Company, broke ground on the project in 2003 and expect completion by late 2004.
- Western fully supports the President's Management Agenda (PMA) to become a more efficient and more effective government and embraces the "Where We'd Be Proud To Be" concept. We have integrated the principles of the five 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 Western.
  - Western began implementation of its Human Capital Plan in FY 2002 to ensure that qualified employees are retained well into the future, despite an aging workforce. Western's plan addresses workforce and succession planning, recruitment and retention, the development of talented employees, and improvements in the link between pay and performance. Western has developed a workforce planning model that provides a methodical process of analyzing the current workforce, determining future workforce needs, identifying the gaps between the

present and future workforce needs, and implementing strategic human capital initiatives to eliminate those gaps. Western has developed a Management Succession Program, and Emerging Leaders Program, a Recruitment/Marketing Council, and a new management performance system linked to SES performance plans. Western is also developing a Human Capital training program for managers, obtaining critical workplace information through exit interviews, recent hire surveys, and general employee surveys, and planning to extend the link in the SES performance plans beyond management to all levels in the organization.

- Western is a component of the Department's competitive sourcing initiative to make government operations more efficient and cost-effective. Customer oversight of Western's costs through participation in public ratemaking processes accomplishes these objectives. The Department and OMB determined that further studies of Western functions unnecessarily duplicate these processes and have not included Western staffing in competitive review plans or targets.
  - Western has implemented an enterprise resources management system to collect, track and report critical financial and maintenance data. The major parts of this system are the Business Information Decision Support System (BIDSS) and MAXIMO, a maintenance management system. The MAXIMO system will be upgraded to version 5 in FY 2005 and BIDSS (Oracle Federal Financials) was upgraded to version 11i for the start of FY 2004 business. The upgrades will enhance data integrity both for internal management and audit requirements. Western met the accelerated reporting dates for both the FY 2003 FACTSI/II reporting and the FY 2003 Annual Assurance Memorandum.
  - Western is actively working to move from a "yellow" to a "green" expanded e-government score by addressing comments provided in the DOE Consolidated Quarterly Performance Report, Third Quarter, FY 2003. In June and August 2003, Western's Enterprise Architecture was submitted and received a "green" score from DOE. The FY 2004 BIDSS Exhibit 300 passed OMB review; and the FY 2005 submission passed DOE review. Western participates on twelve Project IDEA initiatives.
  - Beginning with FY 2003, Western integrated its performance measures with its budget request and provided a five-year plan that ties the program's funding request to its annual performance targets and links it with that of the Department's overall program. During the second quarter of FY 2003, Western refined its annual performance measures and developed new long-term measures. These include efficiency measures that support Western's FY 2005 budget request and DOE's General Goal 4, Energy Security. Western received a "green" score on DOE's Budget & Performance Integration Internal Scorecard for the fourth quarter of FY 2003.
- In response to post 9/11 security concerns, \$1.4 million is targeted toward physical security enhancements and additions in FY 2005, including perimeter fencing and intrusion detection devices.
  - In Western's Central Valley Project (CVP), the existing integration agreements with Pacific Gas and Electric (PG&E) will expire at the close of December 2004. PG&E has expressed reluctance to extend the existing contracts and has requested that successor transmission and interconnection contracts be negotiated. Western must undertake new arrangements to ensure that a cost effective method to retain a continuous transmission path connecting Federally-owned assets to the Pacific Northwest exists. In the absence of any new arrangements, CVP customers could face a substantial

increase in costs. In some cases, the cost of receiving Western power may become uneconomical for Federal end-use power allottees. In consultation with customers, the Bureau of Reclamation, and the California Independent System Operator (CAISO), Western is carefully evaluating its options to find a cost-effective solution which preserves customer choice and maintains sufficient flexibility for Western to react responsively to changes in the electric utility industry. Western currently has a public process underway to solicit comments from customers and interested stakeholders to select an operational configuration for post-2004 operations. Western anticipates making a final decision on its post-2004 operational configuration, based on a fully open process, in early calendar year 2004.



# Construction, Rehabilitation, Operation and Maintenance

## Funding by Site by Program

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	\$ Change	% Change
Western Area Power Administration .....	359,767	366,992	176,768	-190,224	-51.8%
Total, Construction, Rehabilitation, Operation and Maintenance Account .....	359,767	366,992	176,768	-190,224	-51.8%

## Site Description

Western's service area covers 1.3-million square-miles in 15 states. Western markets and delivers energy to nearly 700 wholesale power customers. These customers, in turn, provide retail electric service to millions of consumers in these central and western states: Arizona, California, Colorado, Iowa, Kansas, Minnesota, Montana, Nebraska, Nevada, New Mexico, North Dakota, South Dakota, Texas, Utah and Wyoming.

Western annually markets and transmits about 10,000 megawatts of power from 55 hydropower plants and sells about 40 percent of regional hydroelectric generation. Western also markets the United States' entitlement from the coal-fired Navajo Generating Station near Page, Arizona.

Western operates and maintains an extensive and complex high-voltage transmission system to deliver power to its customers. Using the 17,474-circuit-mile Federal transmission system, Western will market and deliver reliable electric power to most of the western half of the United States.

The power facilities are made up of 14 multipurpose water resource projects and one transmission project. The systems include Western's transmission facilities and power generation facilities owned and operated by the U. S. Bureau of Reclamation, the U. S. Army Corps of Engineers and the U.S. Section of the International Boundary and Water Commission.

Power sales, transmission operations and engineering services for Western's system are accomplished by its employees at 52 duty stations located throughout its service area. These include the Corporate Services Office in Lakewood, Colorado, and four customer service regional offices in Billings, Montana; Loveland, Colorado; Phoenix, Arizona; and Folsom, California. The Colorado River Storage Project is also supported by a Management Center in Salt Lake City, Utah.





# Falcon and Amistad Operating and Maintenance Fund

## Funding by Site by Program

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	\$ Change	% Change
Western Area Power Administration .....	2,716	2,625	2,827	+202	+7.7%
Total, Falcon and Amistad Operating and Maintenance Fund .....	2,716	2,625	2,827	+202	+7.7%

## Site Description

The Falcon-Amistad Project consists of two international storage projects located on the Rio Grande River between Texas and Mexico. The United States and Mexico operate separate powerplants on each side of the Rio Grande River. The power output is divided evenly between the two nations. The State Department International Boundary and Water Commission (IBWC) owns and operates the U. S. portion of the projects.

Falcon Dam is located about 130 miles upstream from Brownsville, Texas. The United States' portion of construction, operation and maintenance was authorized by Congress in 1950. Construction was started in that year and completed in 1954. The United States' share of Falcon Powerplant capacity is 31.5 megawatts (MW). The powerplant came on line in 1954.



## Colorado River Basins Power Marketing Fund

### Funding by Site by Program

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	\$ Change	% Change
Western Area Power Administration .....	409,794	193,561	206,617	+13,056	+6.7%
Total, Colorado River Basins Power Marketing Fund .....	409,794	193,561	206,617	+13,056	+6.7%

### Site Description

The Colorado River Basins Power Marketing Program is comprised of three power systems: the Colorado River Storage Project, including the Dolores and Seedskadee Projects; the Fort Peck Project; and the Colorado River Basin Project. Western Area Power Administration is responsible for construction, maintenance, and operation of facilities for transmitting and marketing the electrical energy generated in these power systems. A brief description of each follows:

The **Colorado River Storage Project (CRSP)** was authorized in 1956. It consists of four major storage units: Glen Canyon, on the Colorado River in Arizona near the Utah border; Flaming Gorge on the Green River in Utah near the Wyoming border; Navajo on the San Juan River in northwestern New Mexico near the Colorado border; and the Wayne N. Aspinall unit on the Gunnison River in west-central Colorado.

CRSP has a combined storage capacity that exceeds 33.5 million acre-feet. Five Federal powerplants associated with the project, with 16 generating units, have an operating capacity of 1,710 MW. CRSP provides for the electrical needs of more than a million people spread across Colorado, Utah, New Mexico and Arizona. Portions of Nevada and Wyoming are also served by CRSP power.

The **Dolores Project**, located in Montezuma and Dolores counties in southwestern Colorado, and the **Seedskadee Project**, located in southwestern Wyoming, were authorized as participating projects of CRSP. Dolores, a multipurpose project, provides 12.8 MW of installed power generating capacity along with municipal and industrial water, irrigation water, and recreation and fish and wildlife enhancement. The Dolores Project powerplants at McPhee Dam and the Towaoc Canal produce 1.3 and 11.5 MW, respectively. Seedskadee's power facilities, associated with the project's Fontenelle Dam, include an 11.5-MW powerplant, switchyard and necessary transmission lines to interconnect with the CRSP transmission system at Flaming Gorge Powerplant.

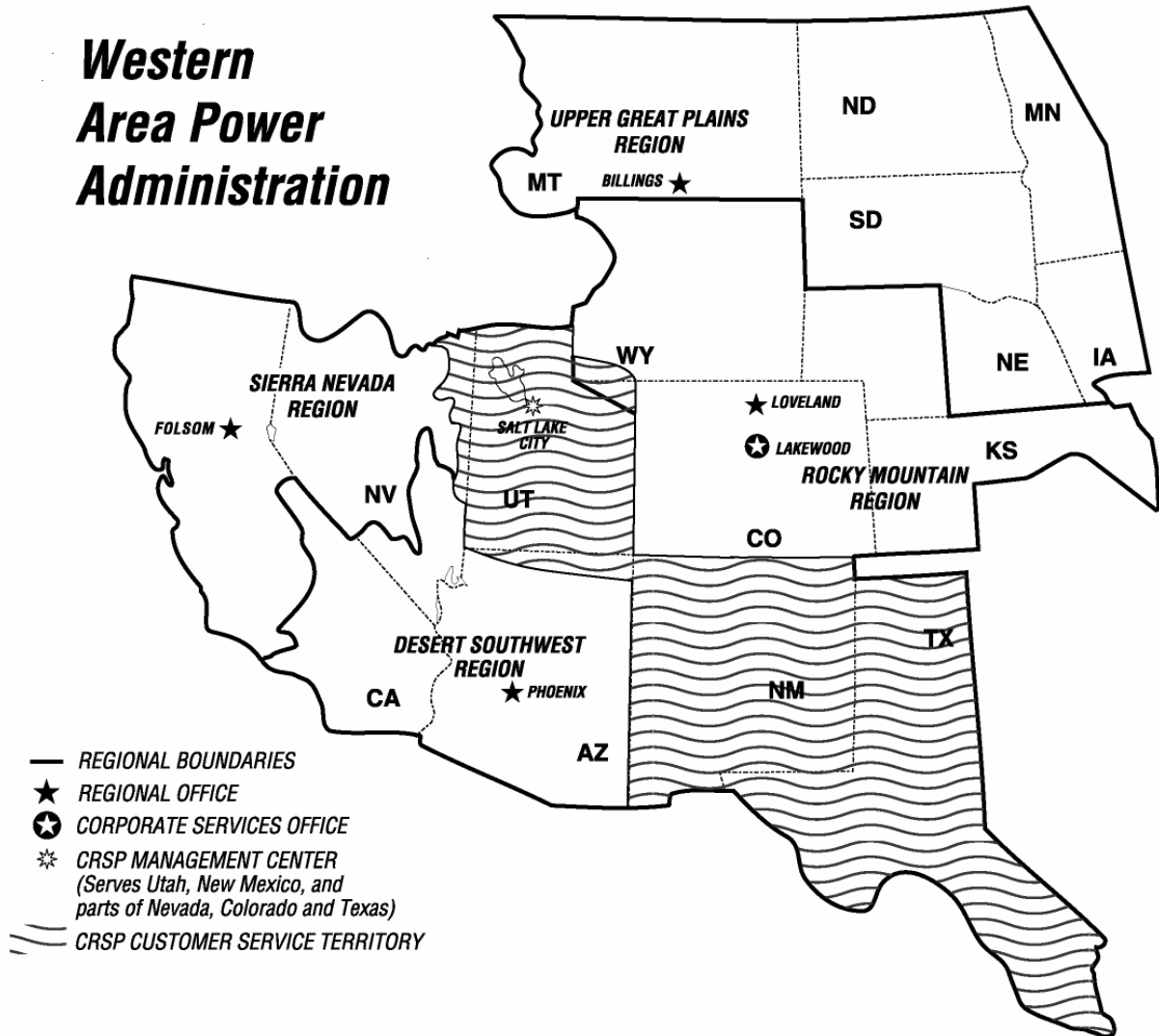
The **Fort Peck Project**, located on the Missouri River in northeastern Montana, was begun under an Executive Order in October 1933 as part of the Public Works Administration. The Fort Peck Project Act of 1938 authorized the completion, maintenance and operation of the project, and the Flood Control Act of 1944 authorized integration of operation of the project with the Pick-Sloan Missouri Basin Program to serve a common market area. Installed generating capacity of the 5 units is 218 MW, which is delivered primarily to customers in eastern Montana and western North Dakota.

The Central Arizona Project (CAP) was authorized to furnish irrigation and municipal water supplies to Arizona and New Mexico, and for other purposes. No funding within the revolving fund program is requested for FY 2005. This project has migrated to reimbursable funding.

**Colorado River Basins Power Marketing Fund/  
Western Area Power Administration/  
Funding by Site**

**FY 2005 Congressional Budget**

# Western Area Power Administration



# Construction, Rehabilitation, Operation and Maintenance

## Funding Profile by Subprogram

(dollars in thousands)

	FY 2003 <sup>a</sup> Comparable Appropriation	FY 2004 Original Appropriation	FY 2004 <sup>b</sup> Adjustments	FY 2004 Comparable Appropriation	FY 2005 Request
Construction, Rehabilitation, Operation and Maintenance Account					
Program Direction <sup>c</sup> .....	111,904	126,588	-727	125,861	116,756
Operation and Maintenance <sup>c</sup> .....	38,009	36,204	-210	35,994	39,821
Construction and Rehabilitation .....	17,669	12,950	-76	12,874	20,191
Purchase Power and Wheeling <sup>d</sup> .....	186,124	182,108	+3,992	186,100	0
Utah Mitigation and Conservation .....	6,061	6,200	-37	6,163	0
<b>Total Program, Operating Expenses .....</b>	<b>359,767</b>	<b>364,050</b>	<b>+2,942</b>	<b>366,992</b>	<b>176,768</b>
Use of Prior Year Balances .....	-1,200	0	0	0	0
Offsetting Collections from Colorado River Dam Fund (P. L. 98-381) .....	-4,683	-3,992	0	-3,992	-3,668
Offsetting Collections – PP&W (P.L. 106-377, P.L. 108-7, Consolidated (Omnibus) Appropriations Bill for FY 2004) .....	-186,124	-182,108	-3,992	-186,100	0
<b>Total Budget Authority Request.....</b>	<b>167,760</b>	<b>177,950</b>	<b>-1,050</b>	<b>176,900</b>	<b>173,100</b>

**Public Law Authorizations:**

- Public Law 57-161, "The Reclamation Act of 1902"
- Public Law 78-534, "Flood Control Act of 1944"
- Public Law 95-91, "Department of Energy Organization Act" (1977)
- Public Law 102-486, "Energy Policy Act of 1992"
- Public Law 66-389, "Sundry Civil Appropriations Act" (1922)
- Public Law 76-260, "Reclamation Project Act of 1939"
- Public Law 80-790, "Emergency Fund Act of 1948"

<sup>a</sup> Reflects the general across-the-board rescission of \$1,097,577 (\$699,486 Program Direction, \$243,941 Operation and Maintenance, \$114,780 Construction and Rehabilitation, and \$39,370 Utah Reclamation Mitigation and Conservation) (P.L. 108-7).

<sup>b</sup> Reflects a total rescission of \$1,049,905 (\$726,880 Program Direction, \$210,040 Operation and Maintenance, \$76,405 Construction and Rehabilitation, and \$36,580 Utah Mitigation and Conservation) from the Consolidated (Omnibus) Appropriations Bill for FY 2004. The bill also provides \$3,992,000 in receipt spending authority for Purchase Power and Wheeling.

<sup>c</sup> Funding amounts include activities of the Boulder Canyon Project which are funded through Colorado River Dam Fund receipts via a reimbursable agreement with the Department of Interior as authorized in P. L. 98-381.

<sup>d</sup> The total purchase power and wheeling requirements are \$346.4 million, \$271.0 million, and \$218.2 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. Western will continue to support those unable or unwilling through alternative financing methods including net billing, bill crediting, Federal and non-Federal reimbursable authority.

Public Law 102-575, "Reclamation Projects Authorization and Adjustment Act of 1992"  
"Economy Act" of 1932, as amended (41 stat. 613)  
"Interior Department Appropriation Act of 1928" (44 stat. 957)  
Public Law 70-642, "Boulder Canyon Project Act" (1928)  
Public Law 75-756, "Boulder Canyon Project Adjustment Act" (1940)  
Public Law 98-381, "Hoover Power Plant Act of 1984"

## **Mission**

The Western markets and delivers reliable, cost-based Federal hydroelectric power and related services.

## **Benefits**

Western delivers reliable power and related services over a 1.3-million-square-mile area to a diverse group of several hundred customers, including municipalities, cooperatives, public utility and irrigation districts, Federal and State agencies, and Native American tribes. Western's marketing efforts and delivery capability provides for recovery of annual operational costs, including the generating agencies' costs, and repayment of taxpayer investment in the Federal hydropower program. Western repays the Federal investment for which it is responsible within the timeframes established by law and regulations.

# Program Direction

## Funding Profile by Category

(dollars in thousands/whole FTEs)

	FY 2003 <sup>a</sup>	FY 2004 <sup>b</sup>	FY 2005	\$ Change	% Change
Program Direction <sup>c</sup>					
Salaries & Benefits.....	82,265	89,159	79,107	-10,052	-11.3%
Travel.....	6,526	6,968	7,553	+585	+8.4%
Support Services .....	10,488	13,734	12,930	-804	-5.9%
Other Related Services .....	12,625	16,000	17,166	+1,166	+7.3%
<b>Total, Program Direction .....</b>	<b>111,904</b>	<b>125,861</b>	<b>116,756</b>	<b>-9,105</b>	<b>-7.2%</b>
Use of Receipts from Colorado River Dam Fund .....	-4,226	-3,388	-2,747	+641	+18.9%
<b>Total, Program Direction Budget Authority...</b>	<b>107,678</b>	<b>122,473</b>	<b>114,009</b>	<b>-8,464</b>	<b>-6.9%</b>
<b>Full-time Equivalents.....</b>	<b>1,030</b>	<b>1,041</b>	<b>1,043</b>	<b>+2</b>	<b>+0.2%</b>

## Mission

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 staff offices which support the programs in carrying out the mission. Western performs critical functions which directly support the mission of the Department. These 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, and providing Congressional and public liaison.

Western's Program Direction activity provides compensation and all related expenses for the workforce that operates and maintains Western's high-voltage interconnected transmission system and associated facilities; those that plan, design, and supervise the construction of replacements, upgrades and additions (capital investments) to the transmission facilities; and those that market the power and energy produced to repay annual expenses and capital investment.

Western previously executed a self-imposed downsizing effort to ensure its competitiveness in the industry. By the end of FY 1998, this transformation resulted in a reduction of 26 percent of total staff

<sup>a</sup> FY 2003 amount reflects a general across-the-board rescission of \$699,486 (P.L. 108-7).

<sup>b</sup> FY 2004 amount reflects the across-the-board rescission of \$726,880 from the Consolidated (Omnibus) Appropriations Bill for FY 2004.

<sup>c</sup> Program descriptions and funding amounts include activities of the Boulder Canyon Project. These activities are funded through a Reimbursable Agreement with the Department of Interior, Bureau of Reclamation.



(Federal staff decreased from 1,504 to 1,329; contract staff went from 601 to 239). Western's FY 2003 total Federal FTE usage was 1,306.

The Program Direction activity supports DOE's Energy Security goal. To attain reliability performance, dispatchers match generation to load minute-by-minute to meet or exceed performance levels established by NERC. Western maintains the interconnected system at or above industry standards to reduce transmission outages. Energy schedulers maximize revenues from non-firm energy sales and power rates are reviewed and adjusted to support repayment of Federal investment. Western trains its employees on a continuing basis in occupational safety and health regulations, policies and procedures, and conducts safety meetings at employee, supervisory and management levels to keep the safety culture strong. Accidents are reviewed to ensure lessons are learned and proper work protocol is in place.

Western operates and maintains a transmission system to deliver an adequate supply of reliable electric power in a clean and environmentally-safe, cost-effective manner within its 15-state service territory. Western achieves continuity of service by maintaining its power system at or above industry standards, rapidly restoring service following any system disturbance, mitigating adverse environmental impacts, performing environmental clean-up activities, and maximizing the benefits gained from non-firm energy sales. Additionally, Western operates the Western Electricity Coordinating Council's Rocky Mountain/Desert Southwest Reliability Coordination Center.

Western markets power generated at 55 hydropower plants which are operated primarily by the Bureau of Reclamation, the U. S. Army Corps of Engineers, and the U. S. Section of the International Boundary and Water Commission. Western also markets the United States' entitlement from the Navajo coal-fired powerplant near Page, Arizona.

In concert with its customers, Western reviews required replacements and upgrades to its existing infrastructure to sustain reliable power delivery to its customers and to contain annual maintenance expenses. The timing and scope of these replacements and upgrades are critical to assure that Western's facilities do not become the "weak link" in the interconnected system. Western pursues opportunities to join with neighboring utilities to jointly finance activities, which result in realized cost savings and/or increased efficiencies for all participants and avoid redundant facilities.

### Detailed Justification

(dollars in thousands)

FY 2003	FY 2004	FY 2005
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**Salaries and Benefits**..... **82,265      89,159      79,107**

Salaries and benefits are provided for Federal employees to operate and maintain, on a continuing basis, Western's high-voltage interconnected transmission system comprised of 17,474 circuit-miles of line, 268 substations, associated power system control and communication, and general plant facilities. Craft workers rapidly restore the transmission system following any disturbance, and routinely maintain and/or replace equipment to assure capability for reliable delivery of power. Dispatchers provide 24-hour-a-day operation of four dispatching centers and one reliability coordination center. Dispatchers respond to minute-by-minute changes to load and generation to meet or exceed NERC and industry averages for system reliability and performance. Engineers and craft workers maintain the interconnected system at or above industry standards to reduce transmission outages. Energy schedulers

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Program Direction**

**FY 2005 Congressional Budget**

(dollars in thousands)

FY 2003	FY 2004	FY 2005
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maximize revenues from non-firm energy sales. Staff provides continuing services such as system operations, power billing and collection, power marketing, rate setting activities, energy services, environmental, safety, security and emergency management activities. Due to the extreme hazards associated with a high-voltage electrical system, staffs make safety a priority in each and every task. Staff inspects construction activities in progress (identified in the Construction and Rehabilitation activity) to ensure quality results and safe working methods. General power resources planning and preconstruction activities continue, including planning, environmental clearance, collection of field data, design of facilities, and issuance of specifications for future rehabilitation and upgrades of existing transmission lines and the review/coordination of requests for transmission system interconnections. Staff evaluates general power resources, collaborating and planning with customers and other members of the interconnected transmission system, to identify the most effective transmission system improvements to maximize benefits to all participants.

Total FTE numbers for FY 2005 include 1,026 for Western’s Construction, Rehabilitation, Operation and Maintenance (CROM) Account activities and 17 for Boulder Canyon Project (BCP) activities accomplished using receipts from the Colorado River Dam Fund under a reimbursable agreement with the Bureau of Reclamation. FTE reflected for CROM Account activities total 1,012 and 1,023 for FY 2003 and 2004, respectively. FTE associated with BCP activities remain constant at 18 for both FY 2003 and FY 2004.

The additional FTE requested in 2005 for Western’s CROM Account are required to support various additional requirements. This increase includes an Environmental Protection Specialist responsible for responding to a growing environmental compliance and NEPA workload due to increasing power customer loads serving interconnection and Federal projects related to the implementation of FERC Orders. The increase also supports additional computer specialists to support cyber security, coordination, vulnerability testing, and participation on various security teams. Increases by specific regions to support scheduling, dispatching, and engineering are offset by decreases elsewhere throughout Western. The decreases to this activity overall are attributable to management’s emphasis in seeking alternative financing, thus allowing Western to maintain its capital programs.

The FY 2005 funding request reflects anticipated salary and within-grade increases to fund the majority of the 1,026 FTE financed in this account. The program request includes \$1,752 thousand for salary and benefit activities of the Boulder Canyon Project, while customer advances finance the remainder. Western’s overall average budgeted salary/benefit costs per FTE for FY 2003, FY 2004, and FY 2005 are \$90 thousand, \$96 thousand, and \$102 thousand respectively. Over 37 percent of Western’s personnel salaries and compensation policies are determined through wage surveys and union negotiations (craft workers, power system dispatchers, schedulers, and marketers) and become effective at the beginning of a fiscal year rather than in January as do the GS scale increases.

**Travel..... 6,526 6,968 7,553**

Estimates, including \$146 thousand for the Boulder Canyon Project, include transportation and per diem allowances for day-to-day performance of duties of Federal staff, including crews who maintain the interconnected system. The remote and rural locations in Western’s 15-state service area lead to less competitive pricing. Rental/lease of GSA vehicles and transportation of things are also included.

Estimates are based on historical costs and an assessment of planned activity. The increase is attributed

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**FY 2005 Congressional Budget**

(dollars in thousands)

FY 2003	FY 2004	FY 2005
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to inflationary increases and anticipated travel increases in support of Western's Construction and Rehabilitation (C&R) and Operations and Maintenance (O&M) planned program levels. Increases to Western's O&M activities affecting Western's travel request include efforts such as the replacement of wood structures, safety and security upgrades in various substations, as well as the replacement of communication items to include remote terminal units at numerous sites across Western.

**Support Services** ..... **10,488**      **13,734**      **12,930**

Support services funded in this activity include information processing, warehousing, computer-aided drafting, engineering, and general administrative support. The net decrease of \$804 thousand includes an increase of \$829 thousand in ADP support offset by a decrease of \$1.2 million for technical economic and environmental analysis and \$410 thousand in administrative support. The ADP increases are attributable to inflation and anticipated contract renegotiations. The decreases to this activity are attributable to management's emphasis in seeking alternative financing, thus allowing Western to maintain its capital programs. Receipts from the Colorado River Dam Fund provide \$363 thousand of funding for the Boulder Canyon portion of this request.

**Other Related Expenses** ..... **12,625**      **16,000**      **17,166**

Other related expenses include rental space, utilities, supplies and materials, telecommunications, personal computers, printing and reproduction, training tuition, and DOE's working capital fund distribution. The Boulder Canyon portion of these expenses total \$486 thousand. Rental space costs assume the General Services Administration's (GSA) inflation factor. Other costs are based on historical usage and actual cost of similar items. The increase is mostly attributed to inflation and slight increases in printing and reproduction, communication, working capital fund distribution estimates from DOE, and miscellaneous services estimates. The miscellaneous services estimates include increases of \$175 thousand for post-9/11 additional physical security activities in the Desert Southwest Region. These activities include the installation of card readers, fire detection/alarm and video surveillance systems, smoke/heat detectors as well as other upgrades and enhancements. The increases are partially offset by decreases to training, rental space, and planned equipment purchases.

**Total, Program Direction** ..... **111,904**      **125,861**      **116,756**

## Explanation of Funding Changes

FY 2005 vs. FY 2004 (\$000)
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### Salaries and Benefits

- The decrease to salary and benefits is attributable to management's emphasis in seeking alternative financing, thus allowing Western to maintain its capital programs. .... -10,052

### Travel

- The increase in travel is attributed to inflationary increases and planned increases in program activity within the CROM Account ..... +585

### Support Services

- Support services estimate includes increases in ADP services for inflation and contract renegotiations, offset partially by a decrease in administrative services attributable to management's emphasis in seeking alternative financing, thus allowing Western to maintain its capital programs... ..... -804

### Other Related Expenses

- The increase is mostly attributed to inflation and slight increases in printing and reproduction, communication, working capital fund distribution, and miscellaneous services estimates, partially offset by decreases to training, rental space, and planned equipment purchases ..... +1,166

<b>Total Funding Change, Program Direction.....</b>	<b>-9,105</b>
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## Support Services by Category

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	\$ Change	% Change
Technical Support					
Economic and Environmental Analysis .....	0	1,223	0	-1,223	-100.0%
Test and Evaluation Studies .....	0	0	0	0	0.0%
Total, Technical Support .....	0	1,223	0	-1,223	-100.0%
Management Support					
Management Studies .....	16	0	0	0	0.0%
Training and Education .....	0	0	0	0	0.0%
ADP Support .....	5,258	5,258	6,087	+829	+15.8%
Administrative Support .....	5,214	7,253	6,843	-410	-5.7%
Total, Management Support .....	10,488	12,511	12,930	+419	+3.3%
Total, Support Services .....	10,488	13,734	12,930	-804	-5.9%

## Other Related Expenses by Category

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	\$ Change	% Change
Training .....	828	828	608	-220	-26.6%
Working Capital Fund .....	933	937	1,023	+86	+9.2%
Printing and Reproduction .....	153	153	202	+49	+32.0%
Rental Space .....	2,491	2,418	1,943	-475	-19.6%
Software Procurement/Maintenance Activities/Capital Acquisitions .....	2,637	4,292	4,691	+399	+9.3%
Other .....	5,583	7,372	8,699	+1,327	+18.0%
Total, Other Related Expenses .....	12,625	16,000	17,166	+1,166	+7.3%

# Operation and Maintenance

## Funding Schedule by Activity

(dollars in thousands)

	FY 2003 <sup>a</sup>	FY 2004 <sup>b</sup>	FY 2005	\$ Change	% Change
Operation and Maintenance <sup>c</sup>					
Regular Operation and Maintenance.....	19,086	17,902	16,469	-1,433	-8.0%
Replacements and Additions .....	18,923	18,092	23,352	+5,260	+29.1%
Total, Operation and Maintenance.....	38,009	35,994	39,821	+3,827	+10.6%
Use of Prior Year Balances.....	-600	0	0	0	0%
Use of Receipts from Colorado River Dam Fund.....	-457	-604	-921	-317	-52.5%
Total, O&M Budget Authority .....	36,952	35,390	38,900	+3,510	+9.9%

### Description

The mission of Western's Operation and Maintenance (O&M) subprogram is to assure continued reliability of the Federal power system by operating and maintaining Western's transmission system at or above industry standards, including replacement of aging equipment and removal of constraints which would impede power flows.

#### Benefits

Western's operation and maintenance activity supports DOE's Energy Security goal to protect our national and economic security by reducing imports and promoting a diverse supply of reliable, affordable, and environmentally sound energy. Western ensures reliable electric power in a safe, cost-effective manner, and achieves continuity of service throughout its 15-state service territory by maintaining its power system at or above industry maintenance standards, rapidly restoring service following any system disturbance, mitigating adverse environmental impacts, performing clean-up activities, and maximizing the revenues gained from non-firm energy sales.

Supplies and materials, such as wood poles, instrument transformers, meters and relays must be procured to provide necessary resources to respond to routine and emergency situations in Western's high-voltage interconnected transmission system. Western implemented reliability-centered maintenance (RCM) scheduling to contain costs. RCM focuses on identifying critical components in a system and uses preventive and predictive maintenance practices to repair or replace equipment as needed. Technical services, such as waste management disposal, environmental impact analyses, and pest and weed control are used as needed.

Western's planned replacement and addition activity is based on an assessment of condition and criticality of equipment, maintenance/frequency of problems for individual items of equipment,

<sup>a</sup> FY 2003 amounts reflect a general across-the-board rescission of \$243,941 (P.L. 108-7).

<sup>b</sup> Reflects a rescission of \$210,040 from the Consolidated (Omnibus) Appropriations Bill for FY 2004.

<sup>c</sup> Program descriptions and funding amounts include activities of the Boulder Canyon Project. These activities are funded directly through Colorado River Dam Fund receipts via a reimbursable agreement with the Department of the Interior as authorized in P. L. 98-381.

availability of replacement parts, safety of the public and Western’s personnel, environmental concerns, and an orderly work plan. The work plans, coordinated with Western’s power customers, who ultimately bear the burden of all Western expenses, reflect an overall sustainable level of effort, with shifts in emphasis between categories (i.e., electrical versus communication equipment) in any given year.

Electrical equipment replacements, such as circuit breakers, transformers, insulators, revenue meters, switches, control boards, relays and oscillographs must be acquired to assure reliable service to Western’s customers. System component age, environmental concerns, and risk to system reliability necessitate orderly replacement before significant problems develop.

Replacement, upgrade and installation of microwave, fiber optics, supervisory control and data acquisition, and other communication and control equipment continues to provide increased system reliability and operation, and to reduce maintenance and equipment costs.

Capitalized movable equipment, such as special purpose vehicles (e.g., cranes, auger trucks, manlifts), special purpose equipment (e.g., pole trailers, industrial tractors, brush chippers), specialized test equipment (e.g., motion analyzers and relay test equipment), computer-aided engineering equipment, office equipment, and IT equipment and software, must be upgraded and replaced.

The personnel expenses and personnel performance accomplishments associated with the O&M activity are combined with those of the Construction and Rehabilitation activity and are reflected in the Program Direction section of Western’s budget request.

### Detailed Justification

(dollars in thousands)

FY 2003	FY 2004	FY 2005
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**Regular Operation and Maintenance..... 19,086 17,902 16,469**

Supplies and materials necessary to respond to routine and emergency situations in Western’s high-voltage interconnected transmission system will be purchased. The request includes \$921,000 for activities in the Boulder Canyon Project, funded directly through receipts from the Colorado River Dam Fund. The continuing maintenance of Western’s transmission system at or above industry standards supports DOE’s Energy Security Goal, by minimizing sudden failure, unplanned outages, and possible regional power system disruptions. Safe working procedures are discussed before work commences to optimize safety for the public, Western’s staff, and equipment. The request is based on projected work plans for activities funded from this account. Estimates are based on historical data of actual supplies needed to operate and maintain the transmission system. Costs are based on recent procurement of similar items.

**Replacements and Additions ..... 18,923 18,092 23,352**

Western’s planned replacement and addition activity is based on an assessment of condition and criticality of equipment, maintenance/frequency of problems on individual items of equipment, availability of replacement parts, safety of the public and Western’s personnel, environmental concerns, and an orderly work plan. Replacement of aged power system components maximizes the reliability and availability of Western’s system by reducing the risk of equipment failure, unplanned outages, and possible regional power system disruptions. Removing environmental hazards and replacement of aged

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**FY 2005 Congressional Budget**

(dollars in thousands)

FY 2003	FY 2004	FY 2005
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equipment eliminates safety hazards for the public and Western’s personnel. Planned activity is detailed by category below.

- **Electrical Equipment** ..... **7,609**      **7,450**      **10,861**  
Electrical equipment, such as circuit breakers, transformers, relays, batteries and chargers, reactors, capacitor banks and switches, will be replaced. Treatment and/or replacement of wood poles will extend the life of aging, deteriorating transmission lines. Additionally, existing transmission system easements for the Parker-Davis Project (Arizona), originally purchased 50 years ago, must be renegotiated (third year of a three-year program). Post 9/11 security equipment includes installation of perimeter intrusion detection devices at various locations throughout Western, fencing around control buildings, and other building security equipment. Costs are based on analysis of system operation/maintenance requirements and concerns, customer-coordinated work plans, actual costs of recent similar projects, and bottom-up budgeting techniques.
  
- **Communications Equipment** ..... **4,481**      **4,153**      **4,448**  
Western is replacing/upgrading microwave, supervisory control and data acquisition, and other communication and control equipment. Aged analog radio systems will be replaced with digital radio and fiber optic components in North and South Dakota. Microwave and mobile radio equipment as well as fiber optics are needed in the Rocky Mountain Region, the Sierra Nevada Region, and the Desert Southwest Region. The staged movement to narrow communications band spectrums as directed by the Federal Communications Commission (FCC) and National Telecommunications and Information Administration (NTIA) continues. A backup control center is proposed for the Upper Great Plains Region Watertown Operations Office which will allow continued operations of the power grid in the event of problems in the main control center. Funds are also requested for Western’s portion of a co-shared arrangement to install fiber optics in the Sacramento (California) area, avoiding duplicate fiber networks and meeting WECC reliability requirements for the communication path (third year of a three-year project). Costs are based on analysis of system operation/maintenance requirements, customer-coordinated work plans, actual costs of recent similar projects, and bottom-up budgeting techniques.
  
- **Capitalized Movable Equipment** ..... **6,833**      **6,489**      **8,043**  
Capitalized movable equipment needed to support the O&M of the interconnected power system will be purchased. Replacement of special purpose equipment includes a Condor aerial lift, auger unit, backhoe, crane, 2 trailers, forklift, front-end loader, patrol vehicles, Snowcat, utility tractor, line truck and 3 utility trucks. Post 9/11 security costs include security cameras and recording devices at various sites throughout Western. Western’s maintenance tracking system, Maximo, is scheduled for an upgrade to version 5. Replacement needs are based on age, reliability, and safety of equipment, customer-coordinated review, cost analysis of rebuild versus replacement, availability of replacement parts, and obsolescence of diagnostic maintenance tools. Costs are determined using actual costs of similar items.

