DOE/ME-0051
Volume 6

Department of Energy
FY 2006 Congressional Budget Request

Power Marketing Administrations

Southeastern Power Administration

Southwestern Power Administration

Western Area Power Administration

Bonneville Power Administration

February 2005

Office of Management, Budget and Evaluation/CFO

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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 2004 Comparable Approp	FY 2005 Comparable Approp	FY 2006 Request to Congress	FY 2006 vs. FY 2005	
Energy And Water Development					
Energy Programs					
Energy supply	794,897	932,319	902,674	-29,645	-3.2%
Non-Defense site acceleration completion	167,272	157,316	172,400	15,084	+9.6%
Uranium enrichment D&D fund	414,027	495,015	591,498	96,483	+19.5%
Non-Defense environmental services	307,795	288,966	177,534	-111,432	-38.6%
Science	3,536,373	3,599,546	3,462,718	-136,828	-3.8%
Nuclear waste disposal	188,879	343,232	300,000	-43,232	-12.6%
Departmental administration	109,276	119,284	130,259	10,975	+9.2%
Inspector general	39,229	41,176	43,000	1,824	+4.4%
Total, Energy Programs	5,557,748	5,976,854	5,780,083	-196,771	-3.3%
Atomic Energy Defense Activities					
National nuclear security administration:					
Weapons activities	6,447,159	6,583,350	6,630,133	46,783	+0.7%
Defense nuclear nonproliferation	1,367,709	1,422,103	1,637,239	215,136	+15.1%
Naval reactors	761,872	801,437	786,000	-15,437	-1.9%
Office of the administrator	352,949	357,051	343,869	-13,182	-3.7%
Total, National nuclear security administration	8,929,689	9,163,941	9,397,241	233,300	+2.5%
Environmental and other defense activities:					
Defense site acceleration completion	5,433,423	5,725,935	5,183,713	-542,222	-9.5%
Defense environmental services	895,015	845,704	831,331	-14,373	-1.7%
Other defense activities	675,824	672,590	635,998	-36,592	-5.4%
Defense nuclear waste disposal	387,699	229,152	351,447	122,295	+53.4%
Total, Environmental & other defense activities	7,391,961	7,473,381	7,002,489	-470,892	-6.3%
Total, Atomic Energy Defense Activities	16,321,650	16,637,322	16,399,730	-237,592	-1.4%
Defense EM privatization (rescission)	-15,329	——	——	——	——
Power marketing administrations:					
Southeastern power administration	5,070	5,158	——	-5,158	-100.0%
Southwestern power administration	28,431	29,117	3,166	-25,951	-89.1%
Western area power administration	176,873	171,715	53,957	-117,758	-68.6%
Falcon & Amistad operating & maintenance fund	2,625	2,804	——	-2,804	-100.0%
Total, Power marketing administrations	212,999	208,794	57,123	-151,671	-72.6%
Federal energy regulatory commission	——	——	——	——	——
Subtotal, Energy And Water Development Appropriation	22,077,068	22,822,970	22,236,936	-586,034	-2.6%
Uranium enrichment D&D fund discretionary payments	-449,333	-459,296	-451,000	8,296	+1.8%
Excess fees and recoveries, FERC	-19,000	-15,000	-13,000	2,000	+13.3%
Colorado River Basins	1,458	-23,000	-23,000	——	——
Total, Energy And Water Development	**21,610,193**	**22,325,674**	**21,749,936**	**-575,738**	**-2.6%**

Department of Energy
Appropriation Account Summary
(dollars in thousands - OMB Scoring)

	FY 2004 Comparable Approp	FY 2005 Comparable Approp	FY 2006 Request to Congress	FY 2006 vs. FY 2005	
Interior And Related Agencies					
Fossil energy research and development	658,981	571,854	491,456	-80,398	-14.1%
Naval petroleum and oil shale reserves	17,995	17,750	18,500	750	+4.2%
Elk Hills school lands fund	36,000	36,000	84,000	48,000	+133.3%
Energy conservation	867,967	868,234	846,772	-21,462	-2.5%
Economic regulation	1,034	——	——	——	——
Strategic petroleum reserve	170,948	169,710	166,000	-3,710	-2.2%
Northeast home heating oil reserve	4,939	4,930	——	-4,930	-100.0%
Energy information administration	81,100	83,819	85,926	2,107	+2.5%
Subtotal, Interior Accounts	1,838,964	1,752,297	1,692,654	-59,643	-3.4%
Clean coal technology	-98,000	-160,000	——	160,000	+100.0%
Total, Interior And Related Agencies	**1,740,964**	**1,592,297**	**1,692,654**	**100,357**	**+6.3%**
Total, Discretionary Funding	**23,351,157**	**23,917,971**	**23,442,590**	**-475,381**	**-2.0%**