<b>Total, Operations and Maintenance</b> .....	<b>38,009</b>	<b>35,994</b>	<b>39,821</b>
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Construction, Rehabilitation, Operation and Maintenance/  
Western Area Power Administration/  
Operation and Maintenance

FY 2005 Congressional Budget



## Explanation of Funding Changes

FY 2005 Request vs. FY 2004 (\$000)
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**Regular Operation and Maintenance**

- Decrease in regular O&M is attributed to need for additional funding for capitalized replacements and additions due to Western's aging infrastructure. .... -1,433

**Replacements and Additions**

- Increases in replacements and additions are attributed to increased purchases in each category: electrical equipment (+\$3,411,000), consisting primarily of increased infrastructure replacements at Western's substation and transmission line facilities; communications equipment (+\$295,000) and capitalized movable equipment (+\$1,554,000), representing the Maximo maintenance tracking system upgrade as well as special post 9-11 security equipment. .... +5,260

<b>Total Funding Change, Operation and Maintenance .....</b>	<b>+3,827</b>
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# Construction and Rehabilitation

## Funding Schedule by Activity

(dollars in thousands)

	FY 2003 <sup>a</sup>	FY 2004 <sup>b</sup>	FY 2005	\$ Change	% Change
Construction and Rehabilitation					
Transmission Lines and Terminal					
Facilities .....	3,355	3,728	6,776	+3,048	+81.8%
Substations .....	6,194	2,840	9,125	+6,285	+221.3%
Other <sup>c</sup> .....	8,120	6,306	4,290	-2,016	-32.0%
Total, Construction & Rehabilitation .....	17,669	12,874	20,191	+7,317	+56.8%
Use of Prior Year Balances .....	-600	0	0	0	0%
Total, C&R Budget Authority .....	17,069	12,874	20,191	+7,317	+56.8%

## Description

The mission of Western's Construction and Rehabilitation (C&R) subprogram is to assure continued reliability of the Federal power system by modification, replacement, additions, and interconnections to the Federal power system.

### Benefits

Western's construction and rehabilitation (C&R) activity supports DOE's Energy Security goal by emphasizing replacement and upgrading of existing electrical system infrastructure to sustain reliable power delivery to our customers, to support a stable and reliable interconnected power system, to contain annual maintenance expenses, and to retain the value of our assets. Western's transmission system has 17,474 circuit-miles of line and 268 substations. Of the 8,284 miles of wood poles, 5,537, or 67 percent, exceed the normal service life of 40 years, with 3,124, or 38 percent, exceeding 50 years. Western is continually testing, treating, and replacing individual wood poles and hardware to delay the need for replacing an entire transmission line. As substation equipment (such as power transformers, circuit breakers, and control equipment) reaches the end of its useful life, maintenance costs increase, replacement parts become unavailable, risk of outages increase, and system reliability declines. Western has 74 transformers and 83 circuit breakers over 41 years old. The normal service life for power transformers and power circuit breakers is 40 years and 35 years, respectively. While the replacement of this equipment is systematically planned over a 10-year period, actual replacement varies depending on condition and criticality. All replacement and rehabilitation plans are coordinated with our customers to help establish the timing and scope of work at specific substations. When upgrades or additional capacity are required, Western actively pursues opportunities to join with neighboring utilities to jointly finance activities, which result in realized cost savings and increased efficiencies for all participants.

<sup>a</sup> FY 2003 amounts reflect a general across-the-board rescission of \$114,780 (P.L. 108-7).

<sup>b</sup> Reflects rescission of \$76,405 from the Consolidated (Omnibus) Appropriations Bill for FY 2004.

<sup>c</sup> Other includes communication equipment (such as microwave, telecommunications, and supervisory control and data acquisition systems) maintenance facilities, power facility developmental costs, and minor unscheduled jobs.

Western has aggressively reduced its capital investment program from levels around \$110 million annually in the early 1990s to an estimated base need of about \$30 million (excluding program direction). This base level supports a program that emphasizes replacement and upgrading of existing infrastructure to sustain reliable power delivery to our customers while maintaining competitive rates. Western's planned program level for FY 2005 is \$20.2 million, \$8 million more than the FY 2004 program request of \$12.2 million. This funding level will assist in funding high-priority initiatives defined by Western, the Department, and the President.

Western continues to refine a long-term C&R program level that will maintain the reliability of, and the Government's investment in, Western's power facilities while minimizing effects on power rates. Our challenge has been to continue evaluating Western's facilities which were built 40 to 50 years ago, and proceed with a systematic replacement/upgrade program at a level that retains the value of our assets and assures a safe and reliable transmission system, with minimal rate impacts.

Due to the increase in rehabilitation projects and decrease in new construction projects, it is increasingly difficult to plan specific projects years in advance. A piece of equipment scheduled for replacement may test out fine two years later at the beginning of the execution year, resulting in deferring replacement in favor of equipment at higher risk of failure. Discovery of a failing piece of critical equipment may completely change the planned priority of work. Customer needs may also change; causing Western to revise or reprioritize planned construction projects. Utilities and other entities are also requesting interconnections to Western's transmission system under the provisions of Western's open access transmission tariff, adopted in accordance with the spirit and intent of FERC Order No. 888. These projects often surface suddenly and move quickly, and can significantly impact Western's C&R program planning and project priorities. These projects might be advance funded by the customer, in which case there would be no impact on our appropriation request. While this section of our budget request incorporates Western's best efforts to identify and schedule necessary C&R projects, the increased focus on replacements and the realities of operating and maintaining a complex interconnected power system mean unforeseen priority projects will surface from time to time. Western may have to slip or restructure planned projects to accommodate these sudden priority projects, but our projects will continue to be focused on replacements and upgrades of aging existing equipment necessary to maintain the reliability and integrity of Western's power transmission system. Western's policy is to continue to assign the highest program priority to those situations that pose the highest risk to safety and system reliability, while meeting the mandates for open access to our transmission system.

Western delays replacement costs for as long as reasonably possible while managing the risk of sudden failure and emergency replacement. Postponement beyond this timeframe will contribute to an overall degradation of Western's power facilities, possibly leading to serious power system disruptions and lengthy power outages while crews repair or replace failed equipment under emergency conditions. "Breakdown maintenance" results in higher costs than scheduled replacements and increases safety risks to maintenance crews, as equipment failures are very often tied to extreme weather conditions and/or high system power loadings.

Personnel costs and related expenses for the workforce to plan, collect field data, write specifications, design facilities, award construction contracts, and purchase government-furnished equipment for the C&R activity are combined with those of the O&M activity and are reflected in the Program Direction section of Western's budget request.

## Detailed Justification

(dollars in thousands)

FY 2003	FY 2004	FY 2005
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For purposes of budget display, the C&R program is broken into three sections: Transmission Lines and Terminal Facilities, Substations, and Other. The Other category includes communications equipment (microwave, fiber optic, telecommunications, and supervisory control and data acquisition systems), maintenance facilities, power facility development costs, and minor unscheduled jobs. This program supports DOE’s General Goal 4, Energy Security, as presented under Program Mission. Replacement and upgrade of aged power system components are crucial to system reliability, and communications improvements maintain vital control over system operations. Both contribute to attaining or exceeding monthly control compliance ratings established by NERC by reducing the risk of equipment failure, unplanned outages, and possible local and regional power system disruptions. Reducing the hazards associated with worn or aging equipment, correcting design deficiencies, and replacing deteriorated wood poles which present a serious climbing hazard to linemen, minimizes Western’s safety exposure. In addition, public safety is supported by avoiding or minimizing the negative impacts of unplanned outages and by minimizing the instances of downed lines. C&R program activities support the repayment of Federal power investment by promoting a well-planned C&R program with a relatively stable budget over the long term, by avoiding significant additional costs of emergency “breakdown maintenance,” and by preventing outages which could impact power deliveries, purchase power costs, and power revenues. Planned activity is detailed by category below.

<b>Transmission Lines and Terminal Facilities .....</b>	<b>3,355</b>	<b>3,728</b>	<b>6,776</b>
▪ <b>Transmission Lines and Terminal Facilities, Continuing Work.....</b>	<b>1,234</b>	<b>1,243</b>	<b>4,632</b>

Continue modifications and rehabilitation of transmission lines (TL) in FY 2005 to ensure power system reliability and stability:

- ▶ Rebuild of the Cheyenne-Miracle Mile 115-kV TL (Colorado and Wyoming). This 146-mile TL was constructed in 1939 using wood poles with copper conductor. The wood poles are deteriorated and copper conductor has not been used for many years. Hardware and specialized equipment for splicing and maintaining the copper conductor are no longer available. The poor condition of the line requires excessive maintenance, is subject to outages and requires replacement to maintain reliability in the area. It is proposed this project will be done in stages over several years, the length of time dependent upon budget constraints.
  
- ▶ Relocate 3.6 miles of the existing Parker-Gila 161-kV TL that runs through the town of Quartzite (Arizona). The existing segment has a very narrow right-of-way and has extensive encroachment problems, including buildings and propane tanks that present serious safety and maintenance issues.

(dollars in thousands)

FY 2003	FY 2004	FY 2005
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- ▶ Relocate and upgrade one-half mile of the Black Point Mesa-Blythe #1 161-kV TL (California). The whole top of Black Point Mesa is considered sacred grounds by several tribes. Built in 1949, the wood poles are deteriorating and failure is eminent, resulting in possible property damage and injury to the general public. Rerouting this line will preserve the historical site and increase access for maintenance crews. Upgrading to steel structures will increase reliability, reduce maintenance costs and provide a safer work environment.

The funding level is determined by estimating the cost to complete each project and breaking out these costs by fiscal year. The estimates are based on recent actual costs to complete similar projects, updated individual project requirements, and past experience.

▪ **Transmission Lines and Terminal Facilities,**

<b>Rehabilitation Starts.....</b>	<b>2,121</b>	<b>2,485</b>	<b>2,144</b>
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Three TL and terminal facility rehabilitation starts are planned in FY 2005:

- ▶ Replace existing 477 ACSR Flicker conductor with 477 ACSS Hawk conductor on the Brush Tap-Fort Morgan Tap 115-kV line (Colorado) to eliminate Western Electricity Coordinating Council (WECC) Constrained Path Number 36. A system planning study of this 9-mile line indicated the conductor thermal rating needs to be increased to a minimum of 160 MW to eliminate a decrease in the transfer capability for power generated in Wyoming and Montana to Eastern Colorado and to comply with mandatory Operating Transfer Capability policy. It is estimated that line loading will exceed allowable levels in the summer of 2005 and limit this transfer of power if this rating is not achieved.
- ▶ Reconductor Brookings-Watertown #1 115-kV TL (South Dakota). Built in 1954, this 51-mile line has been identified in regional studies as a limiting facility during single contingency outages at high transfer levels. Post-contingent loading of the TL exceeds the emergency thermal conductor rating and is in violation of Mid-Continent Area Power Pool (MAPP) reliability criteria. Reconductoring of this TL with a new higher-rated conductor will alleviate the overloading.
- ▶ Replace existing Watford City-Charlie Creek 115-kV TL with 230-kV TL (North Dakota). This 34-mile TL was placed in service in 1951. Upgrade of this line will provide additional transfer capability that will alleviate existing reliability criteria violations during system outages. In addition, this upgrade will support current requests for interconnections to Western's transmission system.

TL and terminal facility starts address specific system reliability risks or operational problems.

Estimates are based on actual costs of recent similar projects, expected costs of needed equipment and services, cost estimating guides, and experience.

(dollars in thousands)

FY 2003	FY 2004	FY 2005
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▪ **Transmission Lines and Terminal Facilities, Work**

**Funded by Others** ..... 0 0 0

Potential transmission line and terminal trust work in FY 2005 includes planning, design or construction of:

- ▶ Interconnection facilities for Capital Electric (North Dakota).
- ▶ Interconnection facilities for Valley Electric, Arizona Public Service, Citizens Utilities (Arizona) and Nevada Power (Nevada).
- ▶ Double circuit of Liberty-Parker No. 1 TL for Arizona Public Service (Arizona).
- ▶ Adjustments to Pinnacle Peak-Rogers TL to accommodate highway construction for Arizona Department of Transportation (Arizona).
- ▶ Fault duty mitigation for Nevada Power (Nevada).
- ▶ Review of the design and construction of East Altamont Energy Center and O'Banion-Elverta 230-kV line for Calpine Corporation (California).
- ▶ Los Banos-Gates 500-kV TL project (also known as Path 15), an extension of the California-Oregon Transmission Project for Trans-Elect and Pacific Gas & Electric (California).
- ▶ Interconnection facilities at Steamboat Tap for Xcel Energy (Colorado).

Western's work for others has increased significantly under the open access transmission tariff adopted in response to FERC Order No. 888. The tariff requires Western to provide interconnections to its transmission system. New generation projects typically surface quickly and provide little advance warning for internal planning and budgeting. Western must work with requestors to meet their needs.

Western expects interconnection or capacity upgrade projects funded by the project proponents to be increasingly common in the next few years. Design of these facilities must be closely coordinated with, or accomplished by, Western's design staff to ensure compatibility with Western's equipment and facilities and compliance with applicable electrical and safety codes. These projects also affect transmission system loading and operation. Potential impacts to other system facilities and equipment must be determined since the cost of any necessary modifications must be borne by the interconnection project proponents.

**Substations** ..... 6,194 2,840 9,125

▪ **Substations, Continuing Work** ..... 1 2,482 3,610

The FY 2005 funding request will allow Western to complete the replacement of high-voltage equipment such as circuit breakers, transformers, reactors, disconnect switches, and fuses at: Casa Grande (Phoenix-Casa Grande portion) and Maricopa Substations which are located south of Phoenix (Arizona); and Watertown Substation (South Dakota). This equipment requires addition and/or replacement primarily due to reliability factors, age, safety concerns, escalating annual maintenance costs and/or availability of spare parts. Oil containment is added when appropriate to protect nearby

(dollars in thousands)

FY 2003	FY 2004	FY 2005
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water resources from possible contamination. In addition, work will continue on the demolition and environmental cleanup of Basic Substation (Nevada).

The funding level is determined by estimating the cost to complete each project and breaking out these costs by fiscal year. The estimates are based on recent actual costs to complete similar projects, updated individual project requirements, and past experience.

▪ <b>Substations, Rehabilitation Starts .....</b>	<b>6,193</b>	<b>358</b>	<b>5,515</b>
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Three substation rehabilitation starts are planned in FY 2005:

- ▶ Establish a new 230-kV TL connection at Trinity County power plant (California), consisting of three 230-kV breakers, four 230/60-kV transformers to convert voltage, two 60-kV breakers and 60-kV radial lines to tie into the Trinity County Public Utility District. The transmission line will consist of approximately 6 miles of new 60-kV line and 16 miles of rebuilt 60-kV line. This project will enhance the reliability of service to Trinity County consumers and fulfill the obligation established by the Trinity Division Act of August 12, 1955, to construct, operate and maintain transmission facilities as may be required to deliver the output of power plants. Consumers in this area routinely see nearly 20,000 consumer hours per year in outages, many lasting three to four days in the winter.
- ▶ Acquisition and/or modification of Cottonwood and Round Mountain Substations (California). With the upcoming expiration of existing Pacific Gas and Electric (PG&E) contracts in December 2004, Western must undertake new arrangements to ensure that a cost-effective method to retain a continuous transmission path connecting Federally-owned assets to the Pacific Northwest exists. This project would define, acquire, and/or modify the facilities needed to ensure that Western’s customers would have a continuous path to the Pacific Northwest on existing Federally-owned transmission lines. In the absence of any new arrangements, CVP customers face a substantial increase in costs when these contracts expire. Western initiated a public process, in FY 2003, to help decide how to operate the Central Valley Project power system once current contracts with PG&E expire. Options under consideration, but not yet decided, involve a metered subsystem and contract-based sub-control areas. A decision will be based on criteria identified in a completed and fully open public process that demonstrates the best alternative to be selected. If the decision resulting from the public process is to have a contract-based sub-control area, then \$3.2 million of the funds requested here would be used for this project.
- ▶ Replacement of the 110/34.5-kV transformer at Woonsocket Substation (South Dakota). This transformer was placed in service in early 1954, and is no longer supported by its manufacturer. Spare parts are not obtainable, and the transformer has reached the end of its useful service life. Originally planned for replacement in FY2003, this project was put on hold to accommodate unplanned work. In order to maintain system reliability and avoid the increased costs of an emergency replacement, this transformer should be replaced as soon as possible.

(dollars in thousands)

FY 2003	FY 2004	FY 2005
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Lead times for equipment delivery are increasing as fewer domestic manufacturers remain in the marketplace, and more equipment must come from foreign sources. Worldwide demand for electrical equipment is also impacting delivery schedules. For major equipment such as transformers, delivery times are averaging 18 months and increasing, making it impossible to procure equipment in the same fiscal year as contract award.

Estimates are based on actual costs of recent similar projects, including costs of equipment and services, data from specialized cost estimating guides, and organization experience.

▪ <b>Substations, Work Funded by Others .....</b>	<b>0</b>	<b>0</b>	<b>0</b>
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Substation trust work in FY 2005 includes:

- ▶ Review of the design and construction of Phase 2 of Fiddyment Substation for City of Roseville (California).
- ▶ Transformer replacement at Yellowtail Substation (Montana) – Mountain States Power Corporation.
- ▶ Walden Substation project for Tri-State and Mountain Parks Electric (Colorado).
- ▶ Transformer upgrade to Silt Pumping Plant for town of Silt (Colorado).

<b>Other .....</b>	<b>8,120</b>	<b>6,306</b>	<b>4,290</b>
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▪ <b>Other; Communications Systems .....</b>	<b>5,177</b>	<b>3,728</b>	<b>4,190</b>
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Continue to replace/modernize/expand communication systems (supervisory control and data acquisition equipment, microwave, fiber optic, global information system, and telecommunication) in the Colorado River Storage Project and the Pick-Sloan Missouri Basin Program to operate and control the transmission system. Replacement parts for the existing obsolete communications systems are becoming very difficult to obtain and the increased use of remote control of facilities, coupled with the need for greater integration of the Federal system with the rest of the grid and technological advances in the communications field, make secure and reliable communications crucial to Western’s mission. Rapid advances in communications technology, along with manufacturers’ phase-out of support for existing systems, primarily drive the need for communications replacements and upgrades. Effective control of remote facilities is crucial to the operation of the power system.

▪ <b>Other; Miscellaneous .....</b>	<b>2,943</b>	<b>2,578</b>	<b>100</b>
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Annual power facility development costs and miscellaneous minor construction jobs that are not normally scheduled in advance or anticipated as part of larger projects.

Each project cost is determined using the actual costs of recent similar projects, estimated quantities of needed materials, past contract costs, specialized cost estimating guides, and in-house experience.

<b>Preconstruction Activities .....</b>	<b>0</b>	<b>0</b>	<b>0</b>
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The following projects will have active preconstruction activities during FY 2005: Replacement of equipment at Devils Lake, Leeds, Watford City and Morris Substations (North Dakota); Casa Grande, Mead and Liberty Substations (Arizona); and Henderson Substation (Nevada). Preconstruction activities for t-line upgrades include Davis-Mead, Davis-Topock, Casa Grande-Empire, and Empire-ED5



(dollars in thousands)

FY 2003	FY 2004	FY 2005
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(Arizona); Parker-Bouse (Arizona and California); Beaver-Hoyt (Colorado); Rugby-Leeds (South Dakota); and Gering-Gering Valley (Nebraska). Funding for these activities is included in the Program Direction section of Western’s request.

<b>Total, Construction and Rehabilitation.....</b>	<b>17,669</b>	<b>12,874</b>	<b>20,191</b>
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### Explanation of Funding Changes

FY 2005 vs. FY 2004 (\$000)
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#### Transmission Lines and Terminal Facilities

- Transmission Lines and Terminal Facilities work is projected to be \$3.0 million more than the FY 2004 level. The increase in the funding request for these facilities results from deferring necessary planned upgrades due to budget constraints. The requested funding for FY 2005 will allow Western to repair, rebuild, or relocate structures that have been identified as having potential reliability, safety, and maintenance problems. These lines are located in Arizona, California, Colorado, South Dakota, North Dakota, and Wyoming. .... +3,048

#### Substations

- Western’s Substation program will be approximately \$6.3 million more than the FY 2004 level. The increase is for additions and upgrades that are essential to maintaining a stable, safe and reliable system. The increase results from deferring planned upgrades due to budget constraints and to maintaining a systematic replacement of degraded facilities. This includes upgrade of transformers, circuit breakers and other station equipment at Western facilities in Arizona, California, Nevada, and South Dakota, and includes \$3.2 million for acquisition or modification of Cottonwood and Round Mountain substations in California. .... +6,285

#### Other

- Funding of ongoing fiber optic communications projects increases by \$0.5 million. Projects in North and South Dakota include replacing overloaded and obsolete analog microwave communications with digital and fiber optic systems that can handle the load from increasing communication, control, data gathering, and remote monitoring needs. In addition, the increase will provide telecommunication upgrades of existing analog equipment in the Rocky Mountain Region to more efficient fiber optics and digital microwave radio. A decrease of \$2.5 million is reflected in miscellaneous projects such as roof repairs, security upgrades, fire system upgrades, and other minor construction work. .... -2,016

<b>Total Funding Change, Construction and Rehabilitation.....</b>	<b>+7,317</b>
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# Purchase Power and Wheeling

## Funding Schedule by Activity

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	\$ Change	% Change
Central Valley Project .....	184,182	156,000	163,284	+7,284	+4.7%
Pick-Sloan Missouri Basin and Other Programs .....	162,188	115,000	54,962	-60,038	-52.2%
Total, PPW (gross) .....	346,370	271,000	218,246	-52,754	-19.5%
Customers choose non-Western PPW .....	0	0	-64,517	-64,517	-100.0%
Use of Alternative Financing .....	-160,246	-84,900	-153,729	-68,829	-81.1%
Total, PPW.....	186,124	186,100	0	-186,100	-100.0%
Offsetting Collections Realized.....	-186,124	-186,100	0	+186,100	+100.0%
Total, PPW Budget Authority .....	0	0	0	0	0.0%

## Description

The mission of the Purchase Power and Wheeling subprogram is to support Western's long-term firm power sale contractual agreements, including wheeling over non-Federal transmission lines as necessary to deliver the firmed hydropower resource to customers.

### Benefits

The Purchase Power and Wheeling subprogram supports Western's mission to market and deliver reliable, cost-based hydroelectric power and related services. These services are marketed at rates sufficient to provide recovery of expenses and Federal investment as established by law. The recovery of the Federal investment, or repayment, is a key performance goal for Western. To maximize the marketability of Western's products, Western has entered into long-term contracts with customers of the Central Valley Project (CVP), the Pick-Sloan Missouri Basin Program, as well as other projects, to deliver firm power based on the normal (average over the long-term) amount of power and/or capacity available from each of its systems. By its nature, hydropower is a variable resource; it is affected by reservoir storage, drought conditions, powerplant maintenance and other project purposes. When variations occur between load and generation (hour by hour or even minute by minute basis), Western buys power and related transmission services to support its firm power contractual commitments. Western also buys transmission services, as needed, to provide the benefits of the Federal hydropower resource to numerous Federal, State, municipal, and other preference customers not directly connected to Western's system. Contracting for transmission services encourages the widespread use principles of the Flood Control Act of 1944 and avoids unnecessary Federal duplication of available transmission resources. The acquisition of non-Federal power and transmission services meets Western's power marketing contract provisions for the Central Valley Project, Pick-Sloan Missouri Basin Program-Eastern Division, Loveland Area Projects and Parker-Davis Project, which place special responsibilities on Western to provide firm power.

In FY 2003, the basis for estimating the volume of power purchases to firm Western's contracted Federal hydro resource reflects the outlook for generation given existing water conditions. This is

**Construction, Rehabilitation, Operation and Maintenance/  
Western Area Power Administration/  
Purchase Power and Wheeling**

**FY 2005 Congressional Budget**

particularly essential for basins with large reservoirs that cannot recover from long-term drought conditions in a short period of time.

The FY 2004 enacted program amounts are based on prior year (FY 2003) preliminary actual purchase power and wheeling program requirements and expenditures.

The FY 2005 request bases the volume of power purchases on the long-term average of the actual purchases over a 20-year period. This concept is based on the approach Western uses for determining the amount of hydropower generation that is available for sale (i.e., the average hydro generation available over the long-term). In years when hydro generation is below average, Western's Emergency/Continuing Fund is available to finance purchases from the use of receipts that Western has deposited in the Treasury from the sale of power. FY 2005 price estimates for market power purchases are based on average FY 2003 price levels. The change in FY 2005 does raise the risk that actual firming purchase requirements will exceed that estimated. However, Western's Emergency/Continuing Fund was authorized in the late 1940s and amended in 1989 to mitigate this risk. The fund has been used twice for purchase power and wheeling requirements. The authority provides for additional purchase power expenses to firm contractual commitments when project generation is below normal.

The following table lays out the FY 2004 and FY 2005 PPW program assumptions against actuals for FY 2002 and FY 2003 for purchases, energy prices and wheeling costs.

**Purchase Power and Wheeling Program Assumptions**

	FY 2002 Actual	FY 2003 Preliminary Actual	FY 2004 Enacted (based on FY 2003)	FY 2005 Request (long-term avg's)
<u>Power Purchases (gigawatthours)</u>				
Central Valley Project.....	5,238	5,022	5,022	4,559
Pick-Sloan Missouri Basin and Other Programs .....	3,697	3,052	3,052	1,218
Total, Purchases .....	8,935	8,074	8,074	5,777
<u>Purchase Power Prices (\$/megawatthour)</u>				
Central Valley Project.....	25.0	27.7	27.7	27.7
Pick-Sloan Missouri Basin and Other Programs .....	26.6	34.0	34.0	34.0
<u>Cost of Power Purchases (\$000)</u>				
Central Valley Project.....	131,154	139,188	139,188	126,284
Pick-Sloan Missouri Basin and Other Programs .....	98,435	103,812	103,812	41,412
Total, Purchase Power Costs .....	229,589	243,000	243,000	167,696

	FY 2002 Actual	FY 2003 Preliminary Actual	FY 2004 Enacted (based on FY 2003)	FY 2005 Request (long-term avg's)
<u>Wheeling Costs (\$000)</u>				
Central Valley Project.....	24,473	16,790	16,812	37,000
Pick-Sloan Missouri Basin and Other Programs .....	11,548	11,125	11,188	13,550
Total, Wheeling Costs .....	36,021	27,915	28,000	50,550

### Detailed Justification

(dollars in thousands)

	FY 2003	FY 2004	FY 2005
<b>Central Valley Project .....</b>	<b>93,757</b>	<b>93,757</b>	<b>0</b>

No appropriations are requested. This is authority to use offsetting collections only.

▪ **Central Valley Project, Program Requirement .....** **184,182** **156,000** **163,284**

In FY 2005, Western will use alternative financing mechanisms such as cash advances, net-billing, and bill-crediting to firm its contractual power commitments to customers. The FY 2005 request is based on the approach Western uses for determining the amount of hydropower Western has available for sale (e.g., long-term average conditions). Power price estimates are based on and FY 2003 average purchase power prices. At the close of the first quarter of FY 2005, the contractual pricing and delivery terms negotiated in the long-term firm purchase agreements with Pacific Gas and Electric (PG&E) will expire. Upon expiration of the integration agreement with PG&E in January 2005, a number of factors for CVP will change. Purchase power requirements are expected to drop significantly from current levels, the basis for power prices changes from contract pricing to market estimates, and the basis for transmission service costs will shift from PG&E contract to ISO and PG&E pass-through rates. Western assumes it will establish a new basis for providing transmission service at the lowest cost to its customers.

▪ **Central Valley Project, Alternative/Customer Financing ....** **-90,425** **-62,243** **-163,284**

Customers are encouraged to enter the market on their own for firming energy and transmission service. Western will continue to negotiate purchase power and wheeling arrangements on behalf of customers that are unable or unwilling to conduct these activities on their own. Alternative financing mechanisms, primarily customer advances but also including net billing and crediting, to fund these ongoing operating services will be used to the extent needed.

**Pick-Sloan Missouri Basin and Other Programs .....** **92,367** **92,343** **0**

No appropriations are requested. This is authority to use offsetting collections only.

▪ **Pick-Sloan Missouri Basin and Other Programs, Program Requirement .....** **162,188** **115,000** **54,962**

In FY 2005, Western will use alternative financing mechanisms such as cash advances, net billing, and bill-crediting to firm its contractual power commitments to customers. The FY 2005 request is based on the approach Western uses for determining the amount of hydropower Western has available for sale (e.g. long-term average conditions). Power price estimates are based on FY 2003 average purchase power prices. The request continues to support long-term firm power

(dollars in thousands)

FY 2003	FY 2004	FY 2005
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commitments to customers of the Eastern and Western Divisions of the Pick-Sloan Missouri Basin Program, and the Fryingpan-Arkansas Project commensurate with the levels of average firm hydroelectric energy marketed by Western. The request also provides transmission support for the Pacific Northwest-Southwest Intertie Project. The FY 2005 program request is down substantially from FY 2004 and prior year levels which reflected drought conditions and generation constraints rather than long-term averages. Western anticipates the drought conditions will continue to constrain generation in FY 2005 by 1,000 to 2,000 GWHs. Western has Emergency/Continuing Fund authority to provide for additional purchase power expenses due to below-normal generation.

▪ <b>Pick-Sloan Missouri Basin and Other Programs,</b>			
<b>Alternative/Customer Financing .....</b>	<b>-69,821</b>	<b>-22,657</b>	<b>-54,962</b>
Customers are encouraged to enter the market on their own for firming energy and transmission service. Western will continue to negotiate purchase power and wheeling arrangements on behalf of customers that are unable or unwilling to conduct these activities on their own. Alternative financing mechanisms, primarily customer advances but also including net billing and crediting will be used to the extent needed to fund these ongoing operating services.			
<b>Total, Purchase Power and Wheeling .....</b>	<b>186,124</b>	<b>186,100</b>	<b>0</b>

### Explanation of Funding Changes

FY 2005 vs. FY 2004 (\$000)
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#### Central Valley Project

- The gross PPW requirement of \$163,284,000 in FY 2005 is increasing by \$7,284,000 from the \$156,000,000 level enacted in FY 2004. A number of elements in the CVP FY 2005 program are changing. First, existing power marketing plans and the existing integration agreements with PG&E are expiring at the end of CY 2004. New power marketing plans and power sale contracts are underway; however, the integration contract with PG&E will not likely be extended. Western is considering several options to continue service to its customers after 2004. Transmission costs could increase over FY 2004 (based on FY 2003) under one or more of these options. This increase is offset by a reduction in energy purchases. No direct appropriations are necessary ..... +7,284

#### Pick-Sloan Missouri Basin and Other Programs

- The gross PPW requirement of \$54,962,000 in FY 2005 is decreasing by \$60,038,000 from the \$115,000,000 level enacted in FY 2004. The decrease assumes purchase power requirements will be at long-term average levels of 1,218 GWHs, and that prices will remain at prior year levels. Prior year purchases were 1,834 GWHs higher than the long term average due to long-term drought conditions to date affecting the Pick-Sloan Missouri River Basin. Western has Emergency/Continuing Fund authority to provide for additional purchase power expenses due to emergency conditions, including below-normal generation. .... -60,038

**Total Funding Change, Purchase Power and Wheeling Budget Authority ..... -52,754**

Construction, Rehabilitation, Operation and Maintenance/  
Western Area Power Administration/  
Purchase Power and Wheeling

FY 2005 Congressional Budget

# Utah Reclamation, Mitigation and Conservation

## Funding Schedule by Activity

(dollars in thousands)

	FY 2003 <sup>a</sup>	FY 2004 <sup>b</sup>	FY 2005	\$ Change	% Change
Total, Utah Mitigation and Conservation Budget Authority .....	6,061	6,163	0	-6,163	-100.0%

### Description

The Reclamation Projects Authorization and Adjustment Act of 1992, Title IV, established the Utah Reclamation Mitigation and Conservation Account (Account) in the Treasury of the United States. The purpose of this Account is to ensure that the level of environmental protection, mitigation, and enhancement achieved in connection with projects identified in the Act and elsewhere in the Colorado River Storage Project in the State of Utah is preserved and maintained. The Administrator of Western is authorized to deposit funds into the Account. Such expenditures are to be considered non-reimbursable and non-returnable. The Utah Reclamation Mitigation and Conservation Commission established under Title III of the Act, is authorized to administer all funds deposited into this Account.

### Benefits

This Account provides for the preservation of fish and wildlife and recreation resources impacted by the Central Utah Project and the Colorado River Storage Project in the State of Utah.

### Detailed Justification

(dollars in thousands)

	FY 2003	FY 2004	FY 2005
<b>Utah Mitigation and Conservation.....</b>	<b>6,061</b>	<b>6,163</b>	<b>0</b>
<p>The request proposes to shift the authority to make the deposit from Western to the Department of the Interior's Bureau of Reclamation. Western sells and transmits power from two projects in Utah and provides mitigation funding separately for these operations. Western does not transmit power from the Central Utah Project. No Western deposit is planned for the Account in FY 2005. The Utah Reclamation Mitigation and Conservation Account has a current cash balance exceeding \$100 million.</p>			
<b>Total, Utah Mitigation and Conservation.....</b>	<b>6,061</b>	<b>6,163</b>	<b>0</b>

<sup>a</sup> FY 2004 amount reflects the across-the-board rescission of \$39,370 (P.L. 108-7).

<sup>b</sup> FY 2004 amount reflects the across-the-board rescission of \$36,580 from the Consolidated (Omnibus) Appropriations Bill for FY 2004.

## Explanation of Funding Changes

FY 2005 vs. FY 2004 (\$000)
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### Utah Mitigation and Conservation

▪ No funding is requested in FY 2005. The authority to make the deposit is proposed for transfer to the Department of the Interior's Bureau of Reclamation. ....	-6,163
<b>Total Funding Change, Utah Mitigation and Conservation.....</b>	<b><u>-6,163</u></b>

# Falcon and Amistad Operating and Maintenance Fund

## Funding Profile by Subprogram

(dollars in thousands)

	FY 2003 <sup>a</sup> Comparable Appropriation	FY 2004 Original Appropriation	FY 2004 <sup>b</sup> Adjustments	FY 2004 Comparable Appropriation	FY 2005 Request
Falcon and Amistad Operating and Maintenance Fund .....	2,716	2,640	-15	2,625	2,827
Total, Falcon and Amistad Budget Authority .	2,716	2,640	-15	2,625	2,827

Public Law Authorization:

Public Law 103-236, "Foreign Relations Authorization Act, Fiscal Years 1994 and 1995"  
The Act of June 18, 1954 (68 Stat. 255)

### Mission

The Falcon and Amistad Operating and Maintenance Fund (Maintenance Fund) was established in the Treasury of the United States as directed by the Foreign Relations Authorization Act, Fiscal Years 1994 and 1995. The Maintenance Fund is administered by the Administrator of Western for use by the Commissioner of the U. S. Section of the International Boundary and Water Commission (IBWC) to defray administrative, O&M, replacements, and emergency costs for the hydroelectric facilities at the Falcon and Amistad Dams.

### Benefits

The Falcon/Amistad Dams hydroelectric power generation plants sell generated power to rural electric cooperatives through Western. The two powerplants have a combined generating capacity of 97.5 MW. All revenues collected in connection with the disposition of electric power generated at the Falcon and Amistad Dams, except monies received from the Government of Mexico, are credited to the Maintenance Fund. Any monies received from the Government of Mexico are credited to the General Fund of the U. S. Treasury. Revenues collected in excess of expenses are used to repay, with interest, the cost of replacements and original investments, thus supporting Western's Program Goal.

Full funding will support 24-hour/day operation and maintenance of the two powerplants to ensure response to ever-changing water conditions, customer demand, and continual coordination with operating personnel of the Government of Mexico. In addition, power will be marketed, repayment studies will be completed, and revenues collected. The Federal staff funded under this program continues to be allocated to the U. S. Section of IBWC by the Department of State.

<sup>a</sup> FY 2003 amounts reflect a general across-the-board rescission of \$17,771 (P.L. 108-7).

<sup>b</sup> FY 2004 amounts reflect a general across-the-board rescission of \$15,576 from the Consolidated (Omnibus) Appropriations Bill for FY 2004.





## Funding Schedule by Activity

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	\$ Change	% Change
Falcon and Amistad Operating and Maintenance Fund					
Salaries and Benefits .....	1,663	1,723	1,750	+27	+1.6%
Routine Services .....	850	771	820	+49	+6.4%
Miscellaneous Expenses .....	115	115	247	+132	+114.8%
Marketing, Contracts, Repayment Studies	18	16	10	-6	-37.5%
Emergency Contingency .....	70	0	0	0	0.0%
<b>Total, Falcon and Amistad Operating and Maintenance Fund .....</b>	<b>2,716</b>	<b>2,625</b>	<b>2,827</b>	<b>+202</b>	<b>+7.7%</b>

### Detailed Justification

(dollars in thousands)

FY 2003	FY 2004	FY 2005
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**Salaries and Benefits..... 1,663 1,723 1,750**

Salaries and benefits are provided for 28 Federal employees of the U. S. Section of the IBWC who operate and maintain the two powerplants on a 24- hour/day basis, including planned maintenance activities, required safety services, and emergency response to flood operations and/or equipment failure. The increase is attributed to promotions, within grade, salary, and cost of living increases, partially offset by the decrease of one employee.