Southeastern Power Administration

Southeastern Power Administration

Southeastern Power Administration

Proposed Appropriation Language

For necessary expenses of [operation and maintenance of power transmission facilities and of] *program direction activities related to the* marketing *of* electric power and energy, [including transmission wheeling and ancillary services] pursuant to [the provisions of] section 5 of the Flood Control Act of 1944 (16 U.S.C. 825s), as applied to the Southeastern Power Administration, [$5,200,000] *$5,600,000,* to remain available until expended: *Provided, That, notwithstanding 31 U.S.C. 3302 for fiscal year 2006 and each year thereafter, amounts collected by the Southeastern Power Administration to recover expenses related to program direction activities shall be credited to this account as offsetting collections, to remain available until expended for the sole purpose of making program direction expenditures: Provided further, That, for fiscal year 2006, the collections by the Southeastern Power Administration to recover expenses related to program direction activities shall not exceed $5,600,000: Provided further, That the sum herein appropriated from the General Fund for program direction activities shall be reduced as offsetting collections are received during fiscal year 2006 so as to result in a final fiscal year 2006 appropriation net of these collections not to exceed $0. In addition,* notwithstanding [the provisions of] 31 U.S.C. 3302, up to [$34,000,000] *$32,713,000* collected by the Southeastern Power Administration pursuant to the Flood Control Act of 1944 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. *(Energy and Water Development Appropriations Act, 2005.)*

Explanation of Change

Offsetting collections of $5,600,000 will be used for Program Direction expenses and customer reimbursements are authorized to pay for work associated with power sales and other services.

Southeastern Power Administration

Overview
Appropriation Summary by Program

(dollars in thousands)

	FY 2004 Comparable Appropriation	FY 2005 Original Appropriation	FY 2005 Adjustments	FY 2005 Comparable Appropriation	FY 2006 Request
Southeastern Power Administration					
Program Direction	5,070	5,200	-42	5,158	5,600
Purchase Power and Wheeling	34,000	34,000	0	34,000	32,713
Total, Southeastern Program Level	39,070[a]	39,200	-42	39,158[b]	38,313
Use of offsetting collections	-19,000	-34,000	0	-34,000	-38,313
Offsetting collections (P.L. 106-377)	-15,000	0	0	0	0
Budget Authority, Southeastern Power Administration	5,070	5,200	-42	5,158	0

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 2006 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, there 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 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.

[a] Reflects a total rescission of $30,090 from the Consolidated (Omnibus) Appropriations Bill for FY 2004.
[b] Reflects a total rescission of $42,000 from the Consolidated (Omnibus) Appropriations Bill for FY 2005.

Strategic Context

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

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

To provide a concrete link between budget, performance, and reporting, the Department developed a "GPRA[a] unit" concept. Within DOE, a GPRA Unit defines a major activity or group of activities that support the core mission and aligns resources with specific goals. Each GPRA Unit has completed or will complete a 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[b].

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

Mission

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

Benefits

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

Power revenues repay taxpayers' 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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[a] Government Performance and Results Act of 1993

[b] The numbering scheme uses the following numbering convention: First 2 digits identify the General Goal that (01 through 07); second two 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, General, and Program 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 Southeastern Power Administration supports the following Strategic and General Goals:

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.

The program funded within the Southeastern Power Administration appropriation has 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; markets and delivers 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 and Program Goal

(dollars in thousands)

	FY 2004	FY 2005	FY 2006
General Goal 4, Energy Security			
Program Goal 04.51.00.00, Market and Deliver Federal Power	39,070	39,158	38,313
Subtotal, General Goal 4, Southeastern Power Administration	39,070[a]	39,158[b]	38,313
Offsetting collections	-19,000	-34,000	-38,313
Offsetting collections (P.L..106-377)	-15,000	0	0
Total, General Goal 4, Southeastern Power Administration	5,070	5,158	0

[a] Reflects a total rescission of $30,090 from the Consolidated (Omnibus) Appropriations Bill for FY 2004.
[b] Reflects a total rescission of $42,000 from the Consolidated (Omnibus) Appropriations Bill for FY 2005.