**Routine Services..... 850 771 820**

Routine services such as inspection and service of the HVAC and air compressor systems, fire extinguishers, fire suppression systems, elevators, self-contained breathing apparatus, calibration of test equipment, rebuild of electric motors, and repair of obsolete equipment when replacement parts are no longer available, will be provided. Additionally, elevator upgrades, replacement of tools and equipment, water system upgrades, security and intrusion detector systems, and the replacement of a maintenance utility vehicle are planned. The request also includes \$350,000 to install vibration monitoring equipment at Amistad Powerplant, and \$290,000 to service a low flow generator at Falcon Powerplant.

**Miscellaneous Expenses..... 115 115 247**

Estimates include miscellaneous expenses for IBWC employees and technical advisors, including travel, training, communications, utilities and printing. The increase request is mainly attributable to training and travel, and is essential for flood response, dam safety, power house safety, to comply with the standards of the Interagency Commission on Dam Safety (ICODS), Occupational Safety and Health Administration (OSHA), the National Dam Safety Act, and to participate in the international efforts of drought management.

(dollars in thousands)

	FY 2003	FY 2004	FY 2005
<b>Marketing, Contracts, Repayment Studies .....</b>	<b>18</b>	<b>16</b>	<b>10</b>
Costs for marketing power, administration of power contracts, and preparation of rate and repayment studies are included. Based on accurate studies, staff ensures that power revenues are set at an appropriate level to recover annual expenses and meet repayment schedules, thus supporting Western's Program Strategic Performance Goal.			
<b>Emergency Contingency .....</b>	<b>70</b>	<b>0</b>	<b>0</b>
Restoration of the emergency contingency to the \$200,000 level originally appropriated was completed in FY 2003.			
<b>Total, Falcon and Amistad Operating and Maintenance Fund Budget Authority</b>	<b>2,716</b>	<b>2,625</b>	<b>2,827</b>

### Explanation of Funding Changes

FY 2005 vs. FY 2004 (\$000)
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#### Salaries and Benefits

- The increase in salaries and benefits is primarily attributed to increased costs of promotions, within grade, salary and cost-of-living expenses. .... +27

#### Routine Services

- The increase in routine services reflects a slightly higher level of equipment and tool replacements, the installation of vibration monitoring equipment, and required service to the low flow generator. .... +49

#### Miscellaneous Expenses

- The increase in miscellaneous expenses for training and travel are essential for flood response, dam safety, power house safety, compliance with the standards of the ICODS, OSHA, the National Dam Safety Act, and participation in the international efforts of drought management. .... +132

#### Marketing, Contracts, Repayment Studies

- The decrease reflects a slightly lower level of effort for these activities. .... -6

**Total Funding Change, Falcon and Amistad Operating and Maintenance Fund.....** **+202**

# Colorado River Basins Power Marketing Fund

## 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
Colorado River Basins Power Marketing Fund					
Program Direction.....	38,373	40,090	0	40,090	38,741
Equipment, Contracts and Related Expenses.....	371,421	153,471	0	153,471	167,876
Total, Operating Expenses from new authority	409,794	193,561	0	193,561	206,617
Offsetting Collections Realized.....	-431,794	-215,561	0	-215,561	-229,617
Total, Obligational Authority.....	-22,000	-22,000	0	-22,000	-23,000

### Public Law Authorizations:

Public Law 75-529, "The Fort Peck Project Act of 1938"  
 Public Law 84-484, "The Colorado River Storage Project Act of 1956"  
 Public Law 90-537, "The Colorado River Basin Project Act of 1968"  
 Public Law 95-91, "Department of Energy Organization Act" (1977)

### Mission

Western operates and maintains the transmission system for the Projects funded in this account to ensure an adequate supply of reliable electric power in a clean and environmentally-safe, cost-effective manner. The Colorado River Basins Power Marketing Program (Program) is comprised of the three power systems: the Colorado River Storage Project, including the Dolores and Seedskadee Projects; the Fort Peck Project, and the Colorado River Basin Project. This program is funded through Western's business-type revolving fund (Federal Enterprise Fund), the Colorado River Basins Power Marketing Fund.

### Benefits

Western achieves continuity of service by maintaining its power systems at or above industry standards, rapidly restoring service following any system disturbance, mitigating adverse environmental impacts, performing clean-up activities, and maximizing the revenues gained from non-firm energy sales. In concert with its customers, Western reviews required replacements to its existing infrastructure to sustain reliable power delivery to its customers and to contain annual maintenance expenses.

Revenues from the sale of electric energy, capacity and transmission services replenish the fund and are available for expenditure for operation, maintenance, power billing and collection, program direction,

purchase power and wheeling, interest, emergencies, and other power marketing expenses. Power sales and other revenues, which are collected in excess of expenses, are used to repay Federal investments to the U.S. Treasury. This request represents Western's estimate of obligations to finance these business-type operations.

## Program Direction

### Funding Profile by Category

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	\$ Change	% Change
Program Direction					
Salaries and Benefits .....	25,551	27,360	27,581	+221	+0.8%
Travel .....	2,106	2,306	2,174	-132	-5.7%
Support Services .....	3,551	3,375	4,252	+877	+26.0%
Other Related Expenses .....	7,165	7,049	4,734	-2,315	-32.8%
<b>Total, Program Direction .....</b>	<b>38,373</b>	<b>40,090</b>	<b>38,741</b>	<b>-1,349</b>	<b>-3.4%</b>
Full-time Equivalents .....	268	272	281	+9	+3.3%

### Mission

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 office in the Department but with additional effort from offices which support the programs in carrying out the mission. Western performs critical functions which directly support the mission of the Department. These functions include attaining reliability performance, maintaining the interconnected system at or above industry standards to reduce transmission outages, maximizing revenues from non-firm energy sales, as well as reviewing and adjusting power rates to support repayment of the Federal investment. Western trains its employees on a continuing basis in occupational safety and health regulations, policies and procedures, and conducts safety meetings at employee, supervisory and management levels in order to keep the safety culture strong. Accidents are reviewed to ensure lessons are learned and proper work protocol is in place.

### Detailed Justification

(dollars in thousands)

	FY 2003	FY 2004	FY 2005
<b>Salaries and Benefits .....</b>	<b>25,551</b>	<b>27,360</b>	<b>27,581</b>

Salaries and benefits will be provided for Federal employees who operate and maintain the Program's high-voltage integrated transmission system and associated facilities; plan, design, and supervise the replacement (capital investments) to the transmission facilities; and market the power and energy produced to repay annual expenses and capital investment. Engineers and craft workers rapidly restore the transmission system, comprised of approximately 4,000 circuit-miles of transmission lines and associated substations, switchyards, communication, control and general plant facilities, following any disturbance. Staff routinely maintain and/or replace equipment to assure capability for reliable delivery of power. Dispatchers respond to minute-by-minute changes to load and generation to meet or exceed the NERC and industry averages. Energy schedulers maximize revenues from non-firm energy sales, and power rates are reviewed and adjusted, thereby supporting the repayment of Federal investment. Staff provides continuing services such as system operations, power billing and collection, power marketing, energy services, technology transfer, environmental, safety, security and emergency management activities. Due to the extreme hazards associated with a high-voltage electrical system,

(dollars in thousands)

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

staffs make safety a priority in each and every task. Staff evaluates general power resources, collaborating and planning with customers and members of the interconnected transmission system to identify the most effective transmission system improvements to maximize benefits to all participants.

The 281 FTE supported in this account reflects both direct and indirect (portions of administrative and general expense employees). Amounts are based on planned work associated with facilities funded through this Account and not on specific positions; therefore, FTE numbers may vary from year to year. The increase reflects funding for an additional nine FTE as well as anticipated salary and within-grade increases. As authorized in P.L. 99-141, Western annually establishes pay rates and compensation policy for some employees (craft workers, power system dispatchers, schedulers, and marketers) based on prevailing rates in the electric utility industry. Due to recruitment/retention issues for those occupations across the Nation and increased staff in these categories to meet the additional workload requirements attributed to FERC Orders No. 888 and 889, Western's Federal salary/benefit costs for the dispatching/scheduling functions have increased significantly: 7.1 percent in FY 2001; 14.1 percent in FY 2002; and an estimated 4.8 percent in FY 2003. Western anticipates similar increases in FY 2004 and FY 2005.

**Travel..... 2,106 2,306 2,174**

Transportation/per diem allowances for day-to-day performance of duties of Federal staff, including crews maintaining the transmission facilities will continue. Rental/lease of GSA vehicles and transportation of things are also included. Estimates are based on historical travel costs, adjusted for inflation and planned activity.

**Support Services..... 3,551 3,375 4,252**

Support services funded in this activity include IT support, warehousing, computer-aided drafting/engineering, and general administrative support. The increase is primarily attributed to a new contract awarded for the administrative functions. Other increases are attributed to inflationary factors.

**Other Related Expenses..... 7,165 7,049 4,734**

Other related expenses include, but are not limited to, DOE's working capital fund distribution, space, utilities and miscellaneous charges, printing and reproduction, training tuition, maintenance of office equipment, supplies and materials, telecommunications, personal computers, and multi-project costs. Intermittent specialized services, not included in on-going support service contracts, are also included. Rental space costs assume the GSA inflation factor. Other costs are based on historical usage and actual cost of similar items. The request reflects decreases in the working capital fund distribution, space rental, software procurement/maintenance costs, capital acquisitions, utility estimates, and a decrease of Western's administrative indirect distributions associated with this Account.

**Total, Program Direction..... 38,373 40,090 38,741**

## Explanation of Funding Changes

FY 2005 vs. FY 2004 (\$000)
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### Salaries and Benefits

- Increase in salaries and benefits is attributed to an additional nine FTE (direct and indirect) to cover planned workload, and salary and within grade increases, including salaries determined by prevailing rates in the electric utility industry, partially offset by a decrease to administrative indirect distributions..... +221

### Travel

- The decrease in travel reflects a slightly lower level of planned activity..... -132

### Support Services

- Increase in support service estimates is primarily attributed to a new contract awarded for the administrative functions. Other increases are attributed to inflationary factors. ... +877

### Other Related Expenses

- Decrease in estimated other related expenses includes space rental, software procurement/maintenance costs/capital acquisitions, utility estimates, and a decrease of the administrative indirect distributions, partially offset by an increase to printing and reproduction activity..... -2,315

**Total Funding Change, Program Direction ..... -1,349**

## Support Services by Category

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	\$ Change	% Change
Technical Support					
Economic and Environmental Analysis.....	0	0	0	0	0.0%
Test and Evaluation Studies .....	0	0	0	0	0.0%
<b>Total, Technical Support .....</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>
Management Support					
Management Studies .....	54	0	0	0	0.0%
Training and Education.....	0	0	0	0	0.0%
ADP Support .....	1,983	1,773	1,936	+163	+9.2%
Administrative Support .....	1,514	1,602	2,316	+714	+44.6%
<b>Total, Management Support .....</b>	<b>3,551</b>	<b>3,375</b>	<b>4,252</b>	<b>+877</b>	<b>+26.0%</b>
<b>Total, Support Services .....</b>	<b>3,551</b>	<b>3,375</b>	<b>4,252</b>	<b>+877</b>	<b>+26.0%</b>



## Other Related Expenses by Category

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	\$ Change	% Change
Training.....	200	200	200	0	0.0%
Working Capital Fund.....	242	243	235	-8	-3.3%
Printing and Reproduction .....	13	14	50	+36	+257.1%
Rental Space.....	930	834	805	-29	-3.5%
Software Procurement/Maintenance Activities/Capital Acquisitions .....	1,000	1,147	1,103	-44	-3.8%
Other .....	4,780	4,611	2,341	-2,270	-49.2%
<b>Total, Other Related Expenses .....</b>	<b>7,165</b>	<b>7,049</b>	<b>4,734</b>	<b>-2,315</b>	<b>-32.8%</b>

# Equipment, Contracts and Related Expenses

## Funding Schedule by Activity

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	\$ Change	% Change
Equipment, Contracts and Related Expenses					
Supplies and Materials .....	9,382	9,925	9,414	-511	-5.1%
Purchase Power Costs.....	346,998	129,701	134,671	+4,970	+3.8%
Capitalized Equipment .....	6,579	5,159	8,952	+3,793	+73.5%
Interest/Transfers .....	8,462	8,686	14,839	+6,153	+70.8%
<b>Total, Equipment, Contracts and Related Expenses .....</b>	<b>371,421</b>	<b>153,471</b>	<b>167,876</b>	<b>+14,405</b>	<b>+9.4%</b>

### Description

This program supports the Department of Energy’s mission, “To promote clean, abundant, affordable, and reliable energy; ...” Western ensures an adequate supply of reliable electric power in a safe, cost-effective manner, and achieves continuity of service throughout its service territory by maintaining its power system at or above industry standards, rapidly restoring service following any system disturbance, mitigating adverse environmental impacts, performing clean-up activities, and maximizing the revenues gained from ancillary services and non-firm energy sales.

### Benefit

Western’s equipment, contracts and related expenses are necessary for the operation and maintenance of this activity. Revenues from the sale of electric energy, capacity and transmission services replenish the fund and are available for expenditure for operation, maintenance, power billing and collection, program direction, purchase power and wheeling, interest, emergencies, and other power marketing expenses.

Supplies and materials, such as wood poles, instrument transformers, meters and relays, must be procured to provide necessary resources to respond to routine and emergency situations in the high-voltage interconnected transmission system. Technical services, such as waste management disposal and pest/weed control, are used as needed.

Western’s planned replacement and addition activity is based on an assessment of age and the maintenance frequency/problems of individual items of equipment, availability of replacement parts, safety of the public and Western’s personnel, environmental concerns, and an orderly work plan. The work plans, coordinated with Western’s power customers who ultimately bear the burden of all Western expenses, reflect an overall sustainable level of effort, with shifts in emphasis between categories (i.e. electrical versus communication equipment) in any given year.

Electrical equipment replacements, such as circuit breakers, transformers, insulators, revenue meters, switches, control boards, relay and oscillographs, must be acquired to assure reliable service to Western’s customers. System age and environmental concerns necessitate orderly replacement before significant problems develop.

Replacement and upgrade of microwave, supervisory control and data acquisition, and other communication and control equipment continues to provide increased system reliability, and reduce maintenance and equipment costs.

Capitalized movable equipment such as special purpose vehicles (e.g., cranes, auger trucks, manlifts), special purpose equipment (e.g., pole trailers, industrial tractors, brush chippers), specialized test equipment (e.g., motion analyzers and relay test equipment), computer-aided engineering equipment, office equipment, IT equipment and software must be upgraded and replaced.

Electrical resources and transmission capability to firm up the Federal hydropower supplies needed to meet Western’s contractual obligations will continue to be obtained. Transmission wheeling services are also purchased when a third party’s transmission lines are needed to deliver Federal power to Western’s customers.

Reimbursements to the U. S. Army Corps of Engineers for operation and maintenance of the Fort Peck Powerplant and planned interest payments to the U. S. Treasury are also included in this section.

### Detailed Justification

(dollars in thousands)

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

**Supplies and Materials .....** **9,382** **9,925** **9,414**

Supplies and materials necessary to respond to routine and emergency situations in the high-voltage interconnected transmission system will be procured, and reimbursements to the U.S. Army Corps of Engineers for operation and maintenance of the Fort Peck Powerplant will continue. A well-maintained transmission system supports Western’s attainment of reliability and transmission availability performance by preventing sudden failure, unplanned outages, and possible regional power system disruptions. By providing 24-hour/day reliable electric power delivery to its customers, Western secures revenues for repayment of the Federal investment. Safe working procedures are discussed before work commences to optimize safety of the public, Western personnel, and equipment. The request is based on projected work plans for activities funded from this Account. Estimates are based on historical data of actual supplies needed to maintain the transmission system reliably, including emergency situations such as ice storms and tornadoes. Costs are based on recent procurement of similar items. The decrease is attributed to a slightly lower level of activity.

**Purchase Power Costs.....** **346,998** **129,701** **134,671**

Electrical resources, transmission capability and wheeling services will be purchased. The request anticipates the continuance of low-steady-flow tests conducted at Glen Canyon Dam, as required by the Glen Canyon Dam Environmental Impact Statement Record of Decision. Additionally, amounts include obligational authority to accommodate replacement power purchases for customers served by the Colorado River Storage Project. The replacement power purchases, a provision of the Salt Lake City Area Integrated Projects electric power contracts, are made at the request of power customers at times Western lacks sufficient generation to meet its full contract commitment. The funds for the replacement power purchases are advanced by the requestors prior to the purchase.

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

**Capitalized Equipment** ..... **6,579**      **5,159**      **8,952**

Capitalized equipment, including circuit breakers, transformers, relays, switches, transmission line equipment, microwave, supervisory control and data acquisition, and other communication and control equipment, will be acquired to assure reliable service to Western’s customers. Replacement and upgrade of aged power system components are crucial to system reliability and transmission availability performance. Removing environmental hazards and replacing aged equipment eliminates safety hazards for the public and Western’s personnel. Communications planned equipment purchases include funding for the continuation of the project to replace analog microwave with fiber optic groundwire and fiber terminal equipment (Upper Great Plains Region). Also included is the continuation of replacing obsolete mobile radio equipment throughout the system for compliance with the new bandwidth regulations issued by the Federal Communications Commission (FCC) and National Telecommunications and Information Administration (NTIA) (Upper Great Plains Region and Rocky Mountain Region). Transmission line estimates include purchase of poles, crossarms, and hardware for line rebuilds (Upper Great Plains Region), and replacement of aged equipment in Montana (Rocky Mountain Region). Planned substation estimates include the replacement of 115kV circuit breaker at Blue Mesa (Rocky Mountain Region), replacement of 138kV station service transformer at Hayden (Rocky Mountain Region), Miles City DOV replacement and circuit switch upgrade (Upper Great Plains Region), Miles City #2 Reactor (Upper Great Plains Region), relays replacement in Montana (Upper Great Plains Region), and thyristor spares for the Miles City Converter Station (Upper Great Plains Region). Planned movable capitalized property estimates include the replacement of a truck mounted crane and aged information technology equipment. The request also includes funding to procure an all-terrain forklift to move equipment in hard to reach places, a brush and tree shredder to remove brush from transmission line right-of-ways, specialized communication and control test equipment to maintain standards for testing new state-of-the-art communications equipment, and funding to procure a rough terrain crane – 35 ton. Costs are based on analysis of system O&M requirements/concerns, customer-coordinated work plans, actual costs of recent similar projects, and bottom-up budgeting techniques.

**Interest/Transfers** ..... **8,462**      **8,686**      **14,839**

Interest payments to the U. S. Treasury will occur. Estimates are based on Power Repayment Studies for the Projects funded in this account. There was no interest payment made during FY 2002 due to drought conditions and the need to utilize funds for programmatic needs. The projected payment is increasing to compensate for lower interest payments in prior years.

**Total, Equipment, Contracts and Related Expenses**..... **371,421**      **153,471**      **167,876**

## Explanation of Funding Changes

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

**Supplies and Materials**

- The decrease is attributed to a slight change in the level of activity ..... -511

**Purchase Power Costs**

- The increase for power purchases is primarily attributed to an increase in costs ..... +4,970

**Capitalized Equipment**

- The increase in capitalized equipment purchases is primarily attributed to an increased level of purchases associated with planned movable capitalized property, replacement of transmission line hardware, and replacement of substation equipment. .... +3,793

**Interest**

- Planned interest payment to the U.S. Treasury in FY 2005 increase due to lower interest payments made in prior years.. ..... +6,153

<b>Total Funding Change, Equipment, Contracts and Related Expenses.....</b>	<b>+14,405</b>
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## System Statistics

	FY 2003	FY 2004	FY 2005
Generating Plants (Number).....	56	56	56
Generating Capacity:			
Installed Capability (kW).....	10,605,000	10,605,000	10,605,000
Substations: <sup>a</sup>			
Number <sup>b</sup> .....	268	271	272
Capacity (kVA) <sup>c</sup> .....	27,104,250	28,412,250	28,437,250
Transmission Lines (Circuit-miles):			
500-kV <sup>d</sup> .....	544.5	628.5	628.5
345-kV .....	1,567.39	1,567.39	1,567.39
230-kV <sup>e</sup> .....	7,205.27	7,211.47	7,237.17
161-kV <sup>e</sup> .....	851.32	851.32	838.62
138-kV .....	330.19	330.19	330.19
115-kV .....	5,941.09	5,941.09	5,941.09
69-kV and below .....	1,034.49	1,034.49	1,034.49
Total circuit-miles .....	<u>17,474.25</u>	<u>17,564.45</u>	<u>17,577.45</u>

<sup>a</sup> Number of substations in outyears is based on facilities that are projected to be commissioned in that year.

<sup>b</sup> Additions planned for FY 2004 include Galvin Peak Switchyard (Arizona), Big Sandy Switchyard (Arizona), and Walden Switchyard (Colorado). Addition for FY 2005 represents Whiterock Substation (Wyoming).

<sup>c</sup> FY 2004 includes capacity increases of 383,000 kVA as a result of changes at Denison (Iowa) and Jamestown (North Dakota) Substations; an increase of 850,000 kVA for the upgrade of three single-phase transformers at Tracy Substation, and an additional 75,000 kVA capacity at Gila Substation. FY 2005 includes an increase of 25,000 kVA for Whiterock Substation.

<sup>d</sup> Includes 84 miles of 500 kV Los Banos - Gates transmission line (Path 15) in 2004.

<sup>e</sup> FY 2004 includes new 6.2 miles of line on the Henderson-Mead No. 2. For 2005, this includes 12.7-mile upgrade (161 kV – 230 kV) from Welton Mohawk Ligurta to Gila and 13 miles of new transmission line between Welton Mohawk Ligurta and APS' North Gila Substation in 2005.

## Estimate of Revenues <sup>a</sup>

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Boulder Canyon Project .....	66,440	62,446	65,788	65,640	64,946	67,302	68,078
Central Valley Project <sup>b</sup> .....	258,512	258,482	284,964	317,710	325,719	325,719	325,719
Central Arizona Project (Navajo) <sup>c</sup> .....	95,461	95,461	95,461	95,461	95,461	95,461	95,461
Falcon-Amistad Project .....	5,076	5,139	5,136	5,032	5,032	5,031	5,030
Fryingpan-Arkansas Project .....	13,985	13,985	13,985	13,985	13,985	13,985	13,985
Pacific Northwest-Southwest Intertie Project .....	29,242	29,975	30,422	30,422	30,422	30,422	30,422
Parker-Davis Project .....	46,343	47,246	45,646	45,940	44,091	42,046	56,947
Pick-Sloan Missouri Basin Program <sup>d</sup> .....	240,209	273,857	279,709	290,932	291,152	289,480	289,689
Provo River Project .....	330	295	254	254	253	253	253
Washoe Project .....	546	546	546	546	546	546	546
Salt Lake City Area Integrated Projects .....	151,490	-151,706	151,835	151,961	153,422	153,386	153,469
<b>Total .....</b>	<b>907,634</b>	<b>939,138</b>	<b>973,746</b>	<b>1,017,883</b>	<b>1,025,029</b>	<b>1,023,631</b>	<b>1,039,599</b>

<sup>a</sup> For FY 2003 through 2009, project amounts in this table are based on FY 2002 Power Repayment Studies (PRS). For Parker-Davis Project, amounts are based on the FY 2003 ratebase PRS. The Central Arizona Project (CAP) does not have a PRS because it has no power repayment obligation; amounts shown are based on estimated projections.

<sup>b</sup> Outyear revenue estimates for CVP increase after expiration of existing low-cost integration contract with Pacific Gas and Electric in early FY 2005 in order to recover anticipated new costs of project use firming, California Independent System Operator charges, and custom products for CVP power customers.

<sup>c</sup> Western has contractually agreed for the Salt River Project (SRP) to act as the scheduling entity and operating agent for CAP's portion of the Navajo Generating Station's output (547 MW). In return, as Western retains marketing responsibility, SRP agreed to pay monthly fixed and variable costs to cover annual expenses.

<sup>d</sup> Outyear revenue estimates in the FY 2002 PRS for the Pick-Sloan Program are increasing due to an anticipated rate adjustment in FY 2004, and the assumption of improving water conditions over the next several years from existing drought conditions.

## Estimate of Energy Sales <sup>a</sup>

(in gigawatthours) <sup>b</sup>

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Boulder Canyon Project .....	4,233	4,501	4,501	4,501	4,501	4,501	4,501
Central Valley Project <sup>c</sup> .....	9,700	9,700	9,700	9,700	9,700	9,700	9,700
Central Arizona Project (Navajo) ..	3,995	3,995	3,995	3,995	3,995	3,995	3,995
Falcon-Amistad Project .....	167	167	167	167	167	167	167
Loveland Area Projects <sup>d</sup> .....	2,051	2,051	2,051	2,051	2,051	2,051	2,051
Pacific Northwest-Southwest Intertie Project <sup>e</sup> .....	0	0	0	0	0	0	0
Parker-Davis Project .....	1,346	1,346	1,346	1,346	1,346	1,346	1,425
Pick-Sloan Missouri Basin Program, Eastern Division <sup>f</sup> .....	9,085	9,675	9,941	10,478	10,488	10,412	10,422
Provo River Project .....	27	27	27	27	27	27	27
Washoe Project .....	11	11	11	11	11	11	11
Salt Lake City Area Integrated Projects <sup>g</sup> .....	6,364	6,372	6,377	6,378	6,439	6,439	6,423
<b>Total .....</b>	<b>36,979</b>	<b>37,845</b>	<b>38,116</b>	<b>38,654</b>	<b>38,725</b>	<b>38,649</b>	<b>38,722</b>

<sup>a</sup> FY 2003 through FY 2009 estimates are based on FY 2002 Power Repayment Study assumptions. The estimate for Central Arizona is based on average sales. Falcon-Amistad and Provo River amounts are based on typical sales levels.

<sup>b</sup> One gigawatthour (GWH) equals one million kilowatt-hours (kWh).

<sup>c</sup> Outyear sales estimates for the Central Valley Project assume power delivery at roughly existing levels pending establishment of outyear project use and customer custom product requirements.

<sup>d</sup> Loveland Area Projects include Fryingpan-Arkansas Project and the Western Division of the Pick-Sloan Missouri Basin Program.

<sup>e</sup> Pacific Northwest-Southwest Intertie shows no energy sales, but reflects revenues from the transmission of energy (refer to the Estimate of Revenues table). The Intertie Project is for transmission of energy only.

<sup>f</sup> Eastern Division of the Pick-Sloan Missouri Basin Program includes the Ft. Peck Project.

<sup>g</sup> Salt Lake City Area Integrated Projects include the Colorado River Storage Project, Collbran Project, Rio Grande Project, Seedskaadee Project, and Dolores Project.



## Estimate of Proprietary Receipts

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Falcon Amistad Maintenance Fund, 895178 .....	1,878	2,625	2,827	2,912	2,999	3,089	3,182
Sale and transmission of electric power, Falcon and Amistad Dams, 892245.....	2,413	2,480	2,309	2,120	2,033	1,942	1,848
Sale of Power and Other Utilities Not Otherwise Classified, 892249 <sup>a</sup> .....	21,262	42,500	42,500	42,500	42,500	42,500	42,500
Less Transfers to U. S. Army Corps of Engineers.....	0	0	-28,385	-29,378	-30,407	-31,471	-32,572
Subtotal, 892249 .....	21,262	42,500	14,115	13,122	12,093	11,029	9,928
Sale of Power – Western Area Power Administration – Reclamation Fund, 895000.27 <sup>b</sup> ...	246,670	202,605	225,769	284,460	285,710	279,868	293,824
Less Transfers to Department of Interior Bureau of Reclamation .....	0	0	-30,000	-30,000	-31,000	-32,000	-32,000
Subtotal, 895000.27 .....	246,670	202,605	195,769	254,460	254,710	247,868	261,824
<b>Total, Proprietary Receipts.....</b>	<b>272,223</b>	<b>250,210</b>	<b>215,020</b>	<b>272,614</b>	<b>271,835</b>	<b>263,928</b>	<b>276,782</b>

<sup>a</sup> The 892249 account provides primarily for revenue transfers from the Reclamation Fund (895000.27) to the General Fund covering U. S. Army Corps of Engineers' expenditures for several dams on the Missouri River. The FY 2005 request proposes that Corps' operating and maintenance costs will be funded from a transfer of receipts deposited by Western, from the sale of power and related services, and credited to the Corps.

<sup>b</sup> The receipts increase beginning in FY 2005, and further in FY 2006 primarily as a result of revenue increases anticipated in the Central Valley Project and the Pick-Sloan Missouri Basin Program. The FY 2005 request proposes that the Department of the Interior's Bureau of Reclamation (Bureau) hydropower operating and maintenance and research and development costs will be funded from a transfer of receipts deposited by Western, from the sale of power and related services, and credited to the Bureau.

## Pending Litigation

Pending litigation that may impact Western's FY 2005 Congressional Budget request includes:

- *In re Pacific Gas & Electric Company, Debtor, Case No. 01-20923 SFM11, Northern District of California.* Pacific Gas and Electric Company (PG&E) filed for Chapter 11 bankruptcy protection in April 2001. The potential amount of Western's claim cannot be determined with relative certainty, inasmuch as the company continues to operate. Western could face higher costs if the company is released by the court from its contractual obligations to Western. However, PG&E has indicated its intention to continue to perform under its contracts with Western. Western is highly encouraged that PG&E has entered into discussions with the Government to permit the Government to recoup all monies owing. The latest calculation indicated the estimated amount owed to Western is \$41 million. Western recently received the first quarterly interest payment for post-petition claims. Western continues to work with DOJ to settle Western's claims against PG&E. On December 17, 2003, the California Public Utilities Commission voted 3-2 to approve PG&E's plan. On December 22, 2003, the Bankruptcy Judge approved PG&E's plan of reorganization.
- *California Power Exchange Corp., United States Bankruptcy Court, Central District of California, Case No. LA 01-16577-ES.* The California Power Exchange Corporation (Cal PX) has filed a Chapter 11 bankruptcy proceeding in the Central District of California in March 2001. The Cal PX plans to liquidate. Its bankruptcy is due in large part to the energy crisis in California, which caused PG&E and Southern California Edison (SCE) to not meet their debts to the Cal PX. Therefore, the Cal PX, which functions as a trading house with no real assets, has been unable to pay its suppliers, including the Western Area Power Administration. FERC has ordered the ISO to invoice the State of California for its purchases on behalf of PG&E and SCE. The Cal PX should be able to pass through those payments to its suppliers to the extent the bankruptcy trustee is able to collect those amounts. In order to wind down its business activities, the Reorganized Cal PX needs additional funds. The reorganized entity has made the appropriate filings and received approval to charge its participants, including Western, for these activities. These amounts are to be set aside from Settlements and Clearing Accounts. The Department of Justice filed an intervention in the California State court proceeding relating to inverse condemnation of the "block forward" contracts that were seized by California Governor Davis immediately following the Cal PX's initial defaults in January 2001. Western and other Federal entities initially intervened and sought removal and were eventually dismissed from the proceedings, which now continue in state court.

Estimates are \$6.7 million for this contingency. Most recently, the Bankruptcy Court has been hearing matters related to allegations against the Cal PX CEO and CFO and their counsel. The CEO and CFO (with the alleged knowledge of their counsel) apparently approved payment of their own termination bonuses while they are still employed by the Cal PX. The Bankruptcy Court has preliminarily found all these parties to be in contempt. Also FERC has been reviewing claims by the Participants Committee for litigation expenses.

- *In re Quechan Indian Tribe v. Department of Energy, Federal District Court, Southern District of California, Civil Action No. 02CV0196IEG (AJB).* The Quechan tribe has filed a lawsuit based largely upon an alleged violation of the Federal Tort Claims Act. The tribe alleges that Western employees negligently destroyed several cultural sites on tribal lands. The tribe seeks \$9.4 million in damages. Western attempted to negotiate a settlement; however, we are too far apart. The case was filed in early June 2002. The Department of Justice filed an answer which contained more than ten affirmative defenses. An Early Neutral Evaluation Conference was held January 16, 2003 in front of

the Magistrate Judge. The Court ordered the Parties to exchange initial disclosures. In July 2003, the Parties applied for and were granted a stay of the present litigation pending a ruling by the United States Supreme Court in a case which addresses whether the Tribe ceded ownership of its reservation in 1893. *See Arizona v. California, 530 U.S. 392 (2000)*. A ruling by the Supreme Court could result in the Tribe losing its interest in its Reservation which would impact nearly all of the Tribe's claims in the present lawsuit.

As a condition of the stay, the parties agreed to allow certain limited factual discovery, which the parties engaged in this fall. Following extended efforts by the United States to resolve all discovery disputes, the Tribe filed a Motion to Compel on December 12, 2003. The Court has indicated it intends to rule on that motion shortly. Another condition of the stay provided that the Parties could each conduct five depositions of fact witnesses, with the depositions commencing in late January 2004. Western intends to move to postpone these depositions.

A status conference is scheduled for February 3, 2004. The Parties are required to submit a status report on January 27, 2004. Western anticipates that the Tribe may move to lift the stay. Western would oppose such a motion.

#### Federal Energy Regulatory Commission Litigation

- ? *Pacific Gas and Electric Company, FERC Docket No. ER01-1639-000*. PG&E tendered for filing proposed amendments to Contract No. 14-06-200-2948A (Contract 2948A) and other associated contracts. PG&E proposes several changes to the contracts, terms, conditions, rates and charges, including unilaterally changing the existing methodology for calculating the energy rates from average thermal production cost to market. After a hearing, the FERC ruled in Western's favor and the entire Commission subsequently affirmed the Presiding Judge's initial opinion. PG&E's Request for Rehearing was denied, and PG&E appealed to the D. C. Circuit Court of Appeals. On April 25, 2003, the DC Circuit affirmed that portion of the case determining that PG&E could not unilaterally change the energy rate. The Court remanded to the Commission whether PG&E has met its joint review requirement to file for a transmission rate increase as required under Article 32. On September 15, 2003, the Commission issued an order remanding the case back to the presiding Administrative Law Judge (ALJ). As of January 1, 2004, the parties are preparing for the hearing scheduled to commence in February 2004.

It is estimated that the increased costs over the term of Contract 2948A could be \$1.2 billion.

- *San Diego Gas and Electric Company Investigation of Practices of the California Independent System Operator and California Power Exchange, California Electricity Oversight Board, Docket EL-00-95-000*. In the fall of 2000, the Commission began an investigation under Section 206 of the Federal Power Act into the dysfunctional California markets. The Commission has issued a series of orders addressing both price mitigation and potential refunds. The Commission eventually (June 19, 2001) ordered "hard" price caps in the California and WSCC spot markets. The Commission also made a finding that prices charged in the California markets were unjust and unreasonable. Important to Western was a Commission decision to assert jurisdiction over non-public utilities with regard to refunds. FERC issued rehearing orders on December 19, 2001, largely upholding the earlier Commission orders in the case, including jurisdiction over non-public utilities. Hearings were first held in March 2002 to calculate the appropriate mitigated market clearing prices.

Subsequent hearings on Issues II and III (“who owes what to whom”) were held in San Francisco in August 2002. The Presiding ALJ did preliminarily decide that Western's "exchange transactions" with the ISO are not subject to refund. FERC Staff also investigated whether the gas prices used in these proceeding to determine the Mitigated Market Clearing Prices (MMCP) were themselves improperly manipulated and therefore need to be corrected in these proceedings. The Presiding ALJ issued his Initial Decision (ID) in December 2002. At the same time FERC responded to an order of the Ninth Circuit in August 2002 that found that FERC had not developed an adequate record with respect to the extent of manipulation. FERC allowed an additional discovery period of 100 days. Western responded to over 140 data requests from the “California Parties” and organized a document repository at SNR. In March 2003, the Commission issued an order largely upholding the ID, but implementing Staff’s recommendations of gas prices. Following the March 2003 Order, the Commission initiated proceedings to resolve certain issues relating to gas prices. These proceedings are currently underway. Additionally, the California ISO and PX are currently conducting “reruns” of the markets for the refund period in order to calculate refunds in accordance with the Commission’s current rulings and formulae in the case. In December 2003, SNR began receiving the first sets of rerun data for review and possible dispute proceedings. The entire rerun effort could take many months and may not be completed until late 2004. The Commission is also still considering numerous rehearing requests and other motions. For example, Duke has asked that amounts California receives in settlement from El Paso for manipulation of natural gas markets be offset against refunds in these proceedings.