Annual Performance Results and Targets

FY 2001 Results	FY 2002 Results	FY 2003 Results	FY 2004 Targets	FY 2005 Targets	FY 2006Targets
Southeastern Power Administration/Operation and Maintenance System Reliability Performance:	System Reliability Performance:	System Reliability Performance:	System Reliability Performance:	System Reliability Performance:	System Reliability Performance:
Goal Met. Attained average NERC compliance ratings of > 100 for (CPS) 1 and >90 for (CPS) 2. Goal met. (ER2-5)	Goal Met. Attained average NERC compliance ratings of > 100 for (CPS) 1 and >90 for (CPS) 2. Goal met. (ER2-5).	Goal met. Attained average NERC compliance ratings of > 100 for (CPS) 1 and >90 for (CPS) 2. Goal met. (ER9-1)	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. Goal Met (ER9-1)	Attain acceptable North American Electric Reliability Council (NERC) ratings for the following NERC Control Performance Standards (CPS) measuring the balance between power generation and load: 1) CPS1 which measures generation/load balance and support system frequency on one minute intervals (rating ≥100); and 2) CPS2 which limits any imbalance magnitude to acceptable levels (rating ≥90). (ER4-51)	*Meet NERC Control Performance Standards (CPS) of CPS1≥100 and CPS2≥90. CPS1: minute by minute measures a generating system's ability to match supply to changing demand requirements and support desired system frequency (about 60 cycles per second); CPS2: measures systems ability to limit the magnitude of generation and demand imbalances. (ER4-51)* *Efficiency Performance: Southeastern will provide power at the lowest possible cost by keeping projected O&M cost per Kilowatt-hour below the national average for hydropower.(ER4-51)*
Actual: CPS 1: 188 CPS 2: 100	Actual: CPS 1: 218 CPS 2: 98	Actual: CPS 1: 182 CPS 2: 97	Actual: CPS 1: 174.49 CPS 2: 98.94		
				System Reliability Performance: Provide reliable service to customers each year by maintaining full compliance with NERC and Southeastern Electric Reliability Council (SERC) operating policies and standards as a foundation for its operations reliability program. (ER4-51)	System Reliability Performance: Achieve full compliance with NERC's Regional Compliance Enforcement Plan by having no unresolved compliance issues. (ER4-51)

Annual Performance Results and Targets, continued

FY 2001 Results	FY 2002 Results	FY 2003 Results	FY 2004 Targets	FY 2005 Targets	FY 2006Targets
Repayment of Federal Power Investment:	Repayment of Federal Power Investment:	Repayment of Federal Power Investment:	Repayment of Federal Power Investment:	Repayment of Federal Power Investment Performance:	Repayment of Federal Power Investment Performance:
Meet planned annual repayment of Federal power investment. Goal not met due to low water conditions. (ER2-5)	Meet planned annual repayment of Federal power investment. Goal not met due to low water conditions. (ER2-5)	Meet planned annual repayment of principal on Federal power investment. Goal met. (ER9-2)	Meet planned annual repayment of principal on Federal power investment. Goal met (ER9-1)	Repay 1 percent on the Federal investment each year. (ER4-51)	Repay $40.7 million annually under average water conditions to meet required payments as they come due and assure that all aged investments will be replaced on a timely basis now and in the future. (ER4-51)
Actual: $-13.2 million	Actual: $ 5.35 million	Actual: $37.5 million	Actual: $44 million		
			Repayment of Federal Power Investment: Meet required repayment of Federal power investment within the required repayment period. Goal met. (ER9-1)	Economic Benefit Performance: Provide $628 million in annual economic benefits to the region from the sale of hydroelectric power. (ER4-51)	Economic Benefit Performance: Provide $635 million in annual economic benefits to the region under average water conditions. (ER4-51)
			Actual: $15.6 million		
Safety: Achieved a recordable accident frequency rate of 0 for recordable injuries per 200,000 hours worked. Goal met. (ER2-5)	Safety: Achieved a recordable accident frequency rate of 0 for recordable injuries per 200,000 hours worked. Goal met. (ER2-5)	Safety: Achieved a recordable accident frequency rate of 0 for recordable injuries per 200,000 hours worked. Goal Met. (ER9-3)	Safety: 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. Goal met. (ER9-1)		
Actual: 0 accidents	Actual: 0 accidents	Actual: 0 accidents	Actual: 0 accidents		

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:

- 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 adequate 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.

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 providing employee training, leadership development, retention programs, and 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 industry restructuring changes when needed by moving positions to the “front lines” when opportunities exist.
- 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. Southeastern's programmatic activities are subject to continuing review by internal and external entities such as Congress, the General Accounting Office, the Department of Energy, the Department of Energy's Inspector General, the Federal Energy Regulatory Commission (FERC), the U.S. Environmental Protection Agency, the Office of Personnel Management, Southeastern, National and Regional Reliability Councils.

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 2006 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 has implemented modifications to improve OMB's ratings related to Planning. Southeastern is continuing to

work with OMB on long-term goals. Associated annual targets are reflected in the "Annual Results and Targets" section of this budget request.

Significant Program Shifts

- The FY 2006 request reflects the Administration's proposal to Direct Fund Corps' operation and maintenance expense allocated to the power function in Southeastern's service area by using receipts from the sale of power and related services.

- The FY 2006 budget request proposes to fund Program Direction expenses through the use of offsetting collections. Southeastern will recover the full cost of this subprogram through revenues collected from the sale of Federal power and related services. The revenue will be deposited into the Treasury as a direct offset to Southeastern's appropriation, resulting in a net appropriation of $0 for this subprogram.

- Southeastern proposes to fund the Purchase Power and Wheeling activity through alternative financing arrangements with our customers, such as net billing, bill crediting, and offsetting collections.

- Southeastern revised the accounting for energy arrangements with the Tennessee Valley Authority (TVA) to eliminate the need for appropriations to pay for transmission service from TVA. These charges are now paid through a net billing arrangement with TVA.

- Southeastern is implementing PAY.GOV, which was developed by the U.S. Treasury Department to provide electronic collection methods that facilitate the ability to conduct transactions online.

- Regional Transmission Organizations (RTO): There are several organizations in the southeast discussing the benefits of organizing an RTO and/or considering joining RTOs in other regions. Southeastern will actively participate in any efforts toward establishing an RTO or RTOs in the southeast. Southeastern has joined the PJM RTO. Significant increases in transmission expenses are expected to be passed through to our preference customers.

- Customer Funding: Customers in the Georgia-Alabama-South Carolina System are prepared to organize a Limited Liability Corporation and sign a Memorandum of Agreement with the Corps and Southeastern to provide funding for capitalized items at specific Corps' projects. In July 2004, customers in the Cumberland System signed a limited Memorandum of Agreement with the Corps and Southeastern to provide funding for capitalized items at specific projects.

Southeastern Power Administration

Funding by Site by Program

(dollars in thousands)

	FY 2004	FY 2005	FY 2006	$ Change	% Change
Southeastern Power Administration	39,070	39,158	38,313	-845	-2.2%
Total, Southeastern Power Administration	39,070	39,158	38,313	-845	-2.2%

Site Description

Southeastern Power Administration (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, two investor-owned utilities, and one 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 2004 Comparable Appropriation	FY 2005 Original Appropriation	FY 2005 Adjustments	FY 2005 Comparable Appropriation	FY 2006 Request
Southeastern Power Administration					
Program Direction	5,070[a]	5,200	-42	5,158	5,600
Purchase Power and Wheeling[b]	34,000	34,000	0	34,000	32,713
Total Southeastern Program Level	39,070	39,200	-42	39,158[c]	38,313
Offsetting Collections	-19,000	-34,000	0	-34,000	-38,313
Offsetting Collections Realized (P.L. 106-377)	-15,000	0	0	0	0
Total Budget Authority Request	5,070	5,200	-42	5,158	0

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.

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

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

[b] The total purchase power and wheeling requirements are $46.0 million, $46.9 million, and $47.2 million for FY 2004, FY 2005, and FY 2006, respectively. The total requirements are financed through receipts and alternative financing methods, which include offsetting collections, net billing, bill crediting, non-Federal reimbursable advances, and Federal reimbursable authority. For additional detail on funding, refer to the Funding Schedule in the Purchase Power and Wheeling section.