# **Bonneville Power Administration**

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## **Bonneville Power Administration Fund**

### **Proposed Appropriations Language**

Expenditures from the Bonneville Power Administration Fund, established pursuant to Public Law 93-454, are approved for official reception and representation expenses in an amount not to exceed \$1,500. During fiscal year [2004]2005, no new direct loan obligations may be made. (*Energy and Water Development Appropriations Act, 2004.*)

### **Explanation of Change**

The proposed appropriations language restricts new direct loan in FY [2004]2005 as in FY [2003]2004.





# Bonneville Power Administration

## Overview

### Summary by Program

(accrued expenditures in thousands of dollars)

	FY 2003	FY 2004	FY 2005
<b>CAPITAL INVESTMENTS</b>			
Power Business Line . . . . .	135,591	177,400	188,000
Transmission Business Line . . . . .	318,619	386,000	268,600
Capital Equipment & Bond Premium . . . . .	19,156	34,200	30,300
Total Capital Investments . . . . .	473,366	597,600	486,900
Accrued expenditures will require budget obligations of . . .	473,366	597,600	486,900
Operating Expenses . . . . .	2,859,568	3,080,439	3,149,561
Projects Funded in Advance . . . . .	11,212	27,600	89,800
Capital Transfers (cash) . . . . .	543,687	246,508	303,098
BPA Net Outlays . . . . .	-462,000	-30,000	-10,000
BPA Staffing (FTE) . . . . .	3,153	3,205	3,166

#### Summary by Program notes:

These budget estimates are subject to continual change due to changing economic and institutional conditions in the electric utility industry in the Pacific Northwest.

Net Outlay estimates are based on forecasted market conditions, current cost savings to date, and anticipated use of rate adjustment and financial management tools. Net Outlays will change throughout the rate period as BPA experiences actual market and hydro conditions and responds with management actions.

Revenues, included in the Net Outlay formulation, are calculated consistent with rate period management goals and assume a number of rate, cost and cash adjustments. Assumed adjustments include the use of a combination of tools that include Cost Recovery Adjustment Clause (CRAC) adjustments, cost re-estimates, net revenue risk adjustment, debt service refinancing strategies and/or short-term financial tools to manage net revenues and cash. Adjustments for depreciation and 4(h)(10)(C) credits are also assumed.

## Preface

The strategic mission of Bonneville Power Administration (Bonneville or BPA) is to meet its public responsibilities through commercially successful businesses. Bonneville provides electric power, transmission, and energy services in increasingly competitive markets. Bonneville's success in the marketplace supports the achievement of its vital responsibilities for fish and wildlife, energy conservation, renewable resources, and low-cost power for the people of the Pacific Northwest. Bonneville succeeds by satisfying its customers and enhancing the economic and environmental health of the region.

The organization of BPA's FY 2005 budget reflects Bonneville's business line basis for utility enterprise activities. Bonneville's two major areas of activity on a consolidated budget and accounting basis include Power and Transmission with administrative costs included. The Power Business Line includes line items for Fish and Wildlife, Conservation and Energy Efficiency, Residential Exchange, Associated Projects O&M Costs and Northwest Power and Conservation Council (Council).

This Overview describes Strategic Context, Mission, Benefits, Strategic Goals, and Funding by General Goal. 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.

## **Strategic Context**

Following publication of the Administration's National Energy Policy, the Department of Energy (Department or DOE) 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 program 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 (PMA).

## **Mission**

The strategic mission of Bonneville is to meet its public responsibilities through commercially successful businesses. Bonneville provides electric power, transmission, and energy services in increasingly competitive markets. Bonneville's success in the marketplace supports the achievement of its vital responsibilities for fish and wildlife, energy conservation, renewable

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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 (01 through 07); second two digits identify the GPRA Unit; last four digits are reserved for future

resources, and low-cost power for the people of the Pacific Northwest. Bonneville succeeds by satisfying its customers and enhancing the economic and environmental health of the region.

## **Benefits**

Bonneville provides electric power (about forty-five percent of the electricity consumed in the region), transmission (about three-fourths of the region's high voltage transmission capacity), and energy efficiency throughout the Pacific Northwest, a 300,000 square mile service area. Bonneville markets the electric power produced from 31 operating Federal hydro projects in the Pacific Northwest owned by the U.S. Army Corps of Engineers (Corps) and the U.S. Department of Interior, Bureau of Reclamation (Bureau), and also acquires non-Federal power, including the power from the Columbia Generating Station, to meet the needs of its customer utilities.

## **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 Bonneville program supports the following goal:

**Energy Strategic Goal:** To protect our national and economic security by promoting a diverse supply and delivery 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.

Bonneville has one Program Goal that contributes to the General Goals in the "goal cascade". This goal is Market and Deliver Federal Power:

**Program Goal 04.54.00.00: Market and Deliver Federal Power:** Customers receive the benefits of Federal power that produce sufficient revenues to repay the American taxpayers' investments allocated to power.

### **Contribution to General Goal 4:**

Bonneville contributes to this goal through its following strategic business objectives: 1) Achieve high and continually improving customer satisfaction; 2) Increase the value of our business and share the expanded benefits; 3) Be a low-cost provider of power and transmission services in the region; 4) Achieve and maintain financial integrity; 5) Keep the system safe and reliable; 6) Invest in results to enhance the region's natural environment; and 7) Transform Bonneville into a diverse, employee-centered, high-performing, business-oriented organization.

## Funding by General Goal

(Accrued Expenditures)

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	\$ Change	% Change
General Goal 4, Energy Security					
Program Goal 04.54.00.00					
Bonneville Power Administration					
CAPITAL INVESTMENTS					
Power Business Line . . . . .	135,591	177,400	188,000	+10,600	+6.0%
Transmission Business Line . . . . .	318,619	386,000	268,600	-117,400	-30.4%
Capital Equipment & Bond Premium . . . . .	19,156	34,200	30,300	-3,900	-11.4%
Total Capital Investments . . . . .	473,366	579,600	486,900	-110,700	-18.5%
Accrued expenditures will require budget obligations of . . . . .	473,366	597,600	486,900	-110,700	-18.5%
Operating Expenses . . . . .	2,859,568	3,080,439	3,149,561	+69,122	+2.2%
Projects Funded in Advance . . . . .	11,212	27,600	89,800	+62,200	+225.4%
Capital Transfers (cash) . . . . .	543,687	246,508	303,098	+56,590	+23.0%
Net Outlays . . . . .	-462,000	-30,000	-10,000	+20,000	+66.7%
BPA Staffing (FTE) . . . . .	3,153	3,205	3,166	-39	-1.2%

**Funding by General Goal Notes:**

These budget estimates are subject to continual change due to changing economic and institutional conditions in the electric utility industry in the Pacific Northwest.

Net Outlay estimates are based on forecasted market conditions, current cost savings to date, and anticipated use of rate adjustment and financial management tools. Net Outlays will change throughout the rate period as BPA experiences actual market and hydro conditions and responds with management actions.

Revenues, included in the Net Outlay formulation, are calculated consistent with rate period management goals and assume a number of rate, cost and cash adjustments. Assumed adjustments include the use of a combination of tools that include CRAC adjustments, cost re-estimates, net revenue risk adjustment, debt service refinancing strategies and/or short-term financial tools to manage net revenues and cash. Adjustments for depreciation and 4(h)(10)(C) credits are also assumed.

## Annual Performance Results and Targets

### Bonneville Power Administration

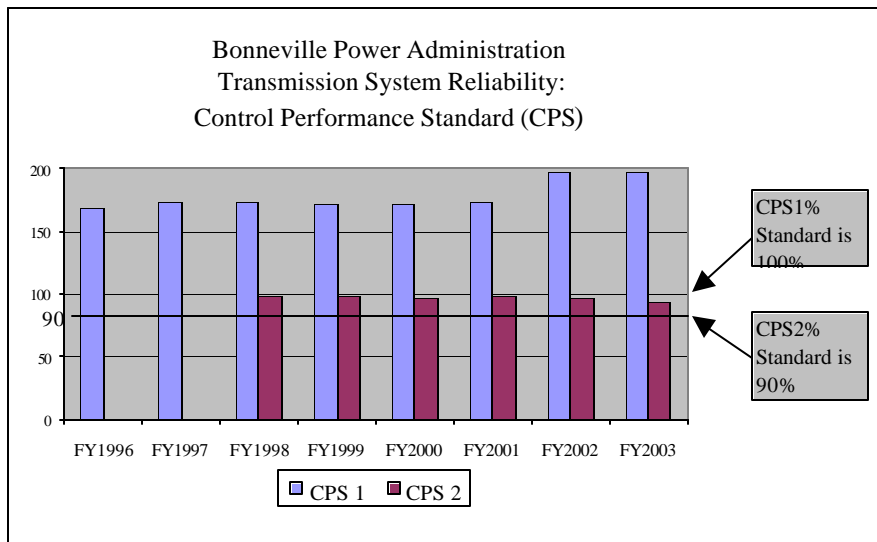
FY 2000 Results	FY 2001 Results	FY 2002 Results	FY 2003 Results	FY 2004 Targets	FY 2005 Targets
<b>Transmission System Reliability Performance :</b> Met Goal Actual: CPS1: 172.3% CPS2: 96.4%	<b>Transmission System Reliability Performance:</b> Met Goal Actual: CPS1: 173.1% CPS2: 98.7%	<b>Transmission System Reliability Performance:</b> Met Goal Actual: CPS1: 197.5% CPS2: 96.8%	<b>Transmission System Reliability Performance :</b> Met Goal Actual: CPS1: 198.0% CPS2: 93.6%	Receive monthly control compliance ratings that meet or exceed the Control Performance Standard (CPS) 1 and 2 established by the NERC.	Receive monthly control compliance ratings that meet or exceed the Control Performance Standard (CPS) 1 and 2 established by the NERC.
<b>Repayment of Federal Power Investment:</b> Met Goal Actual: \$316 million	<b>Repayment of Federal Power Investment:</b> Met Goal Actual: \$237 million	<b>Repayment of Federal Power Investment:</b> Met Goal Actual: \$505 million	<b>Repayment of Federal Power Investment:</b> Met Goal Actual: \$544 million	Meet planned annual repayment of principal on Federal power investments.	Meet planned annual repayment of principal on Federal power investments.
<b>Recordable Injury Frequency Rate :</b> Met Goal Actual: 2.1 injuries	<b>Recordable Injury Frequency Rate :</b> Met Goal Actual: 2.0 injuries	<b>Recordable Injury Frequency Rate :</b> Met Goal Actual: 1.7 injuries	<b>Recordable Injury Frequency Rate :</b> Met Goal Actual: 2.6 injuries	Achieve a safety performance of a 3.3 recordable accident frequency rate for recordable injuries per 200,000 hours worked or the Bureau of Labor and Statistics' industry rate, whichever is lower.	Achieve a safety performance of a 3.3 recordable accident frequency rate for recordable injuries per 200,000 hours worked or the Bureau of Labor and Statistics' industry rate, whichever is lower.

## Transmission System Reliability Performance Indicator

This indicator defines a standard of minimum monthly control performance as established by the North American Electric Reliability Council (NERC). Each control area is to have the best operation above the minimum monthly control compliance ratings that can be achieved within the bounds of reasonable economic and physical limitations. Each control area shall monitor its control performance on a continuous basis against two standards, CPS1 and CPS2.

CPS1 and CPS2 are the performance rating indicators that U.S. and Canadian electric utilities have developed to help assure the reliability of the North American high voltage distribution system for the benefit of the public. These measurers are intended to indicate whether or not electric utility systems are being operated within acceptable operating parameters. CPS1 helps assure generation and load balance and also measures support system frequency. CPS2 helps limit any imbalance magnitude to acceptable levels.

In FY 2003, Bonneville exceeded the minimum compliance level required by NERC with a CPS1 of 198.0% and a CPS2 of 93.6%.



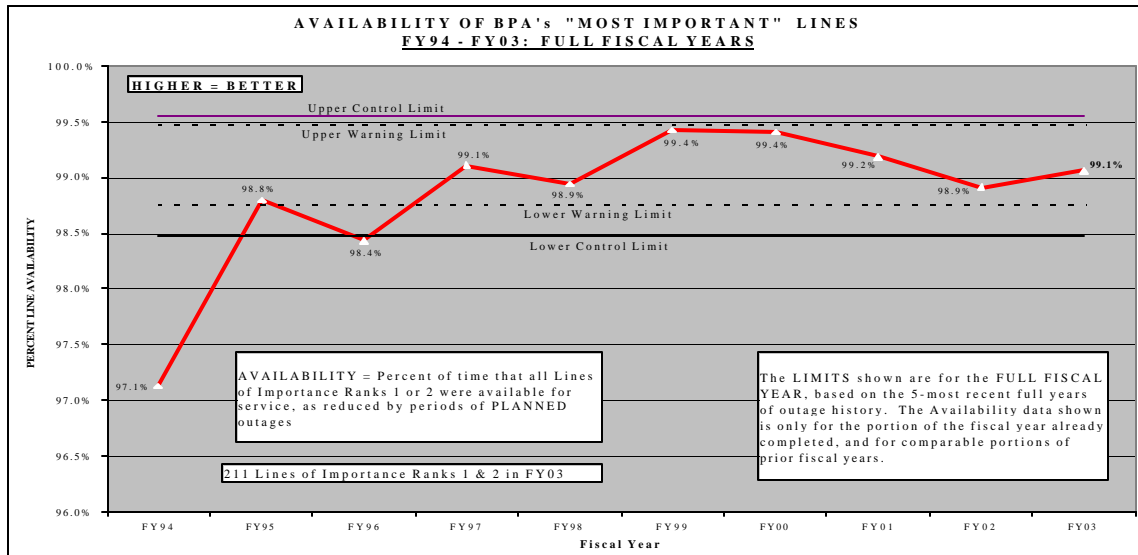
## Transmission System Availability Performance Indicator

In response to the President's management initiatives and emphasis on performance measures, BPA has added a fourth measure to the agency's annual performance results and targets. This indicator helps ensure that high availability is maintained on the system's "most important" lines throughout the year. Bonneville management uses indicator results to schedule planned outages to more efficiently utilize line availability to meet load requirements. This indicator supports Bonneville's fifth Strategic Business Objective to keep the system safe, reliable and available.

Bonneville's "most important" lines are defined as those with a Line Importance Rank of 1 or 2. Control-chart techniques are used to determine the "natural range" of variability in line availability for these lines. Actual availability is then compared with warning limits and control

limits derived from that historical performance. For the purpose of this measure, availability is reduced only by planned outages, so this measure assesses the rate at which planned outages reduce availability for the most important lines on the system.

In FY 2003 Bonneville's transmission line availability for its most important lines was 99.1%, well within control chart limits.



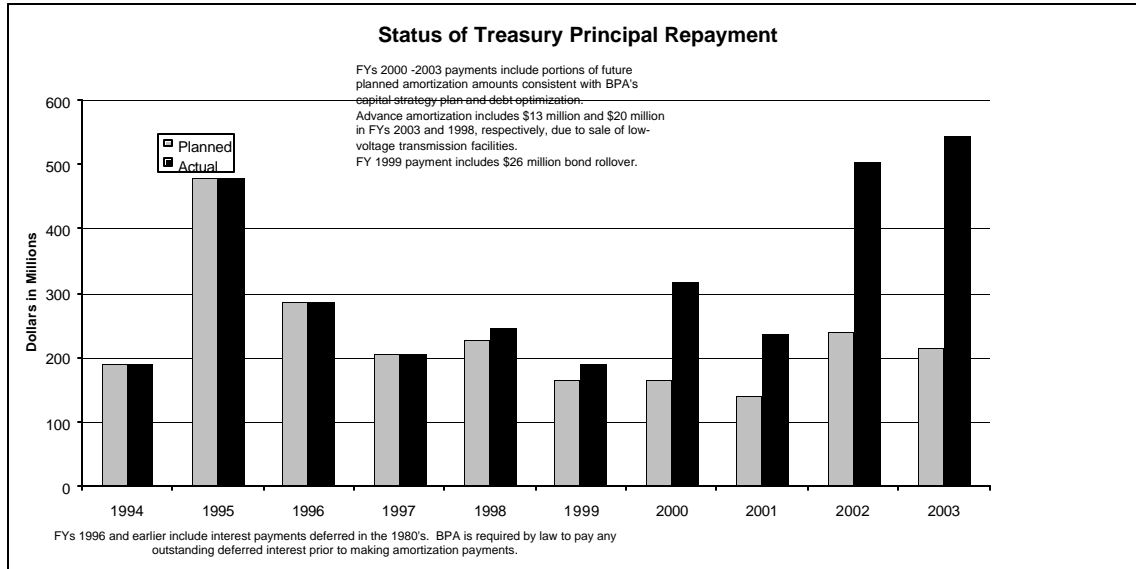
### Repayment of Federal Power Investment Performance Indicator

This indicator measures the variance of actual from planned principal payments to the U.S. Treasury (Treasury). The indicator will be zero if the actual payment is equal to the planned payment.

Treasury payment outyear estimates for planned amortization are based on rate case estimates when available and planned amortization for future rate case periods. These estimates may change due to revised capital investment plans, actual Treasury borrowing, and accelerated amortization payments. In recent years, BPA has made amortization payments in excess of those scheduled in its FERC-approved rate filings, resulting in a balance of advance repayment.

The following chart displays principal repayment only.





## Recordable Injury Frequency Rate Performance Indicator

This indicator measures the recordable accident frequency rate by first multiplying the number of recordable injuries by 200,000. This number is then divided by the total hours worked. The Power Marketing Administrations measure their performance against a Bureau of Labor and Statistics standard industry case rate.

The national average recordable injury frequency rate is based on Bureau of Labor and Statistics. The Bureau of Labor's data is collected from organizations representing the private sector in the generation, transmission, and distribution of electric energy. The Bureau of Labor and Statistics includes a 2002 national average recordable injury frequency rate of 3.7 injuries per 200,000 hours worked. Bonneville's recordable injury frequency rate for FY 2003 was 2.6 injuries.

## Means and Strategies

Bonneville provides electric power, transmission, and energy services while supporting the achievement of its vital responsibilities for fish and wildlife, energy conservation, renewable resources, and low-cost power in the Pacific Northwest.

To improve system adequacy, reliability and availability, BPA has embarked on major transmission infrastructure projects to shore up the region's transmission system and to help meet the region's future power needs. These projects are meant to address multiple challenges, such as the need to relieve the growing number of congested transmission paths, the pressure to keep up with growing energy demands, and the need to meet FERC's open access policy in support of competitive markets.

As part of these initiatives, Bonneville is also working to improve efficiencies and initiate cost reductions. Bonneville coordinates its power operational activities with the Corps, the Bureau, the North American Electric Reliability Council, regional electric reliability councils, its

customers, and other stakeholders to provide the most efficient use of Federal assets. Ongoing work with the Corps and Bureau is focused on improving the reliability of the Federal Columbia River Power System (FCRPS), increasing its generation efficiency and optimization of hydro facility operation.

Bonneville is committed to continue funding its share of the region's efforts to recover listed Columbia Basin fish and wildlife. BPA works closely with the Northwest Power and Conservation Council, regional fisheries managers, the U.S. Fish and Wildlife Service, the Corps and Bureau, as well as other federal agencies to prioritize and manage fish and wildlife program projects.

Bonneville initiatives are impacted by external factors such as continually changing economic and institutional conditions in the electric utility industry, competitive dynamics and the continued restructuring of the electric industry.

Private and public sector partners have been and continue to be an important part of BPA's collaborative efforts to promote and foster efficient use of energy. BPA has initiated efforts to explore non-federal financial participation in its transmission infrastructure projects with transmission customers and others in the region. In addition, BPA's Conservation Augmentation and its Conservation and Renewables Discount programs offer several ways for customers to participate in regional conservation.

As part of its annual planning process, Bonneville is currently re-examining its overall business strategy for how it conducts business and delivers public benefits in order to address the challenges of the changing marketplace and growing business risks. In addition, BPA will examine industry benchmarking techniques and development of associated efficiency measures.

## **Validation and Verification**

To validate and verify program performance, Bonneville conducts various internal and external reviews and audits. Bonneville's programmatic activities are subject to review by Congress, the General Accounting Office, the Department's Inspector General, and other governmental entities. Bonneville accounts are reviewed annually by an independent outside auditor. In addition, BPA uses Institute of Electrical and Electronics Engineers standard measures to monitor and evaluate system reliability performance, and participates yearly in an independent reliability benchmarking study.

## **Program Assessment Rating Tool (PART)**

The DOE 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 submission, and will take the necessary steps to continue to improve performance.

In the 2004 PART review by OMB, Bonneville received high scores of 89 and 100 in the Planning and Management sections. These high scores reflect Bonneville's strong program management system and internal and external program and management reviews. Bonneville's somewhat lower scores in the Purpose and Results sections were attributed in part to its rate setting processes and the need for improved performance measures. Recent enactment of BPA's Safety Net Cost Recovery Adjustment Rate is an example of how BPA is working to continuously improve its rates processes. This rate adjustment helped BPA establish its rates with a Treasury payment probability at a targeted 80 percent for the FY 2004-2006 period. Additionally, BPA's FY 2003 Treasury payment marks the 20<sup>th</sup> year that BPA has made its payment on time and in full. Regarding PART feedback on performance measurement, BPA is currently re-examining its overall strategy and associated performance measures and improving its linkage between financial performance and strategy. In addition, BPA will examine industry benchmarking techniques and development of associated efficiency measures and targets, both short and long term. With respect to the marketing and cost recovery findings, BPA completed a Lessons Learned Report to the Administrator as well as a similar Report to the Region that assessed its recent financial challenges and included recommendations in part to assure cost recovery and added efficiencies. Implementation of the Lessons Learned Report recommendations from both reports is currently underway.

## **Significant Program Shifts**

Bonneville is the DOE's electric Power Marketing Administration for the Federal Columbia River Power System (FCRPS). Bonneville provides electric power, transmission and energy efficiency throughout the Pacific Northwest. Created in 1937 to market and transmit the power produced by the Bonneville Dam on the Columbia River, Congress has since then directed Bonneville to sell at wholesale the electrical power produced from 31 operating Federal hydro projects and to acquire non-Federal power and conservation resources sufficient to meet the needs of Bonneville's customer utilities. Bonneville serves a 300,000 square mile area including Oregon, Washington, Idaho, Western Montana, and parts of Northern California, Nevada, Utah and Wyoming.

The Bonneville Project Act of 1937 provided the foundation for Bonneville's statutory utility responsibilities and authorities. In 1974, passage of the Federal Columbia River Transmission System Act (Transmission System Act) placed Bonneville under provisions of the Government Corporation Control Act (31 U.S.C. 9101-9110). The Legislation provided Bonneville with "self-financing" authority and established the Bonneville Fund, a revolving fund, allowing Bonneville to use its revenues from electric ratepayers to directly fund all programs and to sell bonds to the Treasury to finance the region's high-voltage electric transmission system requirements. In 1980, enactment of the Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power Act) expanded Bonneville's utility obligations and responsibilities to encourage electric energy conservation, develop renewable energy resources, and protect, mitigate and enhance the fish and wildlife of the Columbia River and its tributaries. In support of these responsibilities, Bonneville's Treasury borrowing authority was expanded to allow the sale of bonds to finance conservation and other resources and to carry out fish and wildlife capital improvements. The Northwest Power Act also required regional

energy plans and programs and created the Northwest Power Planning Council, now called the Northwest Power and Conservation Council (Council).

Bonneville's program is mandatory and nondiscretionary. As such, Bonneville is "self-financed" by the ratepayers of the Pacific Northwest and receives no annual appropriations from Congress. Under the Transmission System Act, Bonneville funds the expense portion of its budget and repays the Federal investment with revenues from electric power and transmission rates. Bonneville's revenues fluctuate primarily in response to market prices for fuels and stream flow variations in the Columbia River System due to weather conditions and fish recovery needs. Bonneville's permanent, indefinite statutory borrowing authority authorizes the agency to sell bonds to the Treasury up to a cumulative outstanding total of \$4.45 billion. Through FY 2003, Bonneville has returned approximately \$19.4 billion to the Treasury for payment of FCRPS O&M and other costs (about \$2.9 billion), interest (about \$10.6 billion), and amortization (about \$5.9 billion) of appropriations and bonds. Bonneville made its full FY 2003 payment of \$1,057 million, including \$315 million in accelerated amortization. Total FY 2003 credits for fish were about \$175 million including Fish Cost Contingency Fund credits of \$78.7 million. For FY 2004, Bonneville plans to pay the Treasury \$770 million, of which \$247 million is to repay investment principal, \$492 million is for interest, and \$32 million is for other payments including \$31 million for Pension and Post-retirement Benefits. FY 2004 4(h)(10)(C) credits are estimated at \$77 million. The FY 2005 Treasury payment is currently estimated at \$851 million.

Treasury payment outyear estimates for interest levels are based on rate case estimates updated for revised capital investment plans. Amortization is based on rate case estimates when available and planned amortization for future rate case periods. These estimates may change due to revised capital investment plans, actual Treasury borrowing, and accelerated amortization payments. In recent years, BPA has made amortization payments in excess of those scheduled in its FERC-approved rate filings resulting in a balance of advance repayment. The cumulative amount of advance amortization payments as of the end of FY 2003 is \$800.4 million.

Starting in FY 1997, Bonneville began direct funding the Bureau's Pacific Northwest power O&M costs and in FY 1999 began direct funding Corps Pacific Northwest power O&M costs. Bonneville began direct funding the U.S. Fish and Wildlife Service (USFWS) in FY 2001 to pay for O&M costs of the Lower Snake River Compensation Plan facilities. Bonneville's direct funding arrangement includes a portion of power O&M capital investments, and per its authority, Bonneville plans to direct fund Bureau hydropower research expenses of benefit to the FCRPS. Direct funded capital costs, previously funded through appropriations, are now being paid through BPA borrowing from the U.S. Treasury. BPA's total O&M direct funding was \$208 million in FY 2003.

This FY 2005 budget proposes Bonneville accrued expenditures of \$3,149 million for operating expenses, \$90 million for Projects Funded in Advance, \$487 million for capital investments, and \$303 million for capital transfers in FY 2005. The budget has been prepared on the basis of Bonneville's major areas of activity, Power and Transmission. This structure supports Bonneville's competitiveness in the increasingly deregulated wholesale electric energy market. This industry deregulation stems largely from the 1992 Energy Policy Act and ensuing FERC Orders 888 and 889 requiring separation of utilities power and transmission

functions. As a Federal agency, Bonneville is not subject to FERC's jurisdiction, but chooses to comply with the FERC orders because it views compliance as essential to successfully compete in the current and future electric power market. Further, Bonneville supports DOE's October 1995 "Power Marketing Administration Open Access Policy which states the Power Marketing Administrations' commitment to offer transmission services to eligible entities in a manner comparable to the services offered by FERC-jurisdictional transmission providers to the extent not otherwise prohibited by law.

Spending levels in this budget are still subject to change to accommodate competitive dynamics in the region's energy markets, debt optimization strategies, and the continued restructuring of the electric industry.

- Bonneville's FY 2005 budget reflects the significant financial and business events that have shaped Bonneville's response to the physical and competitive pressures of the region's electricity situation. BPA is striving to enhance its competitive, cost-effective delivery of business-line utility products and services and continued delivery of the public benefits of its operations, while ensuring its ability to make its payments to the Treasury on time and in full.
- The last several years have been particularly challenging with Bonneville drawing heavily on its financial reserves. Bonneville, in October 2002, had a forecasted financial gap between power revenues and power expenses estimated at \$1.2 billion over the power rate period FY 2002 through FY 2006. That forecast was based on no reduction in costs, no use of the power rate adjustment clauses for FY 2004 through FY 2006 beyond the Load-Based Cost Recovery Clause (explained below), no use of debt optimization proceeds from refinancing Energy Northwest (ENW) debt, and no Financial Accounting Standard 133 accounting treatment of certain transactions. Bonneville's first priority has been to restore its financial balance. Through implementation of a variety of financial tools, Bonneville is working to assure full recovery of its costs by the end of the rate period in FY 2006. About \$400 million in forecasted program and internal operations expense reductions are being implemented over the power rate period. These forecasted expense reductions are reflected in this FY 2005 budget. In addition to seeking further cost reductions, other possible financial management tools, such as rate adjustment clauses, and organizational efficiency improvements, are being implemented to substantially reduce the gap between power revenues and expenses for the entire power rate period. The power rate adjustment clauses in effect through FY 2006 and Bonneville's debt optimization strategy are described more fully later in this Overview section.
- In establishing separate rate processes for the first time for the power and transmission functions, Bonneville's FY 2002 transmission and ancillary service rates were designed to be effective for FYs 2002 and 2003 rather than a five-year period. The two-year transmission rate period was designed to support the transition toward formation of a regional transmission organization (RTO). With work to develop an operational RTO continuing, BPA initiated a rate setting process for the FY 2004-2005 period. In November 2002, BPA signed a rate settlement agreement with most of its customers that provides for a 1.5 percent increase for most transmission and ancillary service rates for FYs 2004 and 2005. BPA submitted a final transmission rate proposal, consistent with the settlement

agreement, to the Federal Energy Regulatory Commission (FERC) and was granted final approval of its fiscal year 2004-2005 transmission rates and tariffs on September 23, 2003.

- For the power function, Bonneville concluded its power rate setting process for FYs 2002-2006 in May 2000 and submitted its power rate proposal to FERC. Subsequently, extremely high volatility and price uncertainty in power markets led Bonneville to reexamine its rate proposal. As a result, Bonneville made the decision to amend its power rate proposal knowing that a significant rate increase was likely.
- In June 2001, after a public process, Bonneville submitted a supplemental power rate proposal to FERC and was subsequently granted interim approval in September 2001 and final approval in July 2003. This proposal focused primarily on modifications to proposed risk mitigation measures. Bonneville and many parties to the rate case collaboratively developed the terms of the proposal. A key feature is a three-component Cost Recovery Adjustment Clause (CRAC): one component, the Load-Based (LB) CRAC tied to Bonneville's power system load, allows a rate adjustment every six months to reflect Bonneville's actual costs of purchasing power to augment the power system. A second component, the Financial-Based (FB) CRAC based on the Power Business Line's financial status, allows a one-year rate increase in any year of the five-year rate period, to restore reserve levels if end-of-year power accumulated net revenues drop below a threshold level. The third component, the Safety-Net (SN) CRAC, requires an expedited public process and approval by FERC. The SN CRAC allows Bonneville to change the parameters of the Financial-Based CRAC costs if BPA were to forecast missing a payment to the Treasury or other creditor, or actually misses such a payment. These rate adjustment mechanisms allow Bonneville to keep its base rates low for the FY 2002-2006 rate period while providing flexibility to make adjustments as needed to meet any financial shortfalls developing over the rate period. As in the original filing, the Supplemental Proposal continues to reflect implementation of Bonneville's fish and wildlife obligations while maintaining the ability to make Bonneville's planned payments to the U.S. Treasury on time and in full.
- The initial Load-Based CRACs provided an increase in FY 2002 of about 43% on average over base rates. The Load-Based CRAC declined to about 36% above base rates for the FY 2003 period. The Financial-Based CRAC triggered in October 2002 with a rate impact in FY 2003 of about 11% over base rates. With the coincident decline in the Load-Based CRAC and the increase from the Financial Based CRAC, Bonneville's total power rates for FY 2003 were slightly above the FY 2002 level (approximately 46% above base rates in FY 2003 compared to about 43% above base rates in FY 2002). Bonneville triggered the Safety-net CRAC for FY 2004 at about 10% above base rates. Therefore in total, the three CRACs together will result in rates about 45% above base rates for FY 2004, or about 1% below FY 2003 rates.
- In February 2003 the SN CRAC was triggered based on a reduced Treasury payment probability, and was followed by an initial power rate proposal calling for an overall power rate increase estimated at about 15 percent over FY 2003 rates. Since the initial SN CRAC trigger in February 2003, Bonneville's near-term financial condition improved due to improved hydro conditions, better market prices, additional expense reductions, contract

termination savings, and cash flow improvements. Consequently, Bonneville's final SN CRAC Record of Decision, submitted in June 2003 to FERC for review and approval, describes an average 5 percent increase over FY 2003 rates. The proposal remains under review by FERC. A subsequent calculation made in December 2003 resulted in an overall decrease of about 1% below FY 2003 rates. In anticipation of changing market conditions and the potential for improvement or worsening of Bonneville's financial condition over the rate period, the rate proposal provides Bonneville with the ability to re-trigger the SN CRAC and also provides a rebate mechanism to mitigate the rate impact on Northwest ratepayers if needed.

- Through significant additional cost cutting and deferrals since the beginning of FY 2003 and implementation of the SN CRAC, Bonneville has retained a high probability of making its Treasury payment throughout the remaining FY 2004-2006 rate period and has significantly reduced the power net revenue gap to about \$200 million. Bonneville believes that its rates will continue to be lower than the cost of new natural gas fired generation when shaped to serve load similar to the shaping ability of the Federal System. Bonneville has conducted a review and has concluded that its rates are likely to remain competitive now and in the future.
- Bonneville is continuing efforts to help meet the region's long-term power and transmission infrastructure needs. Bonneville is planning infrastructure investments in the Pacific Northwest to meet Northwest transmission needs that will also continue a competitive wholesale market in the Western Interconnection that encompasses 15 western states, 2 Canadian provinces and 2 Mexican states.
- Bonneville has identified a number of actions that it is taking or could take over the next several years to provide additional electrical infrastructure relief. These actions include federal hydro generation efficiencies and additions, additional renewable resource generation and conservation efforts, long and short-term power purchases and construction of transmission projects that reinforce the grid and integrate new generation. As part of these efforts, Bonneville has designed a process to review and prioritize the investments. Part of this process, developed with stakeholder input, will provide investor-owned utilities and public utilities an opportunity to evaluate proposed major transmission infrastructure additions for their cost, benefits, and their contribution to reliability, as well as schedules for project completions. Bonneville has moved this process to the Transmission Planning Committee of the Northwest Power Pool, which will provide a broader review of any proposed infrastructure project. Bonneville will also engage DOE and other regional stakeholders in discussions to clarify needed generation improvements and conservation.
- Bonneville received an additional \$700 million in available Treasury financing through the FY 2003 Appropriations Act to help assure a sufficient level of infrastructure planning over the next decade. In utilizing this newly available Treasury financing, BPA will encourage private-sector or other non-federal financing or joint financing of transmission line expansions and additions, develop a five-year investment plan with the participation of the regional Infrastructure Technical Review Committee or its successor in the region, use funds only for authorized purposes, include the proposed use of the funds in its annual budget submissions and select projects based on cost effectiveness criteria for achieving the

objective. The new law increases to \$4.45 billion the aggregate amount of bonds Bonneville is authorized to sell to the U.S. Treasury and have outstanding at any one time. Bonneville is pursuing other strategies to sustain funding for its infrastructure investment requirements. These additional strategies include optimization of Energy Northwest debt, revenue financing of some amount of transmission investments, and seeking when possible third party financing sources.

- Bonneville is continuing efforts to explore non-federal funding in its transmission infrastructure projects with transmission customers and others in the region. This effort has been designed to obtain as much interest as is possible in cost effective and timely non-federal participation and financing of transmission infrastructure that can be operated and maintained integrally with the Federal grid. A set of principles for non-federal financial participation was developed by Bonneville and publicly announced in OASIS (Open Access Same-Time Information System)/Federal Register postings in early 2002. That posting initiated a formal schedule for soliciting interest in non-federal participation. The schedule is sufficiently flexible to accommodate the level of interest expressed and the schedule of individual transmission projects. The Schultz-Wautoma 500kV transmission project in this FY 2005 budget is included under Capital Investments with Treasury financing assumed in order to assure funding availability; however, BPA hopes to fund this project through non-federal financing later this year.
- Consistent with scorekeeping procedures developed under the Budget Enforcement Act of 1990, some agency lease-purchase transactions constitute a form of federal agency debt for budget purposes. This reflects the fact that these long-term transactions result in liabilities that make a claim on future agency resources similar to a traditional loan transaction. At the time the Budget was being printed, BPA was considering whether it would enter into such a lease-purchase transaction. BPA's debt to the U.S. Treasury is currently limited by statute. To ensure the integrity and usefulness of this limitation, the Administration is considering proposing legislation calling for certain nontraditional financing transactions that are entered into after the date the legislation is enacted and that are similar to debt-like transactions to be treated as debt and counted toward BPA's statutory debt limit. This legislative proposal will be fully vetted with BPA stakeholders.
- This FY 2005 budget includes capital and expense estimates for the Power Business Line based on the SN CRAC rate proposal process. The Transmission Business Line (TBL) capital and expense estimates are based on the TBL rate settlement agreement and final 2004 transmission rate proposal. Capital investment levels also reflect management decisions from BPA's cross-agency Business Operations Board review process. Estimates included in this budget also reflect the significant changes affecting the West Coast power and transmission markets along with planned infrastructure investments designed to address the long-term needs of the region. FY 2003 costs are based on Bonneville's audited actual financial results.
- Revenue estimates in this budget, included in the Net Outlay formulation, are calculated consistent with cash management goals and assume a combination of adjustments. Assumed adjustments include the use of a combination of tools, for example, upcoming CRAC adjustments, reduced cost estimates, a net revenue risk adjustment, debt service



refinancing strategies and/or short-term financial tools to manage net revenues and cash.

- Revenue adjustments for depreciation and fish credits are also assumed. These credits offset BPA's fish and wildlife program costs allocable to the non-power project purposes of the FCRPS, consistent with the Northwest Power Act. Estimates in this FY 2005 budget for 4(h)(10)(C) are \$67 million and \$66 million for FYs 2004 and 2005. Fish Cost Contingency Fund credits of \$79 million are included for FY 2003. Net Outlay estimates are based on current cost savings to date and anticipated cash management goals. They are expected to follow anticipated management decisions throughout the rate period that along with actual market conditions will impact revenues and expenses. Total FY 2003 credits for fish were about \$175 million including Fish Cost Contingency Fund credits of \$78.7 million.
- Bonneville is continuing to participate in the development of a regional transmission organization called RTO West in response to FERC's Order 2000 and consistent with the Administration's support for competitive wholesale energy markets. Bonneville is working closely with the region's investor-owned utilities, Bonneville's public agency customers, as well as other stakeholders through a public collaborative process called the Regional Representatives Group (RRG) to design a regional proposal that addresses the specific needs and opportunities of the Pacific Northwest. A recent proposal that has broad regional support includes the creation of a regional transmission organization that is independent of market interests. At its core is a flexible business model providing for a staged, voluntary implementation process and a governance structure that provides for a set of check and balances to ensure the region has a hand in shaping how the entity serves the region's needs. BPA plans to maintain its current level of resources and budget for these activities in FY 2005.
- Bonneville efforts to keep its rates as low as possible are augmented by the implementation of the Bonneville Appropriations Refinancing Act (part of the Omnibus Consolidated Rescissions and Appropriations Act of 1996) that refinanced Bonneville's outstanding repayment obligations on appropriations. The legislation called for increasing low interest rates on historic appropriations to current Treasury market rates and resetting (reducing) the principal of FCRPS appropriations unpaid as of the end of FY 1996. New principal amounts were established as of the beginning of FY 1997, at the present value of the principal and annual interest payments Bonneville would make to the Treasury for these obligations in the absence of the Act, plus \$100 million. The new principal amounts were then assigned new interest rates based on the Treasury yield curve rates prevailing at the end of FY 1996. Bonneville's outstanding repayment obligation on appropriations at the end of FY 1996 was \$6.7 billion, with a weighted average interest rate of 3.4 percent. The refinancing reduced the principal amount to \$4.1 billion, with a weighted average interest rate of 7.1 percent. As called for in the legislation, Bonneville submitted its calculations and interest rate assignments implementing the refinancing to Treasury for their review and approval. Treasury approved the implementation transactions in July 1997.
- Consistent with assumptions for the power rate case and this FY 2005 budget, Bonneville has reached a settlement of the Residential Exchange Program for regional utilities for the post-2001 period. Regional utilities were eligible to participate in the Residential

Exchange Program beginning in 2001, except for the nine public agency utilities that previously executed settlement agreements for terms extending through June 30, 2011. To settle the Residential Exchange, Investor Owned Utility (IOU) customers will receive 1,900 average MW (aMW) in power and financial benefits, at prices generally equivalent to the priority firm power rate, over the FY 2002-2006 rate period. In FY 2007 the total amount of settlement benefits changes to 2200 aMW. No settlement offer was made to Bonneville's preference customers, or public agency utilities, because none had forecasted average system costs that were sufficiently high to qualify for Residential Exchange benefits. See the Operating Expenses- Power Business Line section for additional discussion of the settlement agreements.

- In April 2003, Bonneville entered into a settlement agreement with Enron Corporation (Enron) relating to its associated power sales and purchase agreements. This agreement followed Enron's filing for bankruptcy protection in December 2001 and was approved in advance by the Enron Bankruptcy Court, the U.S. District Court for the Southern District of New York in March 2003. Under the settlement, a \$99 million payment to Enron was paid directly from the U.S. Treasury's (Treasury) judgment fund in June 2003. The agreement calls for Bonneville to fully reimburse the Treasury by the end of December 2006 for the judgment funds used plus interest. Consistent with a Memorandum of Understanding with the Treasury, Bonneville makes interest payments on the outstanding debt to the Treasury's "miscellaneous receipts" account.
- Bonneville also implemented a load reduction strategy in 2001. This strategy was designed to help bridge the gap between the amount of load on the system and the amount of power purchases required to meet that load in a way that would minimize the cost, given that spot market prices at that time ranged as high as \$1,000/MWh. Bonneville, with help from all customer groups, was successful in reducing its load commitments by over 2,000 aMW. These load reductions varied in length of time, from a few months to up to two years over the rate period. Two load reductions from two of the region's IOUs will last the entire 5 years of the rate period. Thus, the load reduction efforts early in the rate period were developed to help minimize Bonneville's market exposure. Bonneville now expects to have minimal, if any, market exposure for augmentation purposes.
- As part of its continuing competitive efforts, Bonneville is working to further optimize debt service costs. Bonneville has reached agreement with ENW to pursue refinancing of certain Energy Northwest bonds. Bonneville pays the debt service on these bonds under the terms of earlier net billing agreements. A component of the refinancing strategy will be to extend the final maturity on the Columbia Generating Station (formerly WNP-2) debt. In addition, for Projects 1 and 3, some debt currently maturing prior to FY 2012 will be extended into the 2013-2018 time period. Bonneville has committed to Energy Northwest to use the reductions in debt service resulting from this extension to amortize Federal debt earlier than currently scheduled, except in the case of an extreme financial emergency. Implementation of the refinancing components will be subject to favorable market conditions and interest rate environment. Thus only the Federal amortization due to actual debt service savings of debt service refinancings are included in cost estimates for this FY 2005 budget.

- As part of its strategic staffing efforts and infrastructure project requirements, Bonneville has seen an increase in Full-Time Employee (FTE) levels since FY 2000. This increase is expected to peak in FY 2004 and decline after that through FY 2006. The decline in FTE through FY 2006, the end of the current power rate period is planned to occur through attrition and is due primarily to the stringent cost reductions needed to restore Bonneville's financial health. Bonneville does not believe this reduced FTE level is sustainable over the long term and is projecting FTE levels of 3,204 following FY 2006. Bonneville FTE projections for FYs 2004 and 2005 are 3,205 and 3,166, respectively.
- Bonneville is committed to continue funding its share of the region's efforts to recover listed Columbia Basin fish and wildlife. In its 2002 Power Rate Proposal for FYs 2002-2006, Bonneville incorporated fish and wildlife funding principles that were developed and supported by a broad base of regional interests. Consistent with these principles, rates were set to provide sufficient revenue to satisfy Bonneville's fish and wildlife responsibilities. In its SN CRAC-03 rate proposal, filed with FERC in June 2003, BPA included forecasts of fish and wildlife program costs at the average of the range established in the 2002 Proposal. Bonneville is working closely with the Northwest Power and Conservation Council (Council), regional fisheries managers, National Oceanic and Atmospheric Administration Fisheries Service (NOAA Fisheries), the United States Fish & Wildlife Service (USFWS), U.S. Army Corps of Engineers (Corps), U.S. Bureau of Reclamation (Bureau), and other federal agencies to prioritize and manage fish and wildlife costs to remain within the funding estimates established in rates. Included with the budget schedules section of this budget document is the current tabulation of the history of Bonneville's fish and wildlife costs.
- To the extent possible, Bonneville is integrating its implementation of Endangered Species Act (ESA) actions with the Council's Fish and Wildlife Program. Many of the actions in the FCRPS Biological Opinions and the Council's Program overlap, particularly in the areas of habitat, hatchery and harvest offsite mitigation measures. The Action Agencies' (Corps, Bureau, and Bonneville) FCRPS Biological Opinion Implementation Plans describe an approach that maximizes the use of the Council's regional processes to identify and select projects that avoid jeopardizing the survival of the ESA-listed species and to protect, mitigate and enhance all fish and wildlife; both listed and non-listed, affected by the operation of the FCRPS. The Provincial Review process, sponsored by the Council, provides the mechanism for integrating activities under the existing Fish and Wildlife Program with the measures focusing on ESA-listed fish stocks in the NOAA Fisheries and USFWS Biological Opinions.
- Bonneville and the other Action Agencies will continue to prioritize funding for fish and wildlife projects, including biological opinion implementation, and will focus funding on those projects that provide the most biological benefit at the least cost. General and specific criteria, including factors for selecting projects focused on targeted stocks, will be further refined as Bonneville and the region gain experience with the Provincial Review processes.
- Bonneville is also relying on the Council's upcoming sub-basin plans to further integrate needs identified through recovery planning with those of the council's Fish and Wildlife

Program and FCRPS Biological Opinion implementation. Bonneville recently entered into a two-year contract with the Council for development of sub-basin plans for the entire Columbia River Basin. The plans will be developed in close coordination with NOAA Fisheries and the USFWS to ensure the integration and prioritization of ESA-focused project activities in the Planning Council's Fish and Wildlife Program. The sub-basin plans are expected to further inform the selection of projects received under the Provincial Reviews.

- The FY 1997 Energy and Water Development Appropriations Act added section 4(h)(10)(D) to the Northwest Power Act, directing the Council to appoint an Independent Scientific Review Panel "to review projects proposed to be funded through that portion of Bonneville Power Administration's fish and wildlife budget that implements the Council's fish and wildlife program." And, ". . . in making its recommendations to Bonneville, the Planning Council shall consider the impact of ocean conditions on fish and wildlife populations; and shall determine whether the projects employ cost effective measures to achieve program objectives." Consequently, projects funded under Bonneville's direct program will be reviewed and prioritized as part of the Council initiative process.

## **President's Management Agenda**

- In the area of the President's Management Agenda, Bonneville is leveraging the President's initiatives to achieve efficiencies while preserving the long-term value of the FCRPS. To ensure that Bonneville is able to fully leverage the initiatives, Bonneville has consolidated the implementation plan and created four cross-agency teams in the areas of Improving Financial Management, Integrating Budget and Performance, Human Capital, and Expanding E-Government. The teams report directly to the Deputy Administrator and, using the OMB and Office of Personnel Management (OPM) "Proud to Be" standards, have mapped Bonneville's current status, are developing strategies to close existing gaps and achieve greater efficiencies in Bonneville programs and operations.
- Bonneville is self-reporting its Current Status as "green" or successful on both the Financial Management and the Integrating Budget and Performance initiatives. Over the past several years, Bonneville has streamlined and integrated its strategic planning and budgeting processes, setting quantifiable outcome goals and targets, aligning its resource allocations in context of past results, and implementing the Balanced Scorecard concept of performance management. As part of this process, Bonneville executives develop Agency Strategic Business Objectives and Strategic Thrusts that formulate policy direction, establish annual performance targets, and set Agency financial targets. Bonneville has received a Clean Audit Opinion since the mid-1980s and has no material financial weaknesses reported on its financial statements. Bonneville planning and budgeting processes include extensive Bonneville stakeholder involvement, including customers, constituents, tribal and other interested parties in the region. Bonneville's financial management systems and reporting procedures meet federal standards, comply with generally accepted accounting principles and are consistent with Presidential Initiative schedule guidance.

- In the area of Expanding E-Government, Bonneville is self-reporting its Current Status as “red” and its Progress Toward Implementing the President’s Management Agenda as “yellow.” In an effort to close the gap in the standard of IT (Information Technology) program management (90 percent of IT projects on time and on budget), Bonneville has also completed an IT Leading Change effort (IT Process Re-engineering Study) and is now implementing a standard IT project management approach, increased rigor for approving and funding IT projects, as well as enhanced IT documentation and reporting processes. Bonneville exceeds OMB standards for IT business case preparation and for providing web access that improves citizen access by offering one-stop shopping through integrated delivery methods while reducing undue burden on our business partners and customers by reducing or eliminating the need to re-key data. Bonneville has developed an Enterprise Resource Planning system that integrates its major business process, providing its managers and employees with access to timely and accurate financial, personnel, and property reports. Bonneville in a move to further reduce operations cost, initiated an effort in January 2004 to consolidate its business and administrative IT groups. It is expected that this effort will be implemented by October 2004
  
- Bonneville is self-reporting “yellow” in Current Status and “green” in Progress Toward Implementing the President’s Management Agenda in the area of Human Capital. Bonneville is continuing its strategic focus on transforming Bonneville into a High Performing Organization with implementation of several Leadership Development initiatives. Through its Skills Gap Assessment, as an example, Bonneville has identified competency levels for all critical jobs in order to enhance its training and development and recruiting programs. Bonneville meets or exceeds the OPM Standards of Success in the areas of Strategic Alignment, successfully eliminated one-layer of management and created a frontline organization of Customer Account Executives; Strategic Competencies (Talent), developed comprehensive staffing plans for Bonneville business lines; Leadership, implemented developmental and training programs designed to prepare employees for executive responsibilities and to strengthen current managerial leadership skills; and Performance Culture (Strategic Awareness), aligned Agency Strategic Business Objectives with quantifiable targets that are embedded in individual executive and managerial performance contracts.

## **Overview of Detailed Justifications**

Bonneville’s detailed justification summaries follow present budget requirements of budget line items on the basis of accrued expenditures. Accrued expenditure is the basis of presenting Bonneville’s program funding levels in the power and transmission rate making processes, and the basis upon which Bonneville managers control their resources to provide products and services. Accrued expenditures relate period costs to period performance. Traditional budget obligation requirements for Bonneville’s budget are shown on the Program and Financing Summary Schedule prepared in accord with OMB Circular A-11.

The organization of BPA’s FY 2005 budget and these performance summaries reflect Bonneville’s business line basis for utility enterprise activities. Bonneville’s major areas of activity on a consolidated budget and accounting basis include Power and Transmission with administrative costs included. The Power Business Line includes line items for Fish and

Wildlife, Conservation and Energy Efficiency, Residential Exchange, Associated Projects O&M Costs and Council. Environmental activities are shown in the relevant business line, and in accord with OMB Circular A-11 guidance for revolving funds, reimbursable costs are incorporated within the associated business lines. All programs funded in advance will be fully funded by benefiting entities. Bonneville's interest expenses, pension and post-retirement benefits, and capital transfers to the Treasury are shown by program.

The first section of performance summaries, Capital Investments, includes accrued expenditures for investments in electric utility and general plant associated with the FCRPS generation and transmission services, conservation and energy efficiency services, fish and wildlife, and capital equipment. These capital investments will require budget obligations and use of existing borrowing authority of \$487 million in FY 2005.

The near-term forecasted capital funding levels have undergone an extensive internal review as a result of implementation of a capital asset management strategy. This strategy encompasses prioritizing capital projects to be funded based on risk and other factors. Utilizing this review process helps Bonneville in its efforts to compete in the deregulated energy market. Bonneville will continue to work with the Corps and the Bureau to optimize the best mix of projects.

In addition to implementation of a capital asset management strategy, Bonneville has developed and is implementing an external capital investment review process that provides significant benefits to Bonneville by both improving direction on what the FCRPS invests in (tying investments more closely to agency strategy) and by improving how those investments are made (better analysis and review of capital investments and their alternatives). BPA will continue its efforts to refine and implement the revised capital investment review process to improve the value provided.

Bonneville's second section of the performance summaries, entitled Annual Operating Expenses, includes accrued expenditures for business line and program activities financed by power sales revenues and transmission services revenues and projects funded in advance. For FY 2005, budget expense obligations are estimated at \$3,149 million. The total program requirements of all Bonneville programs include estimated budget obligations of \$3,726 million in FY 2005.



**Bonneville Power Administration**  
**Funding Profile by Subprogram <sup>a</sup>**

(dollars in thousands)

	FY 2003 Audited Actuals	FY 2004 Original <sup>b</sup>	FY 2004 Adjustments	FY 2004 Revised	FY 2005 Proposed
<b>Capital Investment Obligations</b>					
Associated Project Costs <sup>c</sup> .....	98,880	N/A	-	111,400	116,000
Fish and Wildlife .....	11,633	N/A	-	36,000	36,000
Conservation & Energy Efficiency <sup>c</sup> .....	25,079	N/A	-	30,000	36,000
Subtotal, Power Business Line <sup>d</sup> .....	135,591	N/A	-	177,400	188,000
Transmission Business Line <sup>c</sup> .....	318,619	NA	-	386,000	268,600
Capital Equipment & Bond Premium .....	19,156	N/A	-	34,200	30,300
<b>Total; Capital Investments <sup>c</sup> .....</b>	<b>473,366</b>	<b>526,924</b>	<b>-</b>	<b>597,600</b>	<b>486,900</b>
<b>Expensed and other Obligations</b>					
Expensed .....	2,859,568	3,428,588	-	3,081,000	3,150,000
Projects Funded in Advance .....	11,212	133,426	-	27,600	89,800
<b>Total Obligations <sup>e</sup> .....</b>	<b>3,344,146</b>	<b>4,088,938</b>	<b>-</b>	<b>3,706,200</b>	<b>3,726,700</b>
Capital Transfers (cash) .....	543,687	222,000	-	246,508	303,098
<b>BPA TOTAL .....</b>	<b>3,887,833</b>	<b>4,310,938</b>	<b>-</b>	<b>3,952,708</b>	<b>4,029,798</b>
Full-time Equivalents (FTE) .....	3,153	3,252	-	3,205	3,166

**Public Law Authorizations include:**

Bonneville Project Act of 1937, Public Law No. 75-329, H.R. 7642

Federal Columbia River Transmission Act of 1974, Public Law 93-454, S. 3362

Regional Preference Act of 1964, Public Law 88-552

Pacific Northwest Electric Power Planning and Conservation Act of 1980 (Northwest Power Act), Public Law 96-501, S. 885

<sup>a</sup> BPA's FY 2005 budget has been prepared in accord with the Budget Enforcement Act (BEA) of 1990. Under this Act all BPA budget estimates are treated as mandatory and are not subject to discretionary "cap" in the BEA. These estimates support activities that are legally separate from discretionary activities and accounts. Thus, changes to BPA estimates cannot be used to affect any other budget categories such as domestic discretionary or defense discretionary, which have their own legal dollar caps. Because BPA operates within existing legislative authority, BPA is not subject to a BEA "pay-as-you-go" test regarding its revision of funding estimates.

<sup>b</sup> These estimates reflect BPA's FY 2004 Congressional Budget submission.

<sup>c</sup> Includes infrastructure investments designed to address the long-term needs of the Northwest and to reflect significant changes affecting BPA's power and transmission markets.

<sup>d</sup> The Power Business Line includes Fish and Wildlife, Conservation & Energy Efficiency, and Associated Project costs in the Performance Summaries.

<sup>e</sup> Includes short-term purchase power contract estimates for meeting load requirements.

This FY 2005 budget includes capital and expense estimates for the Power Business Line based on the Safety-Net Cost Recovery Adjustment Clause rate proposal. The Transmission Business Line (TBL) capital and expense estimates are based on the TBL Rate Settlement Agreement and Final 2004 Transmission Rate Proposal. Capital investment levels also reflect management decisions from BPA's cross-agency Business Operations Board review process. Estimates included in the budget also reflect the significant changes affecting the West Coast power and transmission markets along with the planned infrastructure investments designed to address the long-term needs of the region.

The total FY 2003 obligations are consistent with the Program and Financing Summary in Exhibit BPA/BP-1,2,3 and 4, P and F. However, FY 2003 costs are based on BPA audited actual financial results, which have adjusted the allocation between capital and expensed obligations.

Refer to 16 U.S.C. Chapters 12B, 12G, 12H, and BPA's other organic laws, including Public Law 100-371, Title III, Sec. 300, 102 Stat. 869, July 18, 1988 regarding BPA's ability to obligate funds.





# Power Business Line - Capital

## Funding Schedule by Activity (Accrued Expenditures)

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	\$ Change	% Change
Associated Project Costs . . . . .	98,880	111,400	116,000	+4,600	+4.1%
Fish & Wildlife . . . . .	11,633	36,000	36,000	0	0.0%
Conservation & Energy Efficiency . . . . .	25,078	30,000	36,000	+6,000	+20.0%
<b>Total, Power Business Line - Capital . . . . .</b>	<b>135,591</b>	<b>177,400</b>	<b>188,000</b>	<b>+10,600</b>	<b>+6.0%</b>

### Description

Associated Project Costs provide for direct funding of additions, improvements and replacements of existing Bureau of Reclamation (Bureau), and U.S. Army Corps of Engineers (Corps) hydroelectric projects in the Pacific Northwest. The Bureau and Corps provide power production, which is marketed by Bonneville, and invest in additions, improvements, and replacements that provide for increased performance and availability of generating units.

Maintaining the availability and increasing the efficiency of the FCRPS is critical to ensuring that the region has an adequate, reliable and low-cost power system. The FCRPS represents about 80% of Bonneville’s power supply, and is composed of 31 operating Federal hydro electric projects with over 200 generating units. These projects have an average age of over 45 years, with some that exceed 60 years of age. Through direct funding, and the close cooperation of the Corps and Bureau, Bonneville uses its borrowing authority to make investments needed to restore generation availability and improve efficiency, eliminating demand on Corps and Bureau appropriations for power-related investments. Since the beginning of direct funding, Bonneville has significantly improved system performance - generation availability is up to 89 percent as of last year. In 1999, at the direction of Congress, Bonneville issued a report that it soon began to implement called the “Asset Management Strategy for the FCRPS.” Bonneville concluded in this report that it needed to invest nearly \$1 billion in the projects over the next 12 –15 years. Without these investments, that are focused on restoring and maintaining the reliability of the system, history indicates that unit availability may decline at a rate of about 1.5% per year. Supplementary analysis and experience with the system has revealed additional investment needs above and beyond the levels originally planned under the Asset Management Strategy for this and the next five-year rate periods.

These planned investments, included in these FY 2005 budget’s funding estimates, will maintain the output of the FCRPS. Moving forward with these cost-effective opportunities to expand the generation and to preserve and enhance the capability of the Federal system is a smart economic and

environmental decision when compared to purchasing power from the market to serve Pacific Northwest electricity needs.

The Fish and Wildlife program provides for the protection, enhancement and mitigation of Columbia River Basin fish and wildlife due to losses attributed to the development and operation of hydroelectric projects on the Columbia River and its tributaries, pursuant to Section 4(h) of the Northwest Power Act. Bonneville satisfies a major portion of its fish and wildlife responsibilities and meets the Administrator's obligation under the Northwest Power Act by funding projects and activities designed to be consistent with the Northwest Power and Conservation Council's (Council) Fish and Wildlife Program.

Bonneville is also mandated to implement measures called for under the Endangered Species Act. These measures are part of the biological opinions issued in December 2000 by the National Oceanic and Atmospheric Administration Fisheries (NOAA Fisheries) and the U.S. Fish and Wildlife Service (USFWS), to address the effects of the operation of the FCRPS on threatened and endangered salmon and Endangered Species Act-listed Kootenai River – white sturgeon and bull trout. The biological opinions require the Action Agencies (Corps, Bureau, and Bonneville) to implement actions throughout the Columbia River Basin that comprehensively address all the life stages of Endangered Species Act (ESA)-listed fish. The Action Agencies released a Final FY 2003-2007 Implementation Plan for the FCRPS on November 6, 2002, that identifies and describes the specific measures that the three agencies plan to implement in FY 2003-2007 and addresses the actions called for in the NOAA Fisheries and USFWS 2000 Biological Opinions for the FCRPS. The Implementation Plan, together with projects undertaken to address mitigation for non-listed species under the NW Power Act, form the basis for Bonneville's planned capital investment of \$36 million for FYs 2004 and 2005.

Bonneville's fish and wildlife capital program is directed at activities that increase numbers of Columbia River Basin fish and wildlife resources including projects designed to increase juvenile and adult fish passage in tributaries and at mainstream dams, and increase fish production and survival through construction of hatchery and acclimation facilities, fish monitoring facilities and land acquisitions. Funding is also included for pre-engineering design and studies for new and developing projects. Capital project funding will focus on integrating ESA-related priorities with the Council's Fish and Wildlife Program.

The FY 1997 Energy and Water Appropriations Act added section 4(h)(10)(D) to the Northwest Power Act, directing the Council to appoint an Independent Scientific Review Panel "to review projects proposed to be funded through that portion of Bonneville's fish and wildlife budget that implements the Planning Council's fish and wildlife program." And, ". . . in making its recommendations to Bonneville, the Planning Council shall consider the impact of ocean conditions on fish and wildlife populations; and shall determine whether the projects employ cost effective measures to achieve program objectives." The Conference Report on the FY 1999 Energy and Water Development Appropriations Act included a new assignment for the Independent Scientific Review Panel (ISRP) and the Council. The ISRP was to review the fish and wildlife projects, programs, or measures included in Federal agency budgets that are reimbursed, and/or directly funded, by Bonneville and to make funding recommendations to

Congress. The ISRP was directed to determine whether the proposals are consistent with the scientific criteria in the Northwest Power Act as amended in 1996, and provide a report to the Council by April 1 of each year. The Council, in turn, must report to Congress annually by May 15.

Consistent with the principles of the Federal Caucus' *Final Basinwide Salmon Recovery Strategy* (All-H Strategy), Bonneville is implementing much of the off-site mitigation actions required by the year 2000 Biological Opinions through the Council's Fish and Wildlife Program. Under the 1980 Northwest Power Act, the Fish and Wildlife Program is tasked with protecting, mitigating and enhancing Columbia River Basin fish and wildlife affected by the development and operation of the FCRPS. The Provincial Review process, sponsored by the Council, provides the mechanism for integrating activities under the existing Fish and Wildlife Program with the measures focused on ESA-listed fish stocks in the NMFS and USFWS Biological Opinions.

When acquiring resources to meet planned future loads, the Northwest Power Act requires the Administrator to first consider and acquire resources through cost-effective conservation that the Administrator determines is consistent with the Northwest Power and Conservation Council's Power Plan to reduce loads. The Council's Power Plan specifies that Bonneville's share of the regional, cost-effective conservation target will be about 220 aMW for the current rate period (FYs 2002-06). In addition, the Council's Power Plan, currently under revision, further estimates that Bonneville's target will be another 250 to 300 aMW of conservation in the FY 2007 to 2011 period. Bonneville anticipates that between 100 and 200 aMW of this amount will be acquired under its capital conservation acquisition program.

Conservation was key to the recent effort to reduce Bonneville's power delivery obligations as a way of limiting the impact of volatile and high market prices on Bonneville's rates. Conservation is an important part of Bonneville's diverse portfolio of resources that provides a reliable approach to meeting Bonneville's load obligations.

Long-term investments in energy efficiency help buffer the FCRPS against future resource uncertainties. During periods of price volatility, conservation also helps reduce financial risk associated with relying on the market for energy purchases in the future.

### Detailed Justification

(dollars in thousands)

	FY 2003	FY 2004	FY 2005
<b>Associated Project Costs. . . . .</b>	<b>98,880</b>	<b>111,400</b>	<b>116,000</b>

Work with both the Corps and the Bureau to reach mutual agreement on those capital improvement projects that need to be budgeted and scheduled, are cost-effective and provide system or site specific enhancements, increase system reliability, or provide efficiencies.

(dollars in thousands)

FY 2003	FY 2004	FY 2005
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The work is focused on improving the reliability of the FCRPS, increasing its generation efficiency through turbine runner replacements and optimization of hydro facility operation, and small capital reimbursements associated with routine maintenance activities. Also, limited investments may be made in joint use facilities that are beneficial to both the FCRPS operations and to other Corps and Bureau operations.

■ **Corps of Engineers (known projects to date):**

FY 2003: Continued work on Power System Reliability Improvements. Continued refurbishment/replacement of head gates and the gantry crane at Bonneville Dam. Continued repair work of the fish unit generator and generator rewedging at Bonneville. Continued main unit and station service breaker replacements at selected projects. Continued work on oil/water separators at Lower Snake River projects. Completed work on replacing main unit annunciation and continue work on the 480-volt distribution system and CO2 system at Chief Joseph. Completed replacement of DC power supplies at John Day and The Dalles. Selected a prototype turbine runner for McNary. Continued hydro optimization investigations system wide. Tested prototype replacement governors at several plants. Began implementation of Cougar modernization. Continued exciter replacements at John Day. Continued with turbine runner replacement at Ice Harbor, Unit #2. Continued battery system upgrade at McNary. Began replacement and upgrades on protective relays and fire protection at Lower Snake River projects, plus a variety of smaller continuing or new investments and repairs for failed units.

FY 2004: Complete work on Power System Reliability Improvements on Lower Columbia River projects and continue on Lower Snake River projects and other selected sites. Continue main unit and station service breaker replacements at selected projects. Continue work on oil/water separators at most projects. Continue hydro optimization investigations and equipment installations system wide. Continue work on governor replacements at selected projects. Continue refurbishment/replacement of head gates and gantry crane at Bonneville Dam. Continue rewedging at Bonneville. Continue with turbine runner replacement and modernization at McNary. Continue Cougar modernization. Continue exciter replacements at John Day. Continue with CO2 system installation at Chief Joseph. Continue with turbine replacements at Chief Joseph. Continue runner replacement and begin crane rehabilitation and generator rewind at Ice Harbor. Purchase replacement generator winding for Lower Granite and Detroit. Continue replacement of exciters at Lower Monumental and Lower Granite. Continue gate rehabilitation at Ice Harbor. Continue replacement and upgrades on protective relays and fire protection at Lower Snake River projects. Begin intake crane rehabilitation at The Dalles, plus a variety of smaller continuing or new investments and repairs to failed units.

(dollars in thousands)

FY 2003	FY 2004	FY 2005
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FY 2005: Complete work on Power System Reliability Improvements on Lower Snake River projects and selected other sites. Continue main unit and station service breaker replacements/improvements at selected projects. Continue work on oil/water separators at most projects. Continue hydro optimization investigations and equipment installations system wide. Continue work on governor replacements at selected projects. Continue refurbishment/replacement of head gates, finish gantry crane and continue work on gantry crane at Bonneville Dam. Begin replacement of unwatering pumps and HVAC systems at Bonneville Dam. Continue rewedging at Bonneville. Continue with turbine runner replacement and modernization at McNary. Finish Cougar modernization. Finish exciter replacements at John Day. Finish CO2 system installation at Chief Joseph. Continue with turbine replacements at Chief Joseph. Continue crane rehabilitation, runner replacement and generator rewind at Ice Harbor. Complete replacement of generator winding at Detroit. Continue with generator winding replacements for Lower Granite. Continue replacement of exciters at Lower Monumental and Lower Granite. Begin replacement of exciters at Lost Creek. Complete gate rehabilitation at Ice Harbor. Continue and/or complete replacement and upgrades on protective relays and fire protection at Lower Snake River projects. Replace heat pump at Little Goose. Purchase spare transformers for selected sites. Begin generator rewinds and other rehabilitation work at The Dalles (completion of original rehabilitation project begun by Corps using appropriations). Continue intake crane rehabilitation at The Dalles, plus a variety of smaller continuing or new investments and repairs to failed units.

■ **Bureau of Reclamation (known projects to date):**

FY 2003: Continued Grand Coulee runner replacements. Continued Grand Coulee repairs associated with station service fire including generator rewind of unit #4. Continued elevator rehabilitation at Grand Coulee. Continued breaker replacement at Grand Coulee and other projects. Began air housing cooler replacement at Grand Coulee. Continued Grand Coulee pump-generator circuit addition and transformer replacement. Began modifications to Grand Coulee Arrival Center. Began replacement of air compressors at Grand Coulee. Continued hydro optimization investigations and equipment installations at Grand Coulee. Continued with Hungry Horse and began Anderson Ranch life-safety modifications. Continued Boise Diversion modernization. Completed unit breakers at Anderson Ranch and began at Palisades. Continued with design and purchase of new turbine runner for Chandler. Began transformer replacement at Green Springs, plus a variety of smaller continuing or new investments and repairs to failed units.

(dollars in thousands)

FY 2003	FY 2004	FY 2005
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FY 2004: Continue Grand Coulee runner replacements. Complete Grand Coulee repairs associated with station service fire and finish generator rewind of unit #4. Complete elevator rehabilitation at Grand Coulee. Continue breaker replacement at Grand Coulee and other projects. Continue with air housing cooler replacement at Grand Coulee. Complete Grand Coulee pump-generator circuit addition and transformer replacement. Continue with modifications to Grand Coulee Arrival Center. Continue with replacement of air compressors at Grand Coulee. Purchase spare winding for Grand Coulee. Continue hydro optimization investigations and equipment installations at Grand Coulee. Begin SCADA replacement at Grand Coulee. Continue with Hungry Horse and complete Anderson Ranch life-safety modifications. Complete Boise Diversion modernization. Continue unit breaker replacements at Palisades. Continue with turbine runner replacement for Chandler. Continue with transformer replacement at Green Springs, plus a variety of smaller continuing or new investments and repairs to failed units.

FY 2005: Continue Grand Coulee runner replacements. Continue breaker replacements at Grand Coulee. Continue with air housing cooler replacement at Grand Coulee. Continue Grand Coulee pump-generator circuit addition and transformer replacement. Complete modifications to Grand Coulee Arrival Center. Complete replacement of air compressors at Grand Coulee. Continue with SCADA replacement at Grand Coulee. Purchase spare winding for Grand Coulee. Continue hydro optimization investigations and equipment installations at Grand Coulee. Complete Hungry Horse life-safety modifications. Continue with unit breaker replacements at Palisades. Continue with turbine runner replacement for Chandler. Continue with transformer replacement at Green Springs, plus a variety of smaller continuing or new investments and repairs to failed units.

<b>Fish and Wildlife. . . . .</b>	<b>11,633</b>	<b>36,000</b>	<b>36,000</b>
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Although the regional prioritization process and independent scientific review for projects to be recommended for funding in FY 2005 is not complete, and is not expected to be completed until early in FY 2004, the following projects may be candidates for capital funding in FY 2005. It is Bonneville's intention to proceed with design and construction of those projects from this list that are recommended for funding within the available budget. The costs indicated are preliminary estimates only and actual costs may be greater or lower than those estimates depending on final design and construction costs.

FY 2003-2004 efforts include continued implementation of high priority ESA related projects and activities associated with the FY 2000 NMFS (now NOAA Fisheries), and USFWS Biological Opinions. Projects may include a genetics analysis and education facility and a Hatchery Safety Net Program for up to ten ESA-listed salmon and steelhead populations if determined to be necessary by formulation of Hatchery Genetic Management Plans and Genetic Risk Analyses. Implementation of reforms to hatchery programs may also be warranted as information on the types of changes to these facilities are established and priorities for sequencing implementation are developed through the Council's Artificial Production Review Committee. Projects that meet the Reasonable and Prudent Measures (RPA's) and other high priority measures in the NMFS and USFWS Biological Opinions are also described in the action agencies (Corps of Engineers and Bureau of Reclamation) Annual Implementation Plan for FY 2002. Bonneville may include capitalization of investment in land acquisition for fish and wildlife, provided such costs exceed \$1 million, and such investment provides a creditable and quantifiable benefit against a defined obligation for Bonneville.

Anadromous fish supplementation, production, and/or juvenile and adult passage improvement projects that may require capital funds in FY 2005 include the following:

- Yakima River Spring Chinook Supplementation Facility, located in Cle Elum, Washington: This project includes the construction of an interpretive building for public education and for the design and construction of a monitoring and evaluation building at Nelson Springs for use by project biologists.
  
- Johnson Creek Summer Chinook Salmon restoration, located in the South Fork Salmon Basin of Idaho: This project may include development and construction of facilities for adult collection and holding, juvenile rearing, and acclimation. The design and construction is expected to continue.
  
- Upper Snake River Spring Chinook Salmon captive broodstock acclimation and adult collection facilities, to be located on the Upper Grande Ronde River near La Grande, Oregon, on Catherine Creek near Union, Oregon, and on Lostine River near Enterprise, Oregon: The design and construction is expected to continue. This project, as a measure in the Council's Fish & Wildlife Program, would also identify and develop artificial propagation facilities to protect and enhance salmon and steelhead native to the Imnaha and Walla Walla River Basins.
  
- Salmon Creek restoration and enhancement of anadromous fish populations and habitat in Salmon Creek: This project would provide instream flows through on-farm water conservation and water leasing, design of a river pump station, an upgrade to the Salmon Lake Feeder Canal, and design for channel restoration. A hatchery feasibility study for supplementation of currently listed salmon and steelhead populations under the ESA is under discussion with the Bureau and may be appropriate for Bonneville funding, with construction potentially funded by the Bureau.



- Walla Walla River Juvenile and Adult Passage Improvements: This project would provide safe passage for migrating juvenile and adult salmonids in the Walla Walla Basin by constructing and maintaining passage facilities at irrigation diversion dams and canals.
- Walla Walla Hatchery planning and design work.
- Continuation of acquisition and installation of Adult Pit tag monitors at selected Federal dams in Snake and lower Columbia rivers. The design and construction is expected to continue.
- Juvenile and adult PIT tag detection facilities throughout the Columbia River Basin.
- Mid-Columbia River coho restoration program. This project will continue planning and design of satellite acclimation facilities and a potential central coho production facility.
- Major irrigation diversion screening and consolidation programs in Oregon, Washington and Idaho.
- Yakima and Klickitat Rivers steelhead and coho restoration program: This project will initiate planning and conceptual design of satellite acclimation facilities and a potential central steelhead and coho production facility.
- Hood River spring chinook restoration program: This project will initiate planning and conceptual design for a central production facility and/or expansion of existing production facilities at Parkdale.
- Umatilla River Fish passage and habitat restoration pilot project (Westland-Ramos).

Land acquisitions that fulfill an identifiable and quantifiable portion of Bonneville's obligation to acquire "habitat units" to mitigate for inundation and construction related to Federal dams, and otherwise meet Bonneville's capitalization policy, will be purchased as available and prudent. Following are possible acquisitions.



## Explanation of Funding Changes

FY 2005 vs. FY 2004 (\$000)
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**Associated Project Costs**

- The increase reflects the original 12-year investment program outlined in the 1999 Asset Management Strategy and with consideration of inflation, maintains investment levels at a relatively constant amount. . . . .
 +4,600

**Fish and Wildlife**

- No change . . . . .
 0

**Conservation and Energy Efficiency**

- Reflects a shift of the capital funding to later in the rate period to better match the pace of actual deliveries by ConAug participants and to help with Bonneville’s financial situation.. . . .
 +6,000

<b>Total Funding Change, Power Business Line - Capital . . . . .</b>	+10,600
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# Transmission Business Line – Capital

## Funding Schedule by Activity

(Accrued Expenditures)

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	\$ Change	% Change
Main Grid .....	162,462	234,100	118,000	-116,100	-49.6%
Area & Customer Services .....	7,840	18,600	12,300	-6,300	-33.9%
Upgrades & Additions .....	79,051	53,400	64,100	+10,700	+20.0%
System Replacements .....	69,266	79,900	74,200	-5,700	-7.1%
Projects Funded in Advance .....	11,212	27,600	89,800	+62,200	+225.4%
<b>Total, Trans Business Line - Capital</b>	<b>329,831</b>	<b>413,600</b>	<b>358,400</b>	<b>-55,200</b>	<b>-13.3%</b>

## Description

The Transmission Business Line (TBL) is responsible for about 75 percent of the Pacific Northwest's high-voltage transmission. TBL provides for all additions, upgrades and replacements to the Federal transmission system, resulting in reliable service to northwest industrial users and utility customers. The transmission system also facilitates the sale and exchange of power to and from the region.

TBL plans to make significant improvements and additions to the system over the next several years to assure reliable transmission in the Northwest. These improvements and additions will help the Federal transmission system continue to comply with national reliability standards, replace aging equipment, allow for interconnection of needed new generation, and remove constraints that limit economic trade or the ability to maintain the system.

TBL has built no major transmission projects since 1987. Only incremental additions have been added to the system over the years. The system continues to show signs of stress as two close calls this summer demonstrate. On June 4, 2003, voltage instability in the Spokane area was arrested by quick operator action. Two weeks later the transmission path between Montana and Idaho was overloaded for two days, and operator adjustments prevented load loss.

The eastern blackout on August 14, 2003 alerted the nation to the lack of investment in utility infrastructure. BPA had its wakeup call with the August 10, 1996 West Coast disturbance that originated in Oregon. Investment was made and practices changed to strengthen the system. The West Coast energy crisis of 2000-2001 was a second red flag that triggered the need for the BPA transmission infrastructure program to shore up the grid.

In addition, about 15,000 megawatts of generation are under consideration for siting in the Northwest. The Transmission System will become even more stressed as generation is added if nothing is done to reinforce the existing network.

The first phase of Bonneville's infrastructure addition consists of the following projects:

(G1) Puget Sound Area Additions, (G2) North of Hanford/North of John Day, (G3) West of McNary (on hold), (G4) Starbuck Generation (on hold), (G5) Lower Monumental and McNary Area Generation (Phase II) (on hold), (G6) Cross Cascades North, (G7) Celilo Modernization, (G8) I-5 Corridor Generation Additions, (G9) Spokane Area and Western Montana Generation Additions, (G10) Portland Area Additions, (G12) Olympic Peninsula Additions, (G13) I-5 Corridor Generation Additions (Southwest Washington-Northwest Oregon) (on hold pending availability of third party funding). These projects are further described below.

The benefits of these projects will include relief from congestion, as well as restoring an adequate reliability margin back into the grid. This additional margin will be used to respond to a competitive market, meet regional load during outages, move power to meet changing loads, perform maintenance without harming the market, and allow the RTO West to start without the regional grid heavily congested.

Bonneville assumes that some generators will integrate their load into the Federal transmission system. Depending on which generators build on sites in the Northwest and the project locations, between 8,000 and 12,000 MW can be integrated with the completion of the above additions and improvements. Integration into the Federal transmission system will be consistent with FERC's recent generator interconnection ruling. As a means to sustain BPA's limited Treasury financing, third-party funding partnerships are currently being pursued for some of the infrastructure additions. For example, on projects associated with generation integration, the potential generation or transmission customers are being consulted regarding funding the construction of these projects. The Schultz-Wautoma 500kV transmission project in this FY 2005 budget is included under Capital Investments with Treasury financing assumed in order to assure funding availability; however, BPA hopes to fund this project through non-federal financing later this year.

The system replacement plan is to replace high-risk, obsolete, and maintenance-intensive facilities and equipment and to reduce the chance of equipment failure by: 1) replacing high voltage transformers and power circuit breakers which are at or near the end of their useful life; 2) replacing risky, outdated and obsolete control and communications equipment; and 3) replacing all other existing high-risk equipment and facilities affecting the safety and reliability of the transmission system.

Bonneville will continue to fund fiber optic communications facilities needed to meet Bonneville's projected operational needs. To the extent that these investments create temporary periods of excess fiber optic capacity, such capacity can be made available to telecommunications providers and to non-profits to meet public benefit Internet access needs for rural areas and other needs in Bonneville's service area. Bonneville's investments in fiber optics, including the role of the private sector in building fiber optic networks, is consistent with the "Fiber Optic Cable Plan" submitted to Congress on May 24, 2000, accompanying the FY 2000 Energy and Water Development Appropriations Act. In accordance with this plan, when possible, Bonneville will seek partnerships with fiber optic facility and service providers to meet its needs.

## Detailed Justification

(dollars in thousands)

	FY 2003	FY 2004	FY 2005
<b>Main Grid</b> .....	<b>162,462</b>	<b>234,100</b>	<b>118,000</b>

Bonneville’s strategic objectives for Main Grid projects are to provide voltage support; provide a reliable transmission system for open access per FERC criteria; provide for relief of transmission system congestion; and to assure compliance with the Nuclear Energy Regulatory Commission (NERC), Western Electric Coordinating Council (WECC) and BPA reliability standards. During this budgeting period, projects are planned that will provide voltage support to major load areas that are primarily west of the Cascade mountains, and to provide for transmission access for new generation projects to the load center. Minor reinforcements in the Portland, OR/Seattle, WA corridor are also planned.

- **FY 2003:** (1) Completed Environmental Impact Statement (EIS) and began construction of the Kangley-Echo Lake 500 KV line and substation addition at Echo Lake and the 500/230 KV transformer bank addition at SnoKing substation (G1) (Puget Sound Area Additions); (2) Began construction of the new Wautoma Substation. The Schultz-Wautoma 500 KV line construction was delayed to start in FY 2004 (G2) (North of Hanford/North of John Day); (3) Continued installation of the 500 KV series capacitor addition at Schultz Substation (G6) (Cross Cascades North); (4) Completed design and began construction of the Grand Coulee-Bell 500 KV line, construction start was delayed to FY 2004 for the 500 KV series capacitor additions at Bell and Dworshak substation, the 500 KV series capacitor and controls replacement at Garrison Substation, and the 500 KV shunt reactor addition at Grand Coulee (G9) (Spokane Area and Western Montana Generation Additions); (5) Continued the installation of the 500/230 KV transformer bank addition at Pearl substation (G10) (Portland Area Additions); (6) Began design for the Ostrander 500kV shunt capacitor group addition; (7) Continued planning studies and design to comply with the N-2 outage criteria; (8) Continued planning studies to identify other system reactive needs to mitigate unacceptable low or high voltage problems and other system additions; (9) Continued planning studies to solve the transmission system capacity congestion and for the integration of new generation facilities; (10) Continued planning studies to identify and clarify needed infrastructure additions.
  
- **FY 2004:** (1) Complete construction of the Kangley-Echo Lake 500kV line and substation addition at Echo Lake, and the 500/230kV transformer bank addition at SnoKing Substation (G1) (Puget Sound Area Additions); (2) Begin construction of Schultz-Wautoma 500kV line and continue Wautoma Substation construction (G2) (North of Hanford/North of John Day); (3) Complete installation of the 500 KV series capacitor addition at Schultz substation (G6) (Cross Cascades North); (4) Complete Grand Coulee-Bell 500kV line and substation additions including 500 KV series capacitor additions at Bell and Dworshak

(dollars in thousands)

FY 2003	FY 2004	FY 2005
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substation, 500 KV series capacitor and controls replacement at Garrison Substation, and the 500 KV shunt reactor addition at Grand Coulee (G9) (Spokane Area and Western Montana Generation Additions) ; (5) Complete the installation of the 500/230 KV transformer bank addition at Pearl Substation (G10) (Portland Area Additions); (6) Complete the Ostrander 500kV shunt capacitor group addition; (7) Begin environmental analysis, demand side management study, design and material acquisition for Olympic Peninsula Addition II (G12); (8) Begin preliminary design for the loop in of the Wautoma-Ostrander 500kV line to Big Eddy Substation (G14); (9) Continue studies for the Libby-Sand Spring-Bell 230kV project (G15 & G20); (10) Resume planning studies for the Monroe-Echo Lake 500kV line #2 (G8) (I-5 Corridor Additions); (11) Continue planning studies and design to comply with the N-2 outage reliability criteria; (12) Continue planning studies to identify other system reactive needs to mitigate unacceptable low or high voltage problems and other system additions; (13) Continue planning studies to solve the transmission system capacity congestion and for the integration of new generation facilities; (14) Continue planning studies to identify and clarify needed infrastructure additions.

- FY 2005: (1) Complete construction of the Schultz-Wautoma 500kV line and Wautoma Substation (G2) (North of Hanford/North of John Day); (2) Continue planning studies for the Olympic Peninsula Addition II project (G12); (3) Continue studies for the Southwest Washington-Northwest Oregon generation integration project (G13); (4) Continue studies for the loop in of the Wautoma-Ostrander 500kV line to Big Eddy Substation (G14); (5) Continue planning studies for the Monroe-Echo Lake 500kV line #2 (G8) (I-5 Corridor Generation Additions); (6) Review and keep current studies for the integration of McNary area generation projects that would require (G3) West of McNary (on hold), (G4) Starbuck Generation (on hold), (G5) Lower Monumental and McNary Area Generation (Phase II) projects; (6) Continue planning studies and design to comply with the N-2 outage criteria; (7) Continue planning studies to identify other system reactive needs to mitigate unacceptable low or high voltage problems and other system additions; (8) Continue planning studies to solve the transmission system capacity congestion and for the integration of new generation facilities; (9) Continue planning studies to identify and clarify needed infrastructure additions.

**Area & Customer Service** ..... **7,840 18,600 12,300**

Bonneville’s strategic objective for Area and Customer Service projects is to assure that Bonneville meets the reliability standards and the contractual obligations we have to our customers for serving load.

(dollars in thousands)

FY 2003	FY 2004	FY 2005
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- FY 2003: (1) Completed construction on the Shelton-Kitsap line rebuild to double circuit to provide voltage stability and prevent transformer and line overloads in the Kitsap area; (2) Began the design, material acquisition, and construction to rebuild the Albany-Eugene 115kV line to double circuit from Eugene to the Alderwood Tap; (3) Began rebuild of Minidoka Substation; (4) Continued preliminary engineering and design for miscellaneous facilities required to meet contractual obligations and maintain reliable service for BPA’s service area.
  
- FY 2004: (1) Complete construction to rebuild the Albany-Eugene 115kV line to double circuit from Eugene to the Alderwood Tap; (2) Complete the rebuild of Minidoka Substation; (3) Add 115kV line sectionalizing switches at Victor Tap; (4) Retire low voltage facilities at Addy Substation; (5) Replace the 115-12.5kV transformer at Duckabush Substation; (6) Continue preliminary engineering and design for miscellaneous facilities required to meet contractual obligations and maintain reliable service for BPA’s service area.
  
- FY 2005: (1) Add 230kV and 115kV terminal facilities at Vintage Valley Substation; (2) Add 115kV switches at Olympia Substation; (3) Add a 115kV terminal at McNary Substation; (4) Continue preliminary engineering and design for miscellaneous facilities required to meet contractual obligations and maintain reliable service for BPA’s service area.

**Upgrades & Additions ..... 79,051 53,400 64,100**

Bonneville’s strategic objectives for Upgrades and Additions are to replace older communications and controls with newer technology including fiber optics in order to maintain or enhance the capabilities of the transmission system; to implement special remedial action control schemes to accommodate new generation and mitigate immediate operational and market constrained paths; and, to support communications and remedial action schemes, among other proposals. During this budget period, BPA will complete design, material acquisition, construction and activation of several fiber optics facilities to provide bandwidth capacity and high-speed data transfers to eventually replace microwave analog radios, which are becoming technologically obsolete and nearing the end of their useful life. Temporarily, in some areas, excess fiber capacity is being offered for a term to telecommunications providers or to public entities such as public utilities, schools, libraries, and hospitals, providing them access to high-speed telecommunication services as a public benefit.

- FY 2003: (1) Completed construction of 37 miles of fiber optic cable and terminations between Custer and Intalco; (2) Completed installation of 10 miles of fiber optic cable and terminations between Longview and Allston; (3) Continued material acquisition and began construction of the 12 mile fiber optic cable on the Raver-Echo Lake 500 kV line;



(dollars in thousands)

FY 2003	FY 2004	FY 2005
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(4) Continued material acquisition and construction of the Kalispell-Hot Springs digital radio section of the Noxon-Hot Springs 200 mile fiber optic project; (5) Delayed design functions for the Thompson Falls to Taft section of the 175 mile Noxon-Hatwai fiber optic project; (6) Delayed design and material acquisition for 41 miles of fiber optic cable and terminations from Echo lake to Monroe to Snohomish; (7) Continued design, material acquisition and start construction of the Custer to Sumas digital radio project that replaces the 8 mile Bellingham-BC Hydro fiber optic project; (8) Continued design and construction of fiber related projects and digital radio system upgrades to improve the operational telecommunication system; (9) Continued replacement and upgrade of key operational and marketing business tools at the Dittmer and Munro control centers; (10) Continued planning, design, material acquisition, construction of special remedial action control schemes required for interconnecting new generation projects and mitigating immediate constrained paths; (11) Continued planning, design, material acquisition, construction of various system additions and upgrades necessary to maintain a reliable system for BPA's service area.

- FY 2004: (1) Complete construction of the 12 mile fiber optic cable on the Raver-Echo Lake 500 kV line; (2) Complete construction of the Kalispell-Hot Springs digital radio section of the Noxon-Hot Springs 200 mile fiber optic project; (3) Continue design functions for the Thompson Falls to Taft to Dworshak to Hatwai sections of the 175 mile Noxon-Hatwai fiber optic project; (4) Begin design, material acquisition construction of 41 miles of fiber optic cable and terminations from Echo lake to Monroe to Snohomish; (5) Begin design, material acquisition construction of 32 miles of fiber optic cable and terminations from Covington to Maple Valley to Echo Lake; (6) Continue construction of fiber projects and digital radio system upgrades to improve the operational telecommunication system and to meet rural needs; (7) Continue replacement and upgrade of operational and business tools at the Dittmer and Munro control centers; (8) Continue planning, design, material acquisition and construction of special remedial action control schemes required for interconnecting new generation projects and mitigating immediate constrained paths; (9) Continue planning, design, material acquisition and construction of various system additions and upgrades necessary to maintain a reliable system for BPA's service area.
- FY 2005: (1) Complete the Thompson Falls to Taft to Dworshak to Hatwai sections of the 175 mile Noxon-Hatwai fiber optic project; (2) Complete construction of the 41 mile fiber optic Echo Lake-Monroe-Snohomish project; (3) Complete the design, material acquisition and start construction of the 32 mile Covington-Maple Valley-Echo Lake fiber optic project; (4) Design, material acquisition and start construction of the 45 mile Pearl-Troutdale fiber optic project; (5) Continue construction of fiber related projects and digital radio system upgrades to improve the operational telecommunication system; (6) Continue replacement

(dollars in thousands)

FY 2003	FY 2004	FY 2005
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and upgrade of operational and marketing business tools at the Dittmer and Munro control centers; (7) Continue planning, design, material acquisition and construction of special remedial action control schemes required for interconnecting new generation projects and mitigating immediate constrained paths; (8) Continue planning, design, material acquisition and construction of various system additions and upgrades necessary to maintain a reliable system for BPA's service area.

**System Replacements** ..... **69,266 79,900 74,200**

Bonneville's strategic objectives for System Replacement are to replace high-risk, obsolete, and maintenance-intensive facilities and equipment and to reduce the chance of equipment failure by: 1) replacing high voltage transformers and power circuit breakers which are at or near the end of their useful life; 2) replacing risky, outdated and obsolete control and communications equipment; and 3) replacing all other existing high-risk equipment and facilities affecting the safety and reliability of the transmission system.

Non-Electric Replacements:

- FY 2003: (1) Completed various maintenance building and control house roof replacements; (2) Completed seismic upgrades to buildings; (3) Completed various Heating, Ventilation and Air Conditioning (HVAC) replacements; (4) Completed other non-electric replacements as necessary; (5) Completed the acquisition and construction of various new transmission system access roads as part of the new Access Road Program.
- FY 2004: (1) Complete various maintenance building and control house roof replacements; (2) Complete seismic upgrades to buildings; (3) Complete various HVAC replacements; (4) Complete other non-electric replacements as necessary; (5) Continue the design, material acquisition, and construction for the Access Road Program; (6) Design activities for the Dittmer Control Center expansion at the Ross Complex has been postponed due to funding limitations.
- FY 2005: (1) Complete various maintenance building and control house roof replacements; (2) Complete seismic upgrades to buildings; (3) Complete various HVAC replacements; (4) Complete other non-electric replacements as necessary; (5) Continue the design, material acquisition, and construction for the Access Road Program.

(dollars in thousands)

FY 2003	FY 2004	FY 2005
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Electric Replacements:

- FY 2003: (1) Continued replacing aged AC-DC converter valves and control systems at the Celilo Converter Station necessary to continue operation of 3100 MW of DC transmission capability (G7); (2) Began design and material acquisition for reconductoring approximately 22 miles of the John Day-Big Eddy 500kV Line; (3) Continued replacement of PCB-contaminated capacitors at various locations; (4) Continued replacement of system protection and control equipment and other substation and line facilities as needed to maintain reliability using RCR criteria. Such replacements include relays, annunciators, oscillographs, various types of communication related equipment and SCADA equipment; (5) Continued replacement of under-rated and high maintenance substation equipment; (6) Completed replacement of critical, operational tools and marketing business systems at the Dittmer and Munro Control Centers; (7) Continued the replacement of deteriorating wood pole transmission line structures.
  
- FY 2004: (1) Complete replacement of aged AC-DC converter valves and control systems at the Celilo Converter Station necessary to continue operation of 3100 MW of DC transmission capability (G7); (2) Complete the reconductor of approximately 22 miles of the John Day-Big Eddy 500kV Line; (3) Continue replacement of PCB-contaminated capacitors at various locations; (4) Continue replacement of system protection and control equipment and other substation and line facilities as needed to maintain reliability using RCR criteria. Such replacements include relays, annunciators, oscillographs, various types of communication related equipment and SCADA equipment; (5) Continue replacement of under-rated and high maintenance substation equipment; (6) Replace spacer dampers on various 500kV lines; (7) Continue replacing critical, operational tools and marketing business systems at the Dittmer and Munro Control Centers; (8) Continue replacing deteriorating wood pole transmission line structures.
  
- FY 2005: (1) Continue replacement of system protection and control equipment and other substation and line facilities as needed to maintain reliability using RCR criteria. Such replacements include relays, annunciators, oscillographs, various types of communication related equipment and SCADA equipment; (2) Continue replacement of under-rated and high maintenance substation equipment; (3) Replace spacer dampers on various 500kV lines; (4) Continue replacing critical, operational tools and marketing business systems at the Dittmer and Munro Control Centers; (5) Continue replacing deteriorating wood pole transmission line structures.

(dollars in thousands)

FY 2003	FY 2004	FY 2005
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**Projects Funded in Advance** ..... **11,212 27,600 89,800**

This category includes those facilities and/or equipment where BPA retains ownership but which are funded by a third party, either in total or in part.

- FY 2003: (1) Completed the construction of transmission facilities needed to integrate 248 MW generation capacity near Goldendale into the BPA transmission grid per Transmission Service Request via the Open Access Tariff (the generator construction is currently on-hold waiting for market conditions to improve); (2) Continued work to integrate 225 MW generation capacity near Goldendale into the BPA transmission grid per Transmission Service Request via the Open Access Tariff (BPA work on this project is now on-hold while the generator waits for market conditions to improve); (3) Completed the integration of new 600 MW generation capacity near Chehalis into the BPA transmission grid per Transmission Service Request via the Open Access Tariff; (4) Completed engineering and environmental analysis to integrate new 1300 MW generation capacity near Wallula into the BPA transmission grid per Transmission Service Request via the Open Access Tariff (the generator construction is currently on hold waiting for market conditions to improve) (G5) (on hold); (5) Completed construction of the transmission facilities needed to integrate 600 MW generation capacity near Satsop into the BPA transmission grid per Transmission Service Request via the Open Access Tariff (the generator construction is currently on-hold waiting for market conditions to improve); (6) Continued the integration of new 290 MW generation capacity near Longview into the BPA transmission grid per Transmission Service Request via the Open Access Tariff; (7) Continued to integrate various new wind generation projects into BPA transmission grid per Transmission Service Request via the Open Access Tariff; (8) Performed studies to identify system impacts and needs regarding proposed new generation projects; (9) Performed environmental cleanup and other work necessary for the sale of BPA facilities; (10) Completed other projects as requested by customers.
- FY 2004: (1) Continue work to integrate new 1300 MW generation capacity near Wallula into the BPA transmission grid per Transmission Service Request via the Open Access Tariff (G5) (on hold); (2) Design, material acquisition and construction of the Southwest Washington-Northwest Oregon 500 KV line addition (G13) (on hold); (3) Complete the integration of new 290 MW generation capacity near Longview into the BPA transmission grid per Transmission Service Request via the Open Access Tariff; (4) Start planning to integrate new 1300 MW generation capacity near Wanapa into the BPA transmission grid per Transmission Service Request via the Open Access Tariff; (5) Continue to integrate various new wind generation projects into BPA transmission grid per Transmission Service Request via the Open Access Tariff; (6) Perform studies to identify system impacts and needs regarding proposed new generation projects; (7) Perform environmental cleanup and other work necessary for the sale of BPA facilities; (8) Complete other projects as requested by customers.

- FY 2005: (1) Complete work to integrate new 1300 MW generation capacity near Wallula into the BPA transmission grid per Transmission Service Request via the Open Access Tariff (G5) (on hold); (2) Continue design, material acquisition and construction of the Southwest Washington-Northwest Oregon 500 KV line addition (G13) (on hold); (3) Complete design, acquire materials, and begin construction to integrate new 1300 MW generation capacity near Wanapa into the BPA transmission grid per Transmission Service Request via the Open Access Tariff (pending generator funding); (4) Continue to integrate various new wind generation projects into BPA transmission grid per Transmission Service Request via the Open Access Tariff; (5) Perform studies to identify system impacts and needs regarding proposed new generation projects; (6) Perform environmental cleanup and other work necessary for the sale of BPA facilities; (7) Complete other projects as requested by customers

<b>Total Transmission Business Line – Capital</b> .....	<b>329,831</b>	<b>413,600</b>	<b>358,400</b>
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### Explanation of Funding Changes

	FY 2005 vs. FY 2004 (\$000)
<b>Main Grid</b>	
▪ Reflects fiscal year shifts in materials and construction costs to accommodate updated power flow study results .....	-116,100
<b>Area &amp; Customer Services</b>	
▪ Reflects less emphasis on customer service projects .....	-6,300
<b>Upgrades &amp; Additions</b>	
▪ Reflects increased emphasis on both system wide communications upgrades and improvements and additions to other transmission facilities .....	+10,700
<b>System Replacements</b>	
▪ Reflects less emphasis on system replacements, except for the Celilo project . . .	-5,700
<b>Projects Funded in Advance</b>	
▪ Reflects emphasis on completion of large customer funded or third party funded projects related to generation integration .....	+62,200
<b>Total Funding Change, Transmission Business Line - Capital</b> .....	<b>-55,200</b>

# Capital Equipment/Capitalized Bond Premium

## Funding Schedule by Activity (Accrued Expenditures)

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	\$ Change	% Change
Capital Equipment . . . . .	19,156	31,200	27,300	-3,900	-12.5%
Capitalized Bond Premium . . . . .	0	3,000	3,000	0	0.0%
<b>Total, Capital Equipment/Capitalized Bond Premium . . . . .</b>	<b>19,156</b>	<b>34,200</b>	<b>30,300</b>	<b>-3,900</b>	<b>-11.4%</b>

### Description

This activity provides for the acquisition of general and some dedicated business line special purpose capital automatic data processing (ADP) equipment, development of capitalized ADP software, and acquisition of special-use capital furniture and equipment in support of Bonneville’s strategic objectives. This budget category provides Bonneville with the ability to acquire general and some dedicated business line special purpose capital ADP equipment. See the Capital Program – Transmission Services Business Line section of this budget for additional discussion of transmission related ADP requirements acquisitions.

Bonneville incurs a bond premium whenever it repays a bond before the due date. When bonds are refinanced, the bond premiums incurred are capitalized. Historically, Bonneville generally has chosen to finance capitalized bond premiums with bonds issued to the U.S. Treasury, as was envisioned in the Federal Columbia River Transmission System Act of 1974.

### Detailed Justification

(dollars in thousands)

	FY 2003	FY 2004	FY 2005
<b>Capital Equipment . . . . .</b>	<b>19,156</b>	<b>31,200</b>	<b>27,300</b>

(dollars in thousands)

FY 2003	FY 2004	FY 2005
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- Acquire capital office furniture and equipment, capital ADP-based administrative telecommunications equipment, ADP equipment (hardware), and support capital software development for certain Bonneville programs. Includes enhancements to Bonneville’s information technology processes to provide efficiencies for secure, timely and accurate information. Continue enhancements to Bonneville’s Business Enterprise systems that are designed to link key information systems throughout Bonneville and improve business processes. Current efforts include functional expansion into areas not implemented during the initial development phase.

(dollars in thousands)

FY 2003	FY 2004	FY 2005
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**Capitalized Bond Premium** . . . . . **0      3,000      3,000**

- Continue to assess financial market and when cost-effective, refinance available bonds as prudent.

**Total, Capital Equipment/Capitalized Bond Premium** . . . . . **19,156      34,200      30,300**

### Explanation of Funding Changes

FY 2005 vs. FY 2004 (\$000)
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#### Capital Equipment

- Decrease due to implementation of Business Enterprise Solutions . . . . . -3,900

#### Capitalized Bond Premium

- No change . . . . . 0

**Total, Funding Change Capital Equipment/Capital Bond Premium** . . . . . **-3,900**

# Power Business Line - Operating Expense

## Funding Schedule by Activity

(Accrued Expenditures)

	(dollars in thousands)				
	FY 2003	FY 2004	FY 2005	\$ Change	% Change
Production . . . . .	1,578,930	1,733,078	1,771,108	+38,030	+2.2%
Associated Projects Costs.	215,248	235,739	241,900	+6,161	+2.6%
Fish & Wildlife . . . . .	146,798	138,834	138,834	0	0.0%
Residential Exchange . . .	143,967	143,802	143,802	0	0.0%
NW Power & Conservation Council . . . . .	8,005	8,500	8,700	+200	+2.4%
Conservation and Energy Efficiency . . . . .	57,679	63,113	63,090	-23	0.0%
<b>Total, Power Services - Operating Expense . . . . .</b>	<b>2,150,626</b>	<b>2,323,066</b>	<b>2,367,434</b>	<b>+44,368</b>	<b>1.9%</b>

## Description

Production includes all Bonneville strategic resource planning and business development, short and long-term power purchases, wheeling, electric utility marketing of resources, hedging-related costs, generation and oversight costs including a large thermal nuclear project. These activities identify the Administrator's load obligations, develop product plans and services to meet the needs of Bonneville customers and stakeholders, and acquire resources as needed. As a means of mitigating power market risk, Bonneville's Hedging Policy allows the use of financial instruments in the power, natural gas, and aluminum markets to hedge the price of electricity and reduce Bonneville's exposure to market fluctuations and certain index sales contract provisions.

Associated Projects provide funding for operation and maintenance costs for the FCRPS; minor additions, improvements, and replacements, and liabilities of the Corps and Bureau hydroelectric projects in the Pacific Northwest, which serve many purposes. All agencies emphasize efficient power production from existing facilities and improvement of the performance and availability of power generating units. Bonneville pays additional financing costs of the FCRPS facilities through its Interest Expense and Capital Transfer budget programs. Bonneville provides funding for the operations and maintenance costs that are part of the Lower Snake River Compensation Plan (LSRCP) hatcheries. Bonneville is responsible for annual payments to the Confederated Tribes of the Colville Reservation for their claims concerning their contribution to the production of hydropower by the Grand Coulee Dam in accordance with the Settlement Agreement between the United States and the Tribes (April 1994).

Bonneville's Fish and Wildlife Program provides for the protection, enhancement and mitigation of Columbia River Basin fish and wildlife due to losses attributed to the development and operation of hydroelectric projects on the Columbia River and its tributaries. Bonneville satisfies a major portion of its fish and wildlife responsibilities pursuant to Section 4(h) of the Northwest Power Act by funding projects and activities designed to be consistent with the Northwest Power and Conservation Council's (formerly the Northwest Power Planning Council) Fish and Wildlife Program. Bonneville is also mandated to



implement measures under the Endangered Species Act (ESA). These measures are part of the biological opinions issued in December 2000 by NOAA Fisheries and the USFWS to address the effects of the operation of the FCRPS on threatened and endangered salmon and ESA listed sturgeon and bull trout. The biological opinions require the Action Agencies (Corps, Bureau and Bonneville) to implement actions throughout the Columbia River Basin that comprehensively address all the life stages of ESA-listed fish. The Action Agencies released a Final FY 2003-2007 Implementation Plan for the FCRPS on November 6, 2002, that identifies and describes the specific measures that the three agencies plan to implement in FY 2003-2007 and addresses the actions called for in the NOAA Fisheries and USFWS 2000 Biological Opinions for the FCRPS. The Implementation Plan, together with projects undertaken to address mitigation for non-listed species under the Northwest Power Act, form the basis for BPA's planned expenditures of \$139 million per year. This is within the range of \$109 - \$179 million of accrued expenses assumed in the May 2000 power rate proposal for FYs 2002-2006, prior to the biological opinions and Implementation Plan. Bonneville worked with the Council and regional fisheries managers to develop an agreed-upon set of protocols to be used in managing the costs of the program for the FY 2004-2006 period. The objective is to keep Bonneville's expenditures to an annual average of \$139 million, while allowing contractors both funding stability and the flexibility needed to accomplish the work while being responsive to environmental conditions.

Bonneville's fish and wildlife expenditures funds will focus on activities that benefit Columbia River Basin fish and wildlife resources including projects designed to:

- increase survival of ESA-listed and non-listed fish at FCRPS dams and reservoirs;
- increase survival of ESA-listed and non-listed fish throughout their life cycle by protecting and enhancing important habitat areas;
- reform hatchery practices and use hatcheries to contribute to conservation and recovery of ESA-listed and non-listed fish;
- reduce harvest-related mortality on ESA-listed and non-listed fish and support sustainable fisheries; and,
- support a disciplined and well-coordinated research, monitoring, and evaluation program.

To the extent possible, Bonneville is integrating the actions implemented in response to the 2000 FCRPS Biological Opinions with projects implemented under the Council's Fish and Wildlife Program implementing an Integrated Fish and Wildlife Program. The Council's Provincial Review and subbasin planning processes are the primary vehicle for soliciting project proposals to address biological opinion actions. Provincial Review project solicitations identify specific biological opinion implementation needs in conjunction with the broader non-ESA Northwest Power Act priorities. Bonneville also may use targeted solicitations if biological opinion requirements are not fully satisfied through the Provincial Review's solicitations.

The FY 1997 Energy and Water Development Appropriations Act added section 4(h)(10)(D) to the Northwest Power Act, directing the Council to appoint an Independent Scientific Review Panel (ISRP) "to review projects proposed to be funded through that portion of Bonneville Power Administration's fish and wildlife budget that implements the Council's fish and wildlife program." And, ". . . in making its recommendations to Bonneville, the Council shall consider the impact of ocean conditions on fish and wildlife populations; and shall determine whether the projects employ cost effective measures to achieve program objectives." The Conference Report on the FY 1999 Energy and Water Development Appropriations Act included a new assignment for the ISRP and the Council. The ISRP was to review the

fish and wildlife projects, programs, or measures included in Federal agency budgets that are reimbursed, and/or directly funded, by Bonneville and to make funding recommendations to Congress. The ISRP was directed to determine whether the proposals are consistent with the scientific criteria in the Northwest Power Act as amended in 1996, and provide a report to the Council by April 1 of each year. The Council, in turn, must report to the Congress annually by May 15. Consequently, projects funded under Bonneville's Integrated Fish and Wildlife Program will be reviewed and prioritized as part of the Council initiative process.

Consistent with the principles of the Federal Caucus' *Final Basinwide Salmon Recovery Strategy* (All-H Strategy), Bonneville is implementing much of the off-site mitigation actions required by the year 2000 Biological Opinions through the Council's Fish and Wildlife Program. Under the Northwest Power Act, the Fish and Wildlife Program is tasked with protecting and rebuilding the Columbia River Basin fish and wildlife affected by the development and operation of the FCRPS. The Provincial Review process, sponsored by the Council, provides the mechanism for integrating activities under the existing Fish and Wildlife Program with the measures focused on ESA-listed fish stocks in the NMFS and USFWS Biological Opinions.

The Northwest Power Act created the Residential Exchange Program (REP) to extend the benefits of low-cost Federal power to the residential and small farm customers of Pacific Northwest electric utilities that meet certain conditions. The 1996 Comprehensive Regional Review recommended that Bonneville engage in settlement discussions regarding the Residential Exchange. Bonneville then developed a Subscription Strategy based on the recommendations of the Comprehensive Review. That strategy proposed a comprehensive settlement of the REP for Investor-Owned Utilities (IOUs) in the Pacific Northwest, which has resulted in new contracts with regional IOUs that provide power and monetary benefits to their residential and small farm customers.

To settle the REP with the IOUs, IOU customers were offered 1900 aMW in power and monetary benefits for the FY 2002-2006 rate period. The power is sold at a price equivalent to the priority firm power rate. The monetary benefits are calculated based on the forecast of the cost of purchasing the power in the market that was used in the June 2001 Supplemental Rate Proposal, less the rate used for sale of power to the IOU customers adjusting for the cost recovery adjustment clauses. All 6 regional IOUs signed contracts in the fall of 2000 implementing this settlement of the Residential Exchange. They originally were to receive 1000 aMW of power and 900 aMW in monetary benefits for FY 2002-2006, but two IOUs subsequently sold 619 aMW of power back to Bonneville as part of Bonneville's rate mitigation efforts for FY 2002. In addition, 3 other IOUs triggered the clause in their contracts to convert their power purchases to financial payments. In FY 2007 the total amount of settlement benefits changes to 2200 aMW. Under the Subscription Strategy, Bonneville stated its intent for all of these benefits to be provided as power; however, Bonneville may provide either power or monetary benefits under the terms of the settlement agreements.

Bonneville's preference utilities, or public agency utilities, have been eligible to execute new Residential Exchange Program contracts since October 2001, except for the nine utilities that previously executed settlement agreements for terms ending July 1, 2011. These customers have been forecasted to have average system costs that are lower than the Exchange Program rate and thus would not qualify for these benefits.

The Northwest Power Act directs that expenses of the Northwest Power and Conservation Council (Council), subject to certain limits based on forecasted Bonneville power sales, shall be included in Bonneville’s annual budget to Congress. Funding for the Council is provided by Bonneville and is recovered through Bonneville power rates. Its major activities include the periodic preparation of a Northwest Conservation and Electric Power Plan (a 20-year electric energy demand and resources forecast and energy conservation program) and a Columbia River Basin Fish and Wildlife Program of loss mitigation and resource enhancement actions.

The competitive market situation is driving the need for alternatives to the traditional approaches to developing conservation resources. The PBL will acquire conservation in accordance with the Council’s guidance and act as a catalyst for energy efficiency and direct application renewables. These resources will provide a vital component of PBL’s diversified resource portfolio that will: (1) meet conservation targets; (2) achieve a least cost resource mix; (3) dampen the cost impacts of power purchases; (4) avoid the costs of ramping programs and infrastructure up and down; (5) extend the value of the FCRPS to customers; (6) build the region’s resource portfolio with conservation and direct application renewables. Bonneville also is exploring how best to integrate demand-side management, distributed generation, and other leading edge technologies (i.e. Energy Web program and non wires solutions) into its transmission planning process.

### **Detailed Justification**

(dollars in thousands)

FY 2003	FY 2004	FY 2005
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<b>Production .....</b>	<b>1,578,930</b>	<b>1,733,078</b>	<b>1,771,108</b>
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- Power Purchases/Pacific Northwest Coordination Agreement (PNCA) Interchange: Includes purchase power for efficient operation of the power system, fish mitigation and resale. Due to higher and more volatile market prices in 2001, Bonneville was subject to much greater demand for service from its customers for FY 2002-2006. This increase in load required that Bonneville make substantially greater power purchases in the market. In order to mitigate a larger rate increase, FY 2004 and FY 2005 expenses include \$274 million, and \$311 million, respectively; in IOU and DSI load buy downs. See additional discussion of the evolving power market included in “Significant Program Shifts” included in the Overview section of this budget.
  
- Under terms of the PNCA, Bonneville makes interim cash payments to other generating utilities for power received as interchange energy. Likewise, Bonneville receives interim cash payments from other generating utilities for power that Bonneville delivers as interchange energy. Interchange energy is an energy exchange between utilities to supply all or a part of any deficiency between a utility’s actual energy capability and its firm energy load carrying capability. The energy is then returned to the supplying utility at a time that it has a deficiency, and any interim cash payments made on such energy is refunded.

(dollars in thousands)

FY 2003	FY 2004	FY 2005
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- Power Scheduling/Marketing: Schedule and market (buy/sell) electric energy with Bonneville customers and the Pacific Northwest's interconnected utilities. Scheduling includes PBL's implementation of physical and memo power schedules and associated transmission schedules, implementation of Electronic Tagging (ETag) in accordance with NERC, and in accordance with FERC, implementation of electronic scheduling and the RTO as it evolves. PBL's development of a new Transaction Scheduling System will facilitate the above needs.

Trojan: Continue termination and decommissioning of Bonneville's 30 percent share of the Trojan Nuclear Plant. Decommissioning continues at a consistent level through FY 2005.

- Columbia Generating Station (WNP-2): Continue to acquire full capability of Columbia Generating Station (Columbia). Columbia has now completed the transition to a 24-month fuel cycle from a 12-month cycle. A maintenance and refueling outage occurred in FY 2003 and is planned again in FY 2005.
- WNP-1/WNP-3: Continue to fulfill contractual obligations for WNP-1 and WNP-3.
- Long Term Power Purchases and Wheeling:

FY 2004: Continue to acquire 100 percent of the Idaho Falls, Cowlitz Falls, Wauna and Bonneville's share of Foote Creek 1 project output. Continue contract payments on four billing credit projects. Continue to acquire 100 percent of the output of the Foote Creek 2 and 4 wind projects and a 15-kW share of the output from the Solar Ashland Project. Continue to acquire 90MWs of Stateline wind project. Continue to acquire 100 percent of the output of the Condon and Klondike wind projects. Continue to fund the White Bluffs solar project. Continue to make decisions whether to acquire a share of the output from, and/or provide resource integration services for, additional renewable generation.

FY 2005: Continue to acquire 100 percent of the Idaho Falls, Cowlitz Falls, Wauna and Bonneville's share of Foote Creeke 1 project output. Continue contract payments on four billing credit projects. Continue to acquire 100 percent of the output of the Foote Creek 2 and 4 wind projects and a 15-kW share of the output from the Solar Ashland Project. Continue to acquire 90MWs of Stateline wind project. Continue to acquire 100 percent of the output of the Condon and Klondike wind projects. Continue to fund the White Bluffs solar project. Make decisions whether to acquire output from additional renewable generation projects and /or provide resource integration services for additional renewable generation.

- Generation & Oversight:

FY 2003: Continued to provide oversight of all contracts signed to date.

(dollars in thousands)

FY 2003	FY 2004	FY 2005
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FY 2004: Continue to provide oversight of all contracts signed to date. Complete the NEPA process for the Maiden Wind project. Provide oversight of large thermal generating plants from which Bonneville purchases capability to insure that all Bonneville approval rights are protected; coordinate, communicate and administer agreements, issues and programs between Bonneville and the project owners. Continue to make decisions whether to acquire a share of the output from additional renewable generation projects and or provide resource integration services for additional renewable generation.

FY 2005: Continue to provide oversight of all contracts signed to date. Provide oversight of large thermal generating plants from which Bonneville purchases capability to insure that all Bonneville approval rights are protected; coordinate, communicate and administer agreements, issues and programs between Bonneville and the project owners. Complete NEPA process and make decisions whether to acquire renewable generation projects initiated in FY 2003.

**Associated Project Costs . . . . . 215,248 235,739 241,900**

- Support FCRPS project costs and work to strengthen relationships to improve project support and better understand project costs. This helps to maintain FCRPS system integrity and to attain BPA’s strategic business objectives.
- Bureau of Reclamation:  
FY 2003: Continued direct funding Bureau O&M power activities.  
FY 2004: Continue direct funding Bureau O&M power activities.  
FY 2005: Continue direct funding Bureau O&M power activities.
- Corps of Engineers:  
FY 2003: Continued direct funding Corps O&M power activities.  
FY 2004: Continue direct funding Corps O&M power activities.  
FY 2005: Continue direct funding Corps O&M power activities.

**Fish and Wildlife . . . . . 146,798 138,834 138,834**

In a manner consistent with the assumptions used for the FY 2002-2006 power rate case:

Anadromous Fish: Continue implementing projects which support ESA listed species and other measures called for under the 2000 FCRPS NMFS Biological Opinion. Use the Council's Provincial Review and Sub-basin Planning processes to identify activities for implementation. Implement and develop activities that protect and enhance tributary and estuary habitat, improve mainstem habitat on an experimental basis, reduce potentially harmful hatchery practices, and contribute to sustainable fisheries. These activities have been selected in response to the Northwest Power Act section 2(6) to “protect, mitigate and enhance fish and wildlife including related spawning grounds and habitat on the Columbia River and its tributaries.”

(dollars in thousands)

FY 2003	FY 2004	FY 2005
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Resident Fish: Implement activities to determine the impacts of the FCRPS on Bull trout and mitigate for those impacts, and promote the reproduction and recruitment of Kootenai River white sturgeon. These activities have been selected in response to the 2000 USFWS FCRPS Biological Opinion and the Northwest Power Act to “protect, mitigate and enhance fish and wildlife including related spawning grounds and habitat on the Columbia River and its tributaries.”

- Continue mitigation in resident fish for anadromous losses (substitution), mitigation for reservoir operation impacts to resident fish, and continue to refine, quantify, and delineate the difference between the two.
- Wildlife: Continue the current program including funding for wildlife actions resulting from Council Fish and Wildlife Program amendments for wildlife mitigation. These activities have been selected in response to the Northwest Power Act to “protect, mitigate and enhance fish and wildlife including related spawning grounds and habitat on the Columbia River and its tributaries.”

**Residential Exchange . . . . . 143,967 143,802 143,802**

- Includes negotiated contract settlement agreement costs related to monetary benefits consistent with assumptions in the power rate case and subscription strategy.

**Northwest Power and Conservation Council . . . . . 8,005 8,500 8,700**

- Continue support of the Northwest Power and Conservation Council activities, as directed under the Northwest Power Act, including regional power plan development and maintenance, and fish and wildlife program activities.

**Conservation and Energy Efficiency . . . . . 57,679 63,113 63,090**

- Continue close out of the Legacy conservation resource acquisition contracts, which support Bonneville’s contractual obligation to serve customer load growth. As part of the power subscription strategy and the 2002 Power Rate Case, Bonneville implemented a conservation and renewables rate credit system for utility customers.
- Provide credible, unbiased information or technical or financial support to conservation purposes. As an agency of the DOE, and with independent responsibilities based on its authorizing legislation, Bonneville has a statutory responsibility to provide support to certain conservation objectives that are governmental in nature, such as assisting in the development of emerging technologies and providing unbiased information to consumers. Bonneville is participating with other regional entities to support market transformation and development activities that meet the needs of Bonneville customers and create business opportunities for the private sector in the Pacific Northwest.

(dollars in thousands)

FY 2003	FY 2004	FY 2005
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- Seek to make the existing energy efficiency marketplace larger by helping to remove barriers which customers face in the development of conservation projects. This opens up possibilities that have previously been foreclosed, thus serving to “grow the pie” or expand business opportunities for our private and public sector partners. This activity must be self-financing; that is, payments from customers must cover all of the costs of performing the service.
  
- Create and enhance markets for energy efficiency and end-use renewables through delivery of public benefits. Promote the development and implementation of new energy efficiency technologies. Provide leadership and collaborative funding for market transformation initiatives. Continue activities being performed through the regionally funded Northwest Energy Efficiency Alliance through a multi-party agreement signed in 2000. Support the Energy Web, a program advancing innovation and deployment of new energy technologies. This program will: (1) provide benefit to the Pacific Northwest; (2) promote standards and technology development deployment to achieve business benefits for Bonneville and its customers; and (3) promote the “Green” aspects of the Energy Web. Implications of participation in Energy Web development include:
  - Improve integration and consideration of non-construction alternatives in the transmission planning process.
  - Diversify Bonneville risk hedges to include physical alternatives such as demand reductions and peak generation.
  - Demonstrate potential to reduce peak loads and transmission needs.
  - Clarify location benefits associated with peak load reduction, power and system reliability, power quality, and avoiding greenhouse gas production.

<b>Total, Power Business Line – Operating Expense. . .</b>	<b>2,150,626</b>	<b>2,323,066</b>	<b>2,367,434</b>
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## Explanation of Funding Changes

	FY 2005 vs. FY 2004 (\$000)
<b>Production</b>	
<ul style="list-style-type: none"> <li>■ Reflects primarily an increase in power purchase activities offset by a shift in Energy Northwest Project debt service .....</li> </ul>	+38,030
<b>Associated Project Costs</b>	
<ul style="list-style-type: none"> <li>■ Increase due to security, biological opinion requirements, and improvements, replacements, and minor additions at the projects .....</li> </ul>	+6,161
<b>Fish and Wildlife</b>	
<ul style="list-style-type: none"> <li>■ No change .....</li> </ul>	0
<b>Residential Exchange</b>	
<ul style="list-style-type: none"> <li>■ No change .....</li> </ul>	0
<b>Northwest Power and Conservation Council</b>	
<ul style="list-style-type: none"> <li>■ Slight increase in Council funding .....</li> </ul>	+200
<b>Conservation and Energy Efficiency</b>	
<ul style="list-style-type: none"> <li>■ Minor change .....</li> </ul>	-23
<b>Total Funding Change, Power Business Line - Operating Expense .....</b>	<b>+44,368</b>





# Transmission Business Line - Operating Expense

## Funding Schedule by Activity

(Accrued Expenditures)

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	\$ Change	% Change
Engineering .....	18,034	30,377	30,869	+492	+1.6%
Operations .....	98,577	98,597	100,196	+1,599	+1.6%
Maintenance .....	124,241	136,127	138,336	+2,209	+1.6%
<b>Total, Transmission Business Line - Operating Expense .....</b>	<b>240,852</b>	<b>265,101</b>	<b>269,401</b>	<b>+4,300</b>	<b>+1.6%</b>

## Description

This activity provides for the transmission system services of engineering, operations and maintenance for Bonneville's electric transmission system of over 15,000 circuit miles (24,135 circuit kilometers) of lines, 284 substations, and associated power system control and communication facilities with an invested cost of more than \$4.8 billion. Primary strategies of this program are: 1) maintain the safety and reliability of the transmission system, consistent with the General Goal 4; 2) increase the focus on customers; 3) optimize the transmission system; and 4) improve Bonneville's competitive position.

## Detailed Justification

(dollars in thousands)

	FY 2003	FY 2004	FY 2005
<b>Engineering .....</b>	<b>18,034</b>	<b>30,377</b>	<b>30,869</b>

Continue efforts to identify best methods for improving system reliability and maintenance practices, and continue cost reduction efforts by identifying opportunities for low cost reinforcement and voltage support of the existing transmission system.

- **R&D:** Conduct in-house transmission system research and development, including (1) studies on reliability, HVDC (high voltage direct current) and HVAC (high voltage alternating current) outage reduction, (2) methods to update existing facilities and reduce maintenance costs including reliability-centered monitoring and recording methods for analysis.
  
- **Technical Support:** Provide technical support activities, such as transmission system planning and studies to optimize portions of the system. Provide support for non-wires solutions studies and pilot projects.

(dollars in thousands)

FY 2003	FY 2004	FY 2005
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- Capital-to-Expense Adjustments: Conduct annual analysis of Bonneville’s outstanding capital work orders to assess whether they should be expensed.
- Reimbursable Transactions: Enter into written agreements with Federal and non-Federal entities that have work or services to be performed by Bonneville staff at the expense of the benefiting utilities. The projects must be beneficial, under agreed upon criteria, to Bonneville operations and to the Federal or non-Federal entity involved. Additionally, these activities contribute to more efficient or reliable construction of the Federal transmission system or otherwise enhance electric service to the region.
- Leased Facilities: Lease delivery facilities and voltage support facilities, when operationally feasible, to support the transmission system instead of building or purchasing new assets.

**Operations** ..... **98,577**      **98,597**      **100,196**

- FY 2003: Continued to operate within parameters of regional transmission authorities. Prepared for increased complexity of outage scheduling, transmission scheduling, and dispatching as well as impact of an expected high attrition rate of skilled operation dispatching workforce by recruiting and training apprentices and skilled replacements. Continued development and implementation of business systems and tools. Participated in planning and preparation for potential establishment of an RTO.
- FY 2004: Continue to operate within parameters of regional transmission authorities. Continue preparation for increased complexity of outage scheduling, transmission scheduling, and dispatching as well as impact of an expected high attrition rate of skilled operation dispatching workforce by recruiting and training apprentices and skilled replacements. Continue development and implementation of business systems and tools. Participate in planning and preparation for potential establishment of an RTO.
- FY 2005: Continue to operate within parameters of regional transmission authorities. Continue preparation for increased complexity of outage scheduling, transmission scheduling, and dispatching as well as impact of an expected high attrition rate of skilled operation dispatching workforce by recruiting and training students, apprentices, and skilled replacements. Continue development and implementation of business systems and tools. Participate in planning and preparation for potential establishment of an RTO.

(dollars in thousands)

FY 2003	FY 2004	FY 2005
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- Substation Operations: Perform operations functions necessary to provide electric service to customers and to protect the Federal investment in electric equipment. Includes equipment adjustments, switching lines and equipment during emergencies or maintenance, isolating damaged equipment, restoring service to customers, and inspecting equipment, reading meters, et cetera.
- Power System Control & Dispatching: Perform central dispatching, control, and monitoring of the electric operation of the Federal transmission system. Also includes load, frequency, and voltage control of Federal generating plants, and operation of the system control and data computers at Dittmer and Munro Control Centers.
- Operations Standards & Engineering: Analyze system loads, voltage levels, outage information, stability levels and other data, and make policy recommendations for system operations and related affairs. Develop of control center requirements for centralized automation of substations and generation, and participate with other utilities in developing utility operating standards and guides.
- Marketing, Sales, & Services: Provide management and direction of transmission rates, and provide business strategy in marketing of transmission and ancillary products and services of the Transmission Business Line.
- Transmission Scheduling: Provide open access to the Federal transmission system consistent with the Open Access Transmission Tariff approved by FERC. Schedule and market transmission capacity to Bonneville customers, California ISO and Pacific Northwest's interconnected utilities. Manage the reservations and scheduling of all transmission services associated with the Open Access Transmission Tariff.

**Maintenance** ..... **124,241**      **136,127**      **138,336**

In all aspects of maintenance, Bonneville is shifting to the implementation of Reliability-Centered Maintenance (RCM) practices. This change is focused on improving system reliability and increasing availability in a deregulated market.

Access road maintenance costs are expected to increase dramatically as Bonneville addresses the aging roads system and environmental constraints associated with construction, enhancement, and maintenance of access roads. The Bonneville transmission system encompasses approximately 50,000 miles of access roads. Cost for maintenance activities are budgeted at \$1,000,000 annually.

(dollars in thousands)

FY 2003	FY 2004	FY 2005
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- FY 2003: Continued to refine RCM practices at all of Bonneville's O&M regions. Continued to improve performance to meet System Average Interruption Frequency Index (SAIFI) and System Average Interruption Duration Index (SAIDI) targets. Continued efforts to achieve the SAIFI and SAIDI targets of no control chart violations for circuit importance categories 1-2 (highest importance), and not more than one violation for category 4. Control charts are statistically-based graphs which illustrate variability in performance. Continued to improve availability performance in a deregulated market by utilizing energized work practices and outage coordination. Used recruitment incentives to ensure succession of the current work force and remain competitive as an employer in the utility industry. Assured a safe work environment through safety awareness and improved work practices. Increased outage scheduling planning to increased customer satisfaction. Continued high levels of vegetation management and increased access road work to provide reliable access to facilities and ensure environmental compliance.
- FY 2004: Continue to refine RCM practices at all of Bonneville's O&M regions. Continue to improve performance to meet SAIFI and SAIDI targets as explained above. Continue to improve system availability performance through new maintenance procedures and work practices. Continue to prepare for the impact of an expected high attrition rate among Bonneville's aging workforce by recruiting apprentices and replacements for critical minimum crew size workload positions. Increase outage-scheduling and coordination planning to increase customer satisfaction and system availability. Continue high levels of vegetation management. Continue access road work to provide reliable access to facilities and ensure environmental compliance.
- FY 2005: Continue to improve performance to meet SAIFI and SAIDI targets as explained above. Continue to improve system availability performance through new maintenance procedures and work practices. Continue to prepare for the impact of an expected high attrition rate among Bonneville's aging workforce by recruiting apprentices and replacements for critical minimum crew size workload positions. Increase outage-scheduling planning and coordination to increase customer satisfaction and system availability. Maintain vegetation management levels to insure system reliability. Continue access road work to provide reliable access to facilities and ensure environmental compliance.
- Transmission Line Maintenance: Maintain and repair nearly 24,135 km (15,000 circuit miles) of high voltage transmission lines, of which over 6,436 km (4,000 circuit miles) are 500-kV transmission EHV (extra-high voltage), for which maintenance is two and one-half times more labor-intensive than maintenance of lower transmission voltages, although more efficient in transmission of power. This responsibility includes maintaining transmission rights-of-way to ensure system reliability, safety and environmental compliance.

(dollars in thousands)

FY 2003	FY 2004	FY 2005
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- Substation Maintenance: Maintain and repair the transmission system power equipment located in Bonneville's 285 substations. Work includes inspections, diagnostic testing, predictive and condition based maintenance
- System Protection Maintenance: Maintain relaying metering and remedial action scheme equipment used to control and protect the electrical transmission system and to meter energy transfers for the purpose of revenue billing. Additionally, field-engineering services provide technical advice and assure the correct operation of power system relaying and special control systems used to support interregional energy transmission capabilities.
- Power System Control Maintenance: Test, repair, and provide field engineering support of Bonneville's highly complex equipment, communications and control systems, including seven major microwave systems, fiber optic systems, and other critical communications and control equipment that support the power system.
- Non-Electric Plant Maintenance: Maintain Bonneville's non-electric facilities. Includes site, building, and building utility maintenance; custodial services; station utility; and other maintenance service activities on Bonneville-owned or Bonneville-leased non-electric facilities.
- Maintenance Standards & Engineering: Establish, monitor, and update system maintenance standards, policies, and procedures; and review and update long-range plans for maintenance of the electric power transmission system.

<b>Total, Transmission Business Line - Operating Expense .....</b>	<b>240,852</b>	<b>265,101</b>	<b>269,401</b>
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## Explanation of Funding Changes

	FY 2005 vs. FY 2004 (\$000)
<b>Engineering</b>	
<ul style="list-style-type: none"> <li>■ Minor increase reflects changes in program activities such as research and development. . . . .</li> </ul>	+492
<b>Operations</b>	
<ul style="list-style-type: none"> <li>■ Increase primarily due to deferred program costs offset by near-term cost efficiencies. . . . .</li> </ul>	+1,599
<b>Maintenance</b>	
<ul style="list-style-type: none"> <li>■ Increase primarily due to deferred program costs offset by near-term cost efficiencies . . . . .</li> </ul>	+2,209
<hr/>	
<b>Total Funding Change, Transmission Business Line – Operating Expense. . . . .</b>	<b><u>+4,300</u></b>

## Interest, Pension and Post-retirement Benefits - Operating Expense and Capital Transfers

### Funding Schedule by Activity (Accrued Expenditures)

	(dollars in thousands)				
	FY 2003	FY 2004	FY 2005	\$ Change	%Change
BPA Bond Interest (Net) . . . . .	155,600	189,576	217,903	+28,327	+14.9%
BPA Appropriation Interest . . . . .	65,279	42,591	37,861	-4,730	-11.1%
Corps of Engineers Appropriation Interest . . . . .	152,600	170,332	171,590	+1,258	+0.7%
Lower Snake River Comp Plan Interest . . . . .	16,450	16,445	16,445	0	0.0%
Bureau of Reclamation Appropriation Interest . . . . .	43,061	42,428	42,428	0	0.0%
Subtotal, Interest – Operating Expense	432,990	461,372	486,227	+24,855	+5.4%
Pension & Post-retirement Benefits . . .	35,100	30,900	26,500	-4,400	-14.2%
<b>Total, Interest, Pension and Post- retirement Benefits . . . . .</b>	<b>468,090</b>	<b>492,272</b>	<b>512,727</b>	<b>+20,455</b>	<b>+4.2%</b>

### Operating Expense

#### Description

Interest expense provides for the payment of interest due on FCRPS debt. This consists of capital investment in FCRPS hydroelectric generating and transmission facilities of Bonneville, the Corps and the Bureau. Investments were financed by Congressional appropriations and Bonneville borrowings from the U.S. Treasury. Bonneville repays FCRPS debt through its power sales and transmission services revenues.

Since receiving Treasury borrowing authority in 1974 under the Transmission System Act, all Bonneville borrowing has been at market rates. As of October 1, 1996, all of Bonneville's repayment obligations on FCRPS appropriated investment (Corps and Bureau FCRPS investment and Bonneville investment financed with appropriations prior to the Transmission System Act) which were unpaid as of September 30, 1996, were restructured and assigned new current-market interest rates. The Bonneville Appropriations Refinancing Act of 1996 called for resetting (reducing) the unpaid principal of FCRPS appropriations and reassigning (increasing) interest rates. New principal amounts were established as of the beginning of FY 1997 at the present value of the principal and annual interest payments Bonneville would make to the U.S. Treasury for these obligations in the absence of the legislation, plus \$100 million. The new principal amounts are then assigned new interest rates based on the Treasury yield curve rates prevailing at the end of FY 1996. Bonneville's outstanding repayment obligations on



appropriations at the end of FY 1996 were \$6.7 billion with a weighted average interest rate of 3.4 percent. The refinancing reduced the principal amount to \$4.1 billion with a weighted average interest rate of 7.1 percent. Implementation of the refinancing took place in 1997 after audited actual financial data was available. As called for in the legislation, Bonneville submitted its calculations and interest rate assignments implementing the Bonneville Appropriations Refinancing Act to Treasury for their review and approval. Treasury approved the implementation calculations in July 1997. The Act also calls for all future FCRPS appropriations to be assigned prevailing Treasury yield curve interest rates.

Interest estimates are a direct function of costs of Treasury borrowing to Bonneville, repayment status of outstanding FCRPS investments, and projected additions to FCRPS plant in service. These estimates may change over time depending on forecasted market conditions. The interest cost estimates below include the impact of Bonneville's appropriation refinancing legislation.

Bonneville has been paying its unfunded liability of the CSRS and post-retirement benefits into the General Fund of the U.S. Treasury (receipt account 892889) since FY 1998. These payments are consistent with the FY 2001 Administration's budget which assumed Bonneville would prospectively cover the full unfunded liability that accrues in fiscal years after FY 1997 of the Civil Service Retirement and Disability Fund (Disability Fund), the Employees Health Benefits Fund (Health Fund) and the Employees Life Insurance Fund (Insurance Fund) that it had not covered prior to FY 1998. As part of the FY 2001 Administration's Budget, Bonneville assumed its entire CSRS cost recovery would be phased in over a ten-year period given that wholesale power and transmission rates for Bonneville were contractually frozen until the end of FY 2001 in order to meet competitive market pressures. For the remainder of the ten-year period, Bonneville paid \$35 million in FY 2003, and the following amounts are assumed to be recovered by Bonneville through rates and paid into the General Fund of the U.S. Treasury: \$30.9 million in FY 2004, \$26.5 million in FY 2005, \$23.2 million in FY 2006, and \$21.1 million in FY 2007. Cost estimates include Bonneville and the power-related portion of Corps, Bureau of Reclamation, and the United States Fish & Wildlife Pension and Post-retirement Benefits.

# Capital Transfers

## Funding Schedule by Activity

(Accrued Expenditures)

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	\$ Change	% Change
Bonneville Bond Amortization . . . . .	482,687	118,800	203,500	+84,700	+71.3%
Bureau Appropriation Amortization . . .	18,000	0	404	+404	+100%
Bonneville Appropriation Amortization .	39,000	66,371	1,501	-64,870	-97.7%
Corps Appropriation Amortization . . . .	4,000	61,337	97,693	+36,356	+59.3%
Total, Capital Transfers . . . . .	543,687	246,508	303,098	+56,590	+23.0%

### Description

This activity conveys funds to the U.S. Treasury for repayment of certain FCRPS costs not included in the Associated Project Costs budget. Since capital transfers are cash transactions they are not considered budget obligations.

**BONNEVILLE POWER ADMINISTRATION  
TOTAL OBLIGATIONS/OUTLAYS**

(in millions of dollars)

KFF 23-Jan-04

**FISCAL YEAR**

<b>BP-1 SUMMARY</b>	<b>2003</b>		<b>2004</b>		<b>2005</b>		<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
1,3/	<b>Oblig.</b>	<b>Outlays</b>	<b>Oblig.</b>	<b>Outlays</b>	<b>Oblig.</b>	<b>Outlays</b>	<b>Oblig.</b>	<b>Oblig.</b>	<b>Oblig.</b>	<b>Oblig.</b>
1 Residential Exchange	144	144	144	144	144	144	144	165	165	165
2 Power Business Line 2/	1,794	1,794	1,969	1,969	2,013	2,013	1,985	1,714	1,708	1,774
3 Transmission Business Line	559	559	651	651	538	538	501	620	709	695
4 Conservation & Energy Efficiency	83	83	93	93	99	99	95	95	94	94
5 Fish & Wildlife	158	158	175	175	175	175	175	175	175	175
6 Interest/ Pension 4/	468	468	492	492	513	513	527	545	576	597
7 Associated Project Cost - Capital	99	99	111	111	116	116	119	133	145	137
8 Capital Equipment	19	19	31	31	27	27	22	23	23	23
9 Planning Council	8	8	9	9	9	9	9	9	9	9
10 Projects Funded in Advance	11	11	28	28	90	90	142	78	20	20
11 Capitalized Bond Premiums	0	0	3	3	3	3	3	3	3	3
<b>12 TOTAL OBLIGATIONS/OUTLAYS 3/</b>	<b>3,344</b>	<b>3,344</b>	<b>3,706</b>	<b>3,706</b>	<b>3,726</b>	<b>3,726</b>	<b>3,722</b>	<b>3,559</b>	<b>3,627</b>	<b>3,692</b>

**REVENUES AND REIMBURSEMENTS**

(in millions of dollars)

**FISCAL YEAR**

**BP-1 SUMMARY**

	2003		2004		2005		2006	2007	2008	2009
	Oblig.	Outlays	Oblig.	Outlays	Oblig.	Outlays	Oblig.	Oblig.	Oblig.	Oblig.
13 Revenues 5/	3,795	3,795	3,728	3,728	3,647	3,647	3,590	3,491	3,617	3,682
14 Project Funded in Advance	11	11	28	28	90	90	142	78	20	20
15 <b>TOTAL</b>	<b>3,806</b>	<b>3,806</b>	<b>3,756</b>	<b>3,756</b>	<b>3,737</b>	<b>3,737</b>	<b>3,732</b>	<b>3,569</b>	<b>3,637</b>	<b>3,702</b>
<b>BUDGET AUTHORITY (NET)</b>	<b>283</b>		<b>(30)</b>		<b>(10)</b>		<b>(10)</b>	<b>(9)</b>	<b>(10)</b>	<b>(10)</b>
16 <b>OUTLAYS (NET) 6/</b>		<b>(462)</b>		<b>(30)</b>		<b>(10)</b>	<b>(10)</b>	<b>(9)</b>	<b>(10)</b>	<b>(10)</b>

**The accompanying notes are an integral part of this table.**

- 1/ This FY 2005 budget includes capital and expense estimates for the Power Business Line based on the SN CRAC rate proposal. The Transmission Business Line capital and expense estimates are based on the TBL rate Settlement Agreement and final 2004 transmission rate proposal. Capital investment levels also reflect management decisions from BPA's cross-agency Business Operations Board review process. Estimates included in this budget also reflect the significant changes affecting the West Coast power and transmission markets along with planned infrastructure investments designed to address the long-term needs of the region. FY 2003 costs are based on BPA's audited actual financial results. Budget estimates included in this budget are subject to change due to rapidly changing economic and institutional conditions in the evolving competitive electric utility industry in the Pacific Northwest.
- 2/ The Power Business Line includes Fish & Wildlife, Residential Exchange, Planning Council, Conservation & Energy Efficiency and Associated Project Costs which have been shown separately for display purposes.
- 3/ This budget has been prepared in accordance with the Budget Enforcement Act (BEA) of 1990. Under this Act all BPA budget estimates are treated as mandatory and are not subject to the discretionary caps included in the BEA. These estimates support activities which are legally separate from discretionary activities and accounts. Thus, any changes to BPA estimates cannot be used to affect any other budget categories which have their own legal dollar caps. Because BPA operates within existing legislative authority, BPA is not subject to a Budget Enforcement "pay-as-you-go" test regarding its revision of funding estimates.  
  
The FY 2003 total obligation amount included in this FY 2005 Congressional budget is consistent with both the Facts 2 and Max data systems, and BPA audited actuals. The detailed breakout of this data from BPA's classifications for audited actuals has been refined in this budget submission, consistent with the BPA federal budget format.
- 4/ See Interest Expense, Pension & Post-retirement Benefits and Capital Transfers section of this budget for a complete discussion of Pension & Post-retirement Benefits cost estimates.
- 5/ Revenues are calculated consistent with cash management goals and assume a combination of adjustments. Assumed adjustments include the use of a combination of tools, including upcoming CRAC adjustments, reduced cost estimates, a net revenue risk adjustment, debt service refinancing strategies and/or short-term financial tools to manage net revenues and cash. Some of these potential tools will reduce costs rather than generate revenue, however causing the same net outlay result. Adjustments for depreciation and 4(h)(10)(C) are also assumed.
- 6/ Net Outlay estimates are based on current cost savings to date and anticipated cash management goals. They are expected to follow anticipated management decisions throughout the rate period that along with actual market conditions will impact revenues and expenses. Actual Net Outlays are volatile and are reported in SF-133. Estimated net outlay estimates could change due to changing market conditions, hydro conditions and continuing restructuring of the electric industry.

BP-2

**EXPENSED OBLIGATIONS/OUTLAYS 1,4/**

**Current Services**

(in millions of dollars)

**FISCAL YEAR**

	2003		2004		2005		2006	2007	2008	2009
	Oblig.	Outlays	Oblig.	Outlays	Oblig.	Outlays	Oblig.	Oblig.	Oblig.	Oblig.
1 Residential Exchange	144	144	144	144	144	144	144	165	165	165
2 Power Business Line 2/	1,794	1,794	1,969	1,969	2,013	2,013	1,985	1,714	1,708	1,774
3 Transmission Business Line	241	241	265	265	269	269	279	289	300	309
4 Conservation & Energy Efficiency	58	58	63	63	63	63	63	63	62	62
5 Fish & Wildlife	147	147	139	139	139	139	139	139	139	139
6 Interest/ Pension 3/	468	468	492	492	513	513	527	545	576	597
7 Planning Council	8	8	9	9	9	9	9	9	9	9
<b>8 OBLIGATIONS/ OUTLAYS</b>	<b>2,860</b>	<b>2,860</b>	<b>3,081</b>	<b>3,081</b>	<b>3,149</b>	<b>3,149</b>	<b>3,145</b>	<b>2,923</b>	<b>2,958</b>	<b>3,055</b>
9 Projects Funded in Advance	11	11	28	28	90	90	142	78	20	20

**CAPITAL OBLIGATIONS/OUTLAYS**

(in millions of dollars)

**FISCAL YEAR**

BP-2 continued	2003		2004		2005		2006	2007	2008	2009
	Oblig.	Outlays	Oblig.	Outlays	Oblig.	Outlays	Oblig.	Oblig.	Oblig.	Oblig.
10 Conservation & Energy Efficiency	25	25	30	30	36	36	32	32	32	32
11 Transmission Business Line	319	319	386	386	269	269	222	331	409	386
12 Associated Project Cost - Capital	99	99	111	111	116	116	119	133	145	137
13 Fish & Wildlife	12	12	36	36	36	36	36	36	36	36
14 Capital Equipment	19	19	31	31	27	27	22	23	23	23
15 Capitalized Bond Premiums	0	0	3	3	3	3	3	3	3	3
<b>16 TOTAL CAPITAL INVESTMENTS 15</b>	<b>473</b>	<b>473</b>	<b>598</b>	<b>598</b>	<b>487</b>	<b>487</b>	<b>435</b>	<b>558</b>	<b>648</b>	<b>617</b>
<b>17 TREASURY BORROWING AUTHORITY TO FINANCE CAPITAL OBLIGATIONS 4,5/</b>	<b>473</b>		<b>598</b>		<b>487</b>		<b>435</b>	<b>558</b>	<b>648</b>	<b>617</b>
<b>18 TREASURY BORROWING AUTHORITY TO FINANCE OTHER OBLIGATIONS</b>	<b>1</b>		<b>(401)</b>		<b>(192)</b>		<b>(95)</b>	<b>(178)</b>	<b>(184)</b>	<b>(90)</b>
<b>19 TOTAL TREASURY BORROWING AUTHORITY</b>	<b>470</b>		<b>216</b>		<b>295</b>		<b>339</b>	<b>380</b>	<b>464</b>	<b>527</b>

**The accompanying notes are an integral part of this table.**

1/ This FY 2005 budget includes capital and expense estimates for the Power Business Line based on the SN CRAC rate proposal. The Transmission Business Line capital and expense estimates are based on the TBL rate Settlement Agreement and final 2004 transmission rate proposal. Capital investment levels also reflect management decisions from BPA's cross-agency Business Operations Board review process. Estimates included in this budget also reflect the significant changes affecting the West Coast power and transmission markets along with planned infrastructure investments designed to address the long-term needs of the region. FY 2003 costs are based on BPA's audited actual financial results.

Budget estimates included in this budget are subject to change due to rapidly changing economic and institutional conditions in the evolving competitive electric utility industry in the Pacific Northwest.

2/ The Power Business Line includes Fish & Wildlife, Residential Exchange, Planning Council, Conservation & Energy Efficiency and Associated Project Costs which have been shown separately for display purposes.

3/ See Interest Expense, Pension & Post-retirement Benefits and Capital Transfers section of this budget for a complete discussion of Pension & Post-retirement Benefits cost estimates.

4/ This budget has been prepared in accordance with the Budget Enforcement Act (BEA) of 1990. Under this Act all BPA budget estimates are treated as mandatory and are not subject to the discretionary caps included in the BEA. These estimates support activities which are legally separate from discretionary activities and accounts. Thus, any changes to BPA estimates cannot be used to affect any other budget categories which have their own legal dollar caps. Because BPA operates within existing legislative authority, BPA is not subject to a Budget Enforcement "pay-as-you-go" test regarding its revision of funding estimates.

5/ Treasury Borrowing Authority to Finance Other Obligations represents the use of (positive), or building up of (negative), deferred borrowing. Deferred borrowing is created when Bonneville uses cash from revenues to liquidate capital obligations in lieu of Treasury borrowing. This creates the ability in future years to borrow money, when fiscally prudent, to liquidate revenue funded activities. The amount on this line, under the title "Treasury Borrowing Authority to Finance Other Obligations" represents the annual use, or creation of deferred borrowing. OMB has requested that Bonneville show this deferred borrowing as a resource carried forward from year-to-year in the manner displayed here.

BP-3

**CURRENT SERVICES**  
(in millions of dollars)

**CAPITAL TRANSFERS**

**FISCAL YEAR**

	<b>2003 Pymts</b>
Amortization:	
20 BPA Bonds	483
21 Bureau Bonds	18
22 BPA Appropriations	39
23 Corps Appropriations	4
<b>24 TOTAL CAPITAL TRANSFERS</b>	<b>544</b>

<b>2004 Pymts</b>	<b>2005 Pymts</b>	<b>2006 Pymts</b>	<b>2007 Pymts</b>	<b>2008 Pymts</b>	<b>2009 Pymts</b>
119	204	130	111	245	150
0	0	1	0	1	0
66	2	110	73	90	130
61	98	108	205	138	257
<b>247</b>	<b>303</b>	<b>348</b>	<b>389</b>	<b>473</b>	<b>537</b>

<b>25 FULL-TIME EQUIVALENT (FTE)</b>	<b>3,153</b>
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**STAFFING**

<b>3,205</b>	<b>3,166</b>	<b>3,143</b>	<b>3,204</b>	<b>3,204</b>	<b>3,204</b>
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**PROGRAM & FINANCING SUMMARY**

Current Services  
(in millions of dollars)

Identification Code: 89-4045-0-3-271

	est.						
	2003	2004	2005	2006	2007	2008	2009
Program by activities:							
Operating expenses:							
0.01 Power Business Line	1,594	1,733	1,771	1,736	1,447	1,435	1,493
0.02 Residential Exchange	144	144	144	144	165	165	165
Associated Project Costs:							
0.05 Bureau of Reclamation	54	61	63	65	69	71	73
0.06 Corps of Engineers	129	141	145	149	159	163	168
0.07 Colville Settlement	17	17	17	17	20	20	20
0.19 U.S. Fish & Wildlife Service	15	17	17	18	19	19	20
0.20 Planning Council	8	9	9	9	9	9	9
0.21 Fish & Wildlife	147	139	139	139	139	139	139
0.23 Transmission Business Line	241	265	269	279	289	300	309
0.24 Conservation & Energy Efficiency	58	63	63	63	63	62	62
0.25 Interest	384	461	486	504	524	558	579
0.26 Pension and Health Benefits 1/	18	31	27	23	21	18	18
0.91 <b>Total operating expenses 2/</b>	<b>2,809</b>	<b>3,081</b>	<b>3,150</b>	<b>3,146</b>	<b>2,924</b>	<b>2,959</b>	<b>3,055</b>
Capital investment:							
1.01 Power Business Line	99	111	116	119	133	145	137
1.02 Transmission Line	370	386	269	222	331	409	386
1.03 Conservation & Energy Efficiency	25	30	36	32	32	32	32
1.04 Fish & Wildlife	12	36	36	36	36	36	36
1.05 Capital Equipment	19	31	27	22	23	23	23
1.06 Capitalized Bond Premiums	0	3	3	3	3	3	3
1.07 <b>Total Capital Investment 3/</b>	<b>525</b>	<b>597</b>	<b>487</b>	<b>434</b>	<b>558</b>	<b>648</b>	<b>617</b>
2.01 Projects Funded in Advanced	11	28	90	142	78	20	20
10.00 <b>Total obligations 4/</b>	<b>3,344</b>	<b>3,706</b>	<b>3,727</b>	<b>3,722</b>	<b>3,560</b>	<b>3,627</b>	<b>3,692</b>

**The accompanying notes are an integral part of this table.**

- 1/ See interest Expense, Pension & Post-retirement Benefits and Capital Transfers section of this budget for a complete discussion of PensionI & Post-retirement Benefits cost estimates.
- 2/ Reflects expense obligations, not accrued expenses.  
The Power Business Line includes Fish & Wildlife, Residential Exchange, Planning Council, Conservation & Energy Efficiency and Associated Project Costs which have been shown separately for display purposes.
- 3/ Reflects capital obligations, not capital expenditures.
- 4/ This FY 2005 budget includes capital and expense estimates for the Power Business Line based on the SN CRAC rate proposal. The Transmission Business Line capital and expense estimates are based on the TBL rate Settlement Agreement and final 2004 transmission rate proposal. Capital investment levels also reflect management decisions from BPA's cross-agency Business Operations Board review process. Estimates included in this budget also reflect the significant changes affecting the West Coast power and transmission markets along with planned infrastructure investments designed to address the long-term needs of the region. FY 2003 costs are based on BPA's audited actual financial results.

Budget estimates included in this budget are subject to change due to rapidly changing economic and institutional conditions in the evolving competitive electric utility industry in the Pacific Northwest.

Refer to 16 USC Chapters 12B, 12G, 12H, and BPA's other organic laws, including P.L. 100-371, Title III, Sec. 300, 102 Stat. 869, July 18, 1988 regarding BPA's ability to obligate funds.



**Program and Financing (continued)**

Current Services  
(in millions of dollars)

	est.						
	2003	2004	2005	2006	2007	2008	2009
<b>Financing:</b>							
21.90 Unobligated balance available, start of year. Treasury balance 3/	(121)	(240)	(240)	(240)	(240)	(240)	(240)
24.40 Unobligated balance available, end of year. Treasury balance 3/	(240)	(240)	(240)	(240)	(240)	(240)	(240)
25.00 Unobligated balance lapsing	0	0	0	0	0	0	0
39.00 <b>Budget authority (gross)</b>	<b>3,822</b>	<b>3,706</b>	<b>3,727</b>	<b>3,722</b>	<b>3,560</b>	<b>3,627</b>	<b>3,692</b>
<b>Budget Authority:</b>							
61.00 Transfer to other accounts	(138)						
66.10 Contract Authority	203						
67.10 Permanent Authority: Authority to borrow from Treasury (indefinite) 4/	470	216	295	339	380	464	527
69.00 Spending authority from off-setting collections	3,566	3,736	3,737	3,732	3,569	3,637	3,702
69.47 Portion applied to debt reduction 5/	(543)	(246)	(305)	(349)	(389)	(474)	(537)
69.90 <b>Spending authority from offsetting collections (adjusted)</b>	<b>3,352</b>	<b>3,490</b>	<b>3,432</b>	<b>3,383</b>	<b>3,180</b>	<b>3,163</b>	<b>3,165</b>
<b>Relation of obligations to outlays:</b>							
71.00 Total obligations	3,344	3,706	3,727	3,722	3,580	3,627	3,692
<b>Obligated balance, start of year:</b>							
72.47 Authority to borrow	414	617	617	617	617	617	617
74.47 Authority to borrow	(617)	(617)	(617)	(617)	(617)	(617)	(617)
87.00 Outlays (gross)	3,103	3,727	3,727	3,722	3,560	3,627	3,692
<b>Adjustments to budget authority and outlays:</b>							
Deductions for offsetting collections:							
88.00 Federal funds	(36)	(90)	(90)	(90)	(90)	(90)	(90)
88.40 Non-Federal sources	(3,530)	(3,646)	(3,647)	(3,642)	(3,479)	(3,547)	(3,612)
88.90 Total, offsetting collections	(3,566)	(3,736)	(3,737)	(3,732)	(3,569)	(3,637)	(3,702)
89.00 <b>Budget authority (net)</b>	<b>283</b>	<b>(30)</b>	<b>(10)</b>	<b>(10)</b>	<b>(9)</b>	<b>(10)</b>	<b>(10)</b>
90.00 <b>Outlays (net) 6/</b>	<b>(462)</b>	<b>(30)</b>	<b>(10)</b>	<b>(10)</b>	<b>(9)</b>	<b>(10)</b>	<b>(10)</b>

**The accompanying notes are an integral part of this table.**

3/ Treasury balance and unobligated balance estimates assume that BPA will borrow from Treasury the amount needed to finance the full capital program. Actual Treasury borrowing and cash balances will be different, depending on net revenues, Treasury interest rates, and other cash management factors. Borrowing could be higher such that cash balances at the end of each year could equal total reserves.

4/ The Permanent Authority: Authority to borrow (indefinite) from Treasury amounts reflect both BPA's capital program financing needs and either the use of, or creation of, deferred borrowing. Deferred borrowing is created when, as a cash and debt management decision, BPA uses cash from revenues to liquidate capital obligations in lieu of borrowing from Treasury. This temporary use of cash on hand instead of borrowed funds creates the ability in future years to borrow money, when fiscally prudent. Technical Executive Branch budget display and tracking requirements have modified the way BPA shows this deferred borrowing as a resource carried forward from year-to-year. This amount must therefore be added to, or subtracted from, BPA's current year Treasury borrowing authority amount, making this number a combination of capital program financing needs and the annual use, or creation of deferred borrowing. The FY 1989 Energy and Water Development Appropriations Act (P.L. 100-371 of 7/19/88) clarified that BPA has authority to incur obligations in excess of Treasury borrowing authority and cash in the BPA Fund. The two amounts which comprise the net amount of line 67.15 above are as follows:

	FISCAL YEAR						
	2003	2004	2005	2006	2007	2008	2009
<b>Treasury Borrowing Authority:</b>							
to finance capital obligations	469	617	487	434	558	648	617
to finance other obligations	1	(401)	(192)	(95)	(178)	(184)	(90)
<b>Total Treasury Borrowing Authority (67.15)</b>	<b>470</b>	<b>216</b>	<b>295</b>	<b>339</b>	<b>380</b>	<b>464</b>	<b>527</b>

- 5/ Includes amortization of BPA and Corps of Engineers appropriations and amortization of BPA bonds. Line 69.47 is referred to as capital transfers on BP-3.
- 6/ Net Outlay estimates are based on current cost savings to date and anticipated cash management goals. They are expected to follow anticipated management decisions throughout the rate period that along with actual market conditions will impact revenues and expenses. Actual Net Outlays are volatile and are reported in SF-133. Estimated net outlay estimates could change due to changing market conditions, hydro conditions and continuing restructuring of the electric industry.

Revenues, included in the Net Outlay formulation, are calculated consistent with cash management goals and assume a combination of adjustments. Assumed adjustments include the use of a combination of tools, including upcoming CRAC adjustments, reduced cost estimates, a net revenue risk adjustment, debt service refinancing strategies and/or short-term financial tools to manage net revenues and cash. Some of these potential tools will reduce costs rather than generate revenue, however causing the same net outlay result. Adjustments for depreciation and 4(h)(10)(C) are also assumed.

**BONNEVILLE POWER ADMINISTRATION**  
**BPA STATUS of TREASURY BORROWING**  
**CURRENT LEGISLATION**  
(in millions of dollars)

BP-4A

	Fiscal Year						
	2003			2004			
	Net Capital Obs Subject to BA	Net Capital Expend.	Bonds Out- Standing	Net Capital Obs	Net Capital Obs Subject to BA	Net Capital Expend.	Bonds Out- Standing
<b>Start-of-Year: Total</b>	3,078	2,764	2,770	2,559	3,069	2,674	2,697
<b>Plus: Annual Increase 1/</b>							
Cum.-Annual Treasury Borrowing A. In	473	473		598	598	598	
Treasury Borrowing (Cash)			410				598
<b>Less:</b>							
Total BPA Bond Amortization	483	483	483	119	119	119	119
<b>Net Increase/(Decrease):</b>							
Total	(9)	(9)	(73)	479	479	479	479
Cum.-End-of-Year: Total	3,069	2,755	2,697	3,089	3,547	3,152	3,176
<b>Total Remaining Treasury Borrowing Authority</b>			<u>1,753</u>				<u>1,274</u>
<b>Total Legislated Treasury Borrowing Authority</b>			4,450				4,450

**The accompanying notes are an integral part of this table.**

1/ In any given year, BPA may issue less debt than forecast depending on net revenues, Treasury interests rates, and other cash management factors. In such cases, BPA accumulates a deferred borrowing balance that it accesses as necessary in the future.

Capital investments reflect management decisions from BPA's Cross-Agency Business Operations Board review process.

Budget estimates included in this budget are subject to change due to rapidly changing economic and institutional conditions in the evolving competitive electric utility industry in the Pacific Northwest.

**BONNEVILLE POWER ADMINISTRATION**  
**BPA STATUS of TREASURY BORROWING**  
**CURRENT LEGISLATION**  
(in millions of dollars)

BP-4B

	Fiscal Year							
	2005				2006			
	Net Capital Obs	Net Capital Subject to BA	Net Capital Expend.	Bonds Out- Standing	Net Capital Obs	Net Capital Subject to BA	Net Capital Expend.	Bonds Out- Standing
<b>Start-of-Year: Total</b>	1,757	3,547	3,152	3,176	2,041	3,831	3,436	3,460
<b>Plus: Annual Increase 1/</b>								
Cum.-Annual Treasury Borrowing A. In	487	487	487		435	435	435	
Treasury Borrowing (Cash)				487				435
<b>Less:</b>								
Total BPA Bond Amortization	204	204	204	204	130	130	130	130
<b>Net Increase/(Decrease):</b>								
Total	283	283	283	283	305	305	305	305
Cum.-End-of-Year: Total	2,041	3,831	3,436	3,460	2,345	4,135	3,740	3,764
<b>Total Remaining Treasury Borrowing Authority</b>				<u>990</u>				<u>686</u>
<b>Total Legislated Borrowing Authority</b>				4,450				4,450

**The accompanying notes are an integral part of this table.**

1/ In any given year, BPA may issue less debt than forecast depending on net revenues, Treasury interests rates, and other cash management factors. In such cases, BPA accumulates a deferred borrowing balance that it accesses as necessary in the future.

Capital investments reflect management decisions from BPA's Cross-Agency Business Operations Board review process.

Budget estimates included in this budget are subject to change due to rapidly changing economic and institutional conditions in the evolving competitive electric utility industry in the Pacific Northwest.

**BONNEVILLE POWER ADMINISTRATION  
BPA STATUS of TREASURY BORROWING  
CURRENT LEGISLATION**  
(in millions of dollars)

BP-4C

Fiscal Year

	2007				2008			
	Net Capital Obs	Net Capital Obs Subject to BA	Net Capital Expend.	Bonds Out- Standing	Net Capital Obs	Net Capital Obs Subject to BA	Net Capital Expend.	Bonds Out- Standing
<b>Start-of-Year: Total</b>	2,345	4,135	3,740	3,764	2,792	4,582	4,187	4,210
<b>Plus: Annual Increase 1/ Cum.-Annual Treasury Borrowing A. In</b>	558	558	558		648	648	648	
<b>Treasury Borrowing (Cash)</b>				558				648
<b>Less:</b>								
<b>Total BPA Bond Amortization</b>	111	111	111	111	245	245	245	245
<b>Net Increase/(Decrease):</b>								
<b>Total</b>	446	446	446	446	404	404	404	404
<b>Cum.-End-of-Year: Total</b>	2,792	4,582	4,187	4,210	3,195	4,985	4,590	4,614
<b>Total Remaining Treasury Borrowing Authority</b>				<u>240</u>				<u>(164)</u>
<b>Total Legislated Borrowing Authority</b>				4,450				4,450

**The accompanying notes are an integral part of this table.**

1/ In any given year, BPA may issue less debt than forecast depending on net revenues, Treasury interests rates, and other cash management factors. In such cases, BPA accumulates a deferred borrowing balance that it accesses as necessary in the future.

Capital investments reflect management decisions from BPA's Cross-Agency Business Operations Board review process.

Budget estimates included in this budget are subject to change due to rapidly changing economic and institutional conditions in the evolving competitive electric utility industry in the Pacific Northwest.

**BONNEVILLE POWER ADMINISTRATION  
BPA STATUS of TREASURY BORROWING  
CURRENT LEGISLATION**

(in millions of dollars)

BP-4D

		Fiscal Year			
		2009			
		Net Capital		Net Capital	Bonds
		Net Capital	Obs Subject to BA	Expend.	Out- Standing
		Obs			
<b>Start-of-Year: Total</b>		3,195	4,985	4,590	4,614
<b>Plus: Annual Increase 1/</b>					
Cum.-Annual Treasury Borrowing A. In	617	617	617		
Treasury Borrowing (Cash)					617
<b>Less:</b>					
Total BPA Bond Amortization	150	150	150	150	150
<b>Net Increase/(Decrease):</b>					
Total	467	467	467	467	467
Cum.-End-of-Year: Total	3,662	5,452	5,057	5,081	
<b>Total Remaining Treasury Borrowing Authority</b>					<u>(631)</u>
<b>Total Legislated Borrowing Authority</b>					4,450

**The accompanying notes are an integral part of this table.**

1/ In any given year, BPA may issue less debt than forecast depending on net revenues, Treasury interests rates, and other cash management factors. In such cases, BPA accumulates a deferred borrowing balance that it accesses as necessary in the future.

Capital investments reflect management decisions from BPA's Cross-Agency Business Operations Board review process.

Budget estimates included in this budget are subject to change due to rapidly changing economic and institutional conditions in the evolving competitive electric utility industry in the Pacific Northwest.

**TREASURY PAYMENTS**  
(in millions of dollars)

	FISCAL YEAR						
	2003	2004	2005	2006	2007	2008	2009
<b>A. INTEREST ON BONDS &amp; APPROPRIATIONS</b>							
<b>Bonneville Bond Interest</b>							
1 Bonneville Bond Interest (net)	156	190	218	238	260	300	330
2 AFUDC 1/	33	30	35	29	24	31	38
<b>Appropriations Interest</b>							
3 Bonneville	65	43	38	38	33	28	21
4 Corps of Engineers 2/	153	170	172	169	172	172	169
5 Lower Snake River Comp. Plan	16	16	16	16	16	16	16
6 Bureau of Reclamation Interest 3/	43	42	42	42	42	42	42
<b>7 Total Bond and Approp. Interest</b>	<b>466</b>	<b>492</b>	<b>521</b>	<b>532</b>	<b>548</b>	<b>589</b>	<b>617</b>
<b>B. ASSOCIATED PROJECT COST</b>							
8 Bureau of Reclamation Irrigation Assistance	0	1	0	0	0	0	7
9 Bureau of Rec. O & M 4/	1	0	0	0	0	0	0
10 Corps of Eng. O & M 4/	11	0	0	0	0	0	0
11 L. Snake River Comp. Plan O & M 4/	0	0	0	0	0	0	0
<b>12 Total Assoc. Project Costs</b>	<b>12</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7</b>
<b>C. CAPITAL TRANSFERS</b>							
<b>Amortization</b>							
13 Bonneville Bonds 5/	483	119	204	130	111	245	150
14 Bureau of Reclamation Appropriations	18	0	0	1	0	1	0
15 Corps of Engineers Appropriations	4	61	98	108	205	138	257
16 Lower Snake River Comp. Plan	0	0	0	0	0	0	0
17 Bonneville Appropriations	39	66	2	110	73	90	130
<b>Total Capital Transfers</b>	<b>544</b>	<b>247</b>	<b>303</b>	<b>348</b>	<b>389</b>	<b>473</b>	<b>537</b>
<b>D. OTHER PAYMENTS</b>							
18 Unfunded CSRS Liability 6/	35	31	27	23	21	18	18
<b>21 TOTAL TREASURY PAYMENTS 7/</b>	<b>1,057</b>	<b>770</b>	<b>851</b>	<b>904</b>	<b>958</b>	<b>1,081</b>	<b>1,179</b>

The accompanying notes are an integral part of this table.

1/ This interest cost is capitalized and included in Bonneville's Transmission System Development, System Replacements, and Associated Projects Capital programs. AFUDC is financed through the sale of bonds.

2/ Includes interest on construction funding for Corp of Engineers (Corps) fish bypass facilities at Corps dams in the Columbia River Basin, including Lower Monumental, Ice Harbor, and The Dalles.

3/ Includes payments paid by Bureau to Treasury on behalf of Bonneville.

4/ Costs for power O&M is funded directly by Bonneville as follows (in millions)

	FISCAL YEAR	2003	2004	2005	2006	2007	2008	2009
Bureau of Reclamation		54	61	63	65	69	71	73
Corps of Engineers		122	141	145	149	159	163	168
Lower Snake River Comp. Plan		15	17	17	18	19	19	20

Bureau O&M budget estimates do not reflect approximately \$10 million in Bureau of Reclamation cost savings of which \$3 million can be spent in a single fiscal year.

Starting in FY 2003 direct funding for Corps is expected to be accomplished through a transfer appropriation fund symbol. This will assure that the Bonneville Fund contains both the obligation and outlay for Corps direct funded O&M, as is the current Corps capital direct funding.

Bonneville, through FY 2006, also directly funds the Corps of Engineers \$6 million annually for small capital power O&M items. Funding for these small capital power items is included within the PBL capital budget.

5/ FY 2003 payment includes a portion of future planned amortization consistent with BPA's capital strategy plan and debt optimization plan.

6/ See Interest Expense, Pension & Post-retirement Benefits and Capital Transfers section of this budget for a complete discussion of these cost estimates.

7/ Does not include Treasury bond premiums on refinanced Treasury bonds.

**OBJECT CLASSIFICATION STATEMENT**

(in millions of dollars) 1/

INDENTIFICATION CODE: 89-4045-0-3-271

DIRECT OBLIGATIONS

**ESTIMATES**

	<b>2003</b>	<b>2004</b>	<b>2005</b>
11.1 Full-time permanent	193	214	215
11.3 Other than full-tim permanent	0	0	0
11.5 Other personnel compensation	9	10	10
<b>11.9 Total personnel compensation</b>	<b>202</b>	<b>224</b>	<b>225</b>
12.1 Civilian personnel benefits	53	59	60
21.0 Travel and transportation of persons	12	13	13
22.0 Transportation of things	2	2	2
23.1 Rental payments to GSA	1	1	1
23.2 Rents, other	36	40	40
23.3 Communication, utilities & misc. charges	5	5	5
24.0 Printing and reproduction	0	0	0
25.1 Consulting Services	0	0	0
25.2 Other Services	2,028	2,249	2,262
25.3 Purchases from Government Accounts	0	0	0
25.4 O&M of Facilities	0	0	0
25.5 R & D Contracts	0	0	0
26.0 Supplies and materials	117	129	130
31.0 Equipment	0	0	0
32.0 Lands and structures	83	92	92
41.0 Grants, subsidies, contributions	308	342	343
43.0 Interest and dividends	497	550	553
<b>99.0 Total obligations</b>	<b>3,344</b>	<b>3,706</b>	<b>3,726</b>

1/ Includes object classifications developed from updated GL accounting codes consistent with implementation of BPA's business enterprise system of accounts. The object classifications are subject to change as BPA's GL accounting codes continue to evolve to more effectively meet management information needs, and meet FERC and Federal reporting requirements.



**Estimate of Proprietary Receipts**  
(in millions of dollars)

	Fiscal Year						
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Bureau Interest	43	42	42	42	42	42	42
Bureau Amortization	18	0	0	1	0	1	0
Bureau O&M	1	0	0	0	0	0	0
Bureau Irrig. Assist.	0	1	0	0	0	0	7
Revenues Collected by Bureau	-7						
Distributed in Treasury Account (credit)		-7	-7	-7	-7	-7	-7
Colville Settlement (credit)	-5	-5	-5	-5	-5	-5	-5
<b>Total 1/ Reclamation Fund</b>	<b>50</b>	<b>31</b>	<b>31</b>	<b>31</b>	<b>31</b>	<b>31</b>	<b>37</b>
Corps O&M	11						
CSRS	35	31	27	23	21	18	18
<b>Total 2/ Repayments on misc.costs</b>	<b>46</b>	<b>31</b>	<b>27</b>	<b>23</b>	<b>21</b>	<b>18</b>	<b>18</b>

1/ Includes amortization of appropriations and irrigation assistance, and interest costs for the Bureau of Reclamation. The cost of power O&M for Bureau of Reclamation is no longer included in Proprietary Receipts due to Direct Funding by Bonneville. Represents transfer to Account #895000.26

2/ The costs of power O&M for Corps of Engineers and Lower Snake Comp. Plan are no longer included in Proprietary Receipts due to Direct Funding by Bonneville. Represents transfers to Account #892889, Repayments on misc. recoverable costs, not otherwise classified. Costs for power O&M is funded directly by Bonneville as follows (in millions)

	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Bureau of Reclamation	54	61	63	65	69	71	73
Corps of Engineers	122	141	145	149	159	163	168
Lower Snake River Comp Plan	15	17	17	18	19	19	20

Bureau O&M budget estimates do not reflect approximately \$10 million in Bureau of Reclamation cost savings of which \$3 million can be spent in a single fiscal year.

Starting in FY 2003 direct funding for Corps is expected to be accomplished through a transfer appropriation fund symbol. This will assure that the Bonneville Fund contains both the obligation and outlay for Corps direct funded O&M, as is the current Corps capital direct funding.

Bonneville, through FY 2006, also directly funds the Corps of Engineers \$6 million annually for small capital power O&M items. Funding for these small capital power items is included within the PBL capital budget.

See Interest Expense, Pension & Post-retirement Benefits and Capital Transfers section of this budget for a complete discussion of Pension & Post-retirement Benefits cost estimates.

**Executive Summary**  
**BPA Fish and Wildlife MOA Funding**  
(Dollars in Millions)  
April 2, 2002

	FY	Actual 1996	Actual 1997	Actual 1998	Actual 1999	Actual 2000	Actual 2001	96-01 Total	96-01 Avg
<b>Direct Program Expenses</b>									
MOA Plan		100.0	100.0	100.0	100.0	100.0	100.0	600.0	100.0
Avg Expenditure Amount Available 1/		100.0	133.1	153.5	150.6	144.6	138.6		
Actual (FY 1996-2001) 2/		68.5	82.2	104.9	108.2	108.2	101.1	573.0	95.5
Carry Forward Balance 3/ 4/		31.5	50.9	48.6	42.5	36.4	37.5		
<b>Reimbursable F&amp;W Expenses of Other Agencies</b>									
MOA Plan		38.4	40.5	40.5	40.5	40.5	40.5	240.9	40.2
Avg Expenditure Amount Available		40.2	45.3	50.0	54.4	56.6	60.4		
Actual (FY 1996-2001)		35.4	35.9	36.4	38.9	37.6	42.4	226.6	37.8
Carry Forward Balance 4/		4.8	9.4	13.6	15.5	19.0	18.0		
<b>Capital Investments Fixed Expenses</b>									
MOA Plan		73.1	87.2	105.7	117.7	129.3	129.3	642.3	107.1
Avg Expenditure Amount Available 1/		111.5	151.9	190.3	233.3	278.4	325.2		
Actual (FY 1996-2001)		73.0	76.3	74.2	76.1	77.2	77.1	453.9	75.7
Carry Forward Balance 4/		38.5	75.6	116.1	157.2	201.2	248.1		
<b>Total</b>									
MOA Plan		211.5	227.7	246.2	258.2	269.8	269.8	1,483.2	247.2
Avg Expenditure Amount Available 1/		251.7	330.3	393.8	438.3	479.6	524.2		
Actual Expenditures		176.9	194.4	215.5	223.2	222.9	220.7		
Carry Forward Balance 4/		74.8	135.9	178.3	215.1	256.6	303.6		
<b>River Operations</b>									
Power Purchases		0.0	0.0	5.4	47.6	64.8	1,389.6	1,507.4	251.2
Foregone Revenues		81.7	107.8	116.5	197.8	193.1	115.9	812.8	135.5
Other 6/		1.6	2.4	-1.9	5.9	79.1	0.0	87.1	14.5
Total		83.3	110.2	120.0	251.3	337.0	1,505.5	2,407.3	401.2
Actual Expenditures Grand Total		260.2	304.6	335.5	474.5	559.9	1,726.2	3,660.9	610.1 5/
ESA Related Transmission Enhancements		0.0	12.7	1.6	0.1	0.9	1.9	17.2	2.9

**Assumptions:**

Expenditure Plan and River Operations equal display in BPA's FY 2003 Congressional Budget. Actual Expenditures for all expenses and capital investments reflect FY 1996 - 2001 actual results. This funding stream shows the most likely accruals related to Obligations from the NWPPC prioritization process. Actual accruals may be more or less during a given year within the year MOA period.

**Notes:**

1/ In addition, \$27 million per year in capital funding (borrowing) provided by BPA for the Direct Program through 2001. The Interest and Amortization for this is reflected in the Expenditures Plan for the Capital Investment category.

2/ This information is reported on an accrual basis. For Direct Program management purposes, BPA also reports these expenditures on an obligations basis. Typically the accruals lag the obligations, since not all funds are expended in the year in which they are obligated.

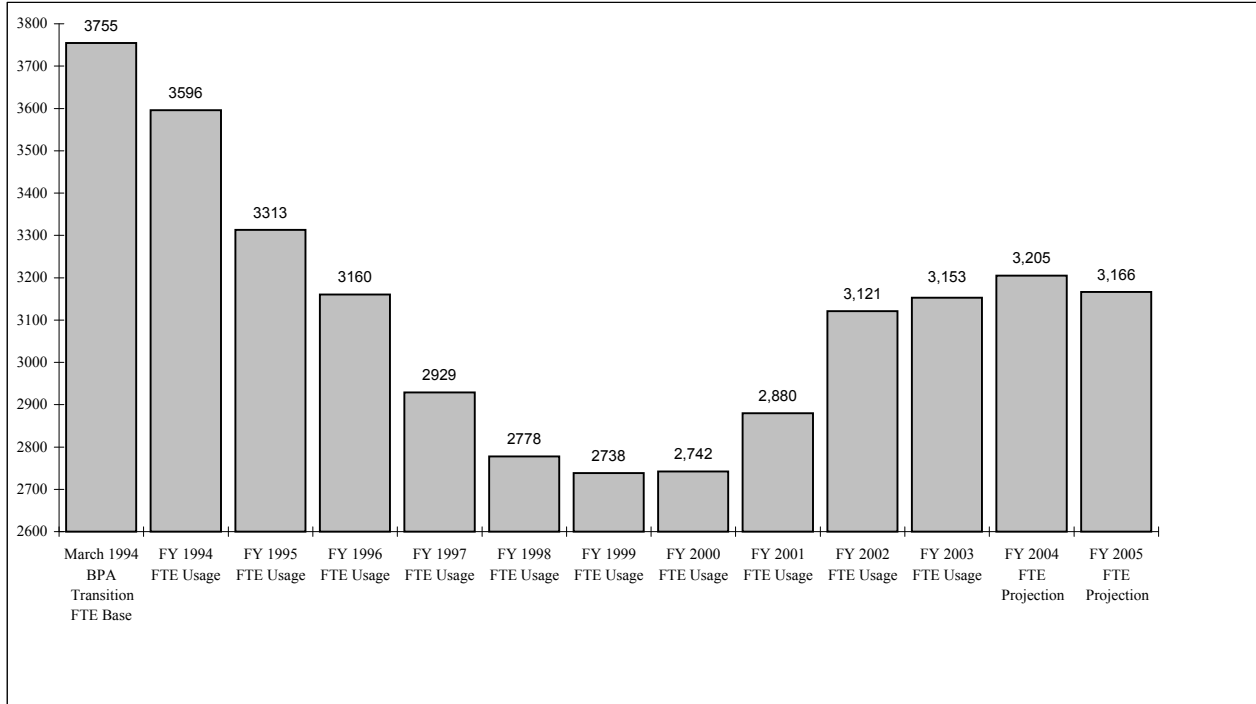
3/ BPA's FY 1996 - 2001 Fish and Wildlife Program Expense Budget is \$100 million per year. Actual expenses for FY 1996 - 2001 were approximately \$37.5 million less than what was available.

4/ Original MOA Plan included interest at 5.093 percent for FY 1999 - 2001. The actual interest rate is determined annually (10/1). The interest rate for FY 1996 is 5.083%, 1997 is 5.093%, 1998 is 4.221%, 1999 is 4.864%, 2000 is 6.193%.

5/ During the initial discussions when developing the MOA, the "96-01 Avg" was estimated to be about \$435 million.

6/ These estimated costs are related to limitations placed on operating ranges (forebay levels and generator efficiency) and other operations for fish which produce effects on power production not identified in Hydro regulation models.

**BONNEVILLE FTE  
(Revised January 2004)**



BPA has utilized the following number of Voluntary Separation Incentives (VSIs): 190 in FY 1994, 240 in FY 1995, 137 in FY 1996, 135 in FY 1997, 121 in FY 1998, 81 in FY 1999, 43 in FY 2000, 12 in FY 2001, 0 in FY 2002, and 80 in FY 2003.

As part of its strategic staffing efforts and infrastructure project requirements, Bonneville has seen an increase in FTE levels since FY 2000. This increase, peaking in FY 2004, is designed in part to accommodate a shift in critical skills needed to meet the demands of succeeding in an increasingly deregulated energy market.

Bonneville Power Administration  
 FY 2005 Congressional Budget

(Dollars in thousands)

Activity	Title of Authorizing Legislation	Last Year of Authorization	Authorization Level	Appropriation Level
Department of Energy Bonneville Power Administration				
	Bonneville Project Act of 1937, Public Law No. 75-329, H.R. 7642	No specific date provided.		
	Federal Columbia River Transmission Act of 1974, Public Law No. 93-454 S. 3362	No specific date provided.	Established the Bonneville Fund and provided BPA a permanent and indefinite appropriation for expenditures from the fund. Authorized the sale of bonds to the Treasury for transmission construction and to implement the Northwest Power Act. A total of \$4.45 billion in bonds outstanding has been authorized.	
	Regional Preference Act of 1964, Public Law No. 88-552	No specific date provided.		
	Pacific Northwest Electric Power Planning and Conservation Act of 1980 (Northwest Power Act), Public Law No. 96-501, S. 885	No specific date provided.		



# General Provisions

## Proposed Appropriation Language

*SEC. 301. (a) None of the funds appropriated by this Act may be used to award a management and operating contract, or award a significant extension or expansion to an existing management and operating contract, unless such contract is awarded using competitive procedures or the Secretary of Energy grants, on a case-by-case basis, a waiver to allow for such a deviation. The Secretary may not delegate the authority to grant such a waiver.*

*(b) At least 60 days before a contract award for which the Secretary intends to grant such a waiver, the Secretary shall submit to the Subcommittees on Energy and Water Development of the Committees on Appropriations of the House of Representatives and the Senate a report notifying the Subcommittees of the waiver and setting forth, in specificity, the substantive reasons why the Secretary believes the requirement for competition should be waived for this particular award.*

*SEC. 302. None of the funds appropriated by this Act may be used to—*

*(1) develop or implement a workforce restructuring plan that covers employees of the Department of Energy; or*

*(2) provide enhanced severance payments or other benefits for employees of the Department of Energy, under section 3161 of the National Defense Authorization Act for Fiscal Year 1993 (Public Law 102–484; 42 U.S.C. 7274h).*

*SEC. 303. None of the funds appropriated by this Act may be used to prepare or initiate Requests For Proposals (RFPs) for a program if the program has not been funded by Congress.*

### *(Transfers of Unexpended Balances)*

*SEC. 304. The unexpended balances of prior appropriations provided for activities in this Act may be transferred to appropriation accounts for such activities established pursuant to this title. Balances so transferred may be merged with funds in the applicable established accounts and thereafter may be accounted for as one fund for the same time period as originally enacted.*

*SEC. 305. None of the funds in this or any other Act for the Administrator of the Bonneville Power Administration may be used to enter into any agreement to perform energy efficiency services outside the legally defined Bonneville service territory, with the exception of services provided internationally, including services provided on a reimbursable basis, unless the Administrator certifies in advance that such services are not available from private sector businesses.*

*SEC. 306. When the Department of Energy makes a user facility available to universities and other potential users, or seeks input from universities and other potential users regarding significant*

*characteristics or equipment in a user facility or a proposed user facility, the Department shall ensure broad public notice of such availability or such need for input to universities and other potential users.*

*For purposes of this section, the term “user facility” includes, but is not limited to:*

*(1) a user facility as described in section 2203(a)(2) of the Energy Policy Act of 1992 (42 U.S.C. 13503(a)(2));*

*(2) a National Nuclear Security Administration Defense Programs Technology Deployment Center/User Facility; and*

*(3) any other Departmental facility designated by the Department as a user facility.*

*SEC. 307. The Administrator of the National Nuclear Security Administration may authorize the plant manager of a covered nuclear weapons production plant to engage in research, development, and demonstration activities with respect to the engineering and manufacturing capabilities at such plant in order to maintain and enhance such capabilities at such plant: Provided, That of the amount allocated to a covered nuclear weapons production plant each fiscal year from amounts available to the Department of Energy for such fiscal year for national security programs, not more than an amount equal to 2 percent of such amount may be used for these activities: Provided further, That for purposes of this section, the term “covered nuclear weapons production plant” means the following:*

*(1) the Kansas City Plant, Kansas City, Missouri;*

*(2) the Y-12 Plant, Oak Ridge, Tennessee;*

*(3) the Pantex Plant, Amarillo, Texas;*

*(4) the Savannah River Plant, South Carolina; and*

*(5) the Nevada Test Site.*

*SEC. 308. Section 310 of the Energy and Water Development Appropriations Act, 2000 (Public Law 106-60), is hereby repealed.*

*SEC. 309. Funds appropriated by this or any other Act, or made available by the transfer of funds in this Act, for intelligence activities are deemed to be specifically authorized by the Congress for purposes of section 504 of the National Security Act of 1947 (50 U.S.C. 414) during fiscal year 2004 until the enactment of the Intelligence Authorization Act for fiscal year 2004.*

### **Explanation of Change**

Same language as in the FY 2004 Congressional Budget.