[c] Reflects a rescission of $42,000 from the Consolidated (Omnibus) Appropriations Bill for FY 2005.

- 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.

Purchase Power and Wheeling

Funding Schedule by Activity

(dollars in thousands)

	FY 2004	FY 2005	FY 2006	$ Change	% Change
Purchase Power and Wheeling					
Purchase Power	12,800	12,000	12,000	0	0.0%
Wheeling	33,200	36,200	35,198	-1,002	-2.8%
Subtotal, Purchase Power and Wheeling	46,000	48,200	47,198	-1,002	-2.1%
Alternative Financing					
Net Billing	-12,000	-14,200	-14,485	-285	+2.0%
Subtotal, Alternative Financing	-12,000	-14,200	-14,485	-285	+2.0%
Subtotal, Purchase Power and Wheeling	34,000	34,000	32,713	-1,287	-3.8%
Offsetting Collections Realized	-34,000	-34,000	-32,713	1,287	-3.8%
Total, Purchase Power and Wheeling Budget Authority	0	0	0	0	0.0%

Description

The mission of Purchase Power and Wheeling is to provide funding for acquisition of transmission services, ancillary services for the system, plus pumping energy for the Richard B. Russell and Carters Pumped Storage units. Purchase Power and Transmission expenses are based on contracts Southeastern maintains with area transmission providers that agree to deliver specified amounts of Federal power from the hydropower projects to Federal power customers. Southeastern has access to a continuing fund for emergency power purchases.

The FY 2006 request uses customer receipts and net billing to pay for purchase power and wheeling expenses. Southeastern's Federal appropriation allows customers to fund purchase power and wheeling expenses in FY 2006 and subsequent years at no cost to the Federal Treasury. Some customers, acting independently or in partnerships, will acquire replacement power and transmission services directly from suppliers. Southeastern will continue to assist its customers in arranging the funding of these activities through alternative financing mechanisms, as needed.

Benefits

The Purchase Power and Wheeling subprogram supports Southeastern'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 Southeastern. The Department of Energy's Strategic Plan reinforces the importance of domestic, renewable hydroelectric energy by emphasizing its ongoing significant contribution to the Nation's past and future energy supply and Southeastern's role as a power resource by supplying hydroelectric power to its customers.

Detailed Justification

	(dollars in thousands)		
	FY 2004	FY 2005	FY 2006
Purchase Power	**12,800**	**12,000**	**12,000**
▪ Pumping: Russell Project Purchase of energy to pump water into the Richard B. Russell Project for later release.	8,000	8,000	8,000
▪ Pumping: Carters Project Purchase of energy to pump water into the Carters Project for later release.	4,000	4,000	4,000
▪ Support Jim Woodruff Project Purchase of energy during periods of adverse water conditions.	800	0	0
Wheeling	**33,200**	**36,200**	**35,198**
▪ Wheeling service charges Wheeling service charges for delivery of power over non-Federal systems.	28,772	31,436	30,434
▪ Ancillary Services Payment for ancillary services.	4,428	4,764	4,764
Total, Purchased Power and Wheeling	**46,000**	**48,200**	**47,198**

Explanation of Funding Changes

	FY 2006 vs. FY 2005 ($000)
Purchase Power and Wheeling	
▪ Kerr-Philpott System increases were offset by Cumberland and Georgia-Alabama-South Carolina System decreases	-1,002
Total Funding Change, Purchase Power and Wheeling	**-1,002**

Program Direction

Funding Profile by Category

(dollars in thousands/whole FTEs)

	FY 2004	FY 2005	FY 2006	$ Change	% Change
Southeastern Power Administration					
Salaries and Benefits	3,726	3,748	3,993	+245	+6.5%
Travel	150	126	126	+0	+0.0%
Support Services	68	35	37	+2	+5.7%
Other Related Expenses	1,126	1,249	1,444	+195	+15.6%
Subtotal, Southeastern Power Administration	5,070[a]	5,158[b]	5,600	+442	+8.6%
Use of Prior Year Balances	0	0	0	0	0.0%
Total, Program Direction	5,070	5,158	5,600	+442	+8.6%
Total, 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 which 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.

Program Direction subprogram provides compensation and all related expenses for 42 Federal Personnel, who market and schedule Federal power. Southeastern will recover the full cost of this subprogram through revenues collected from the sale of Federal Power and other related services, and deposit into the Treasury as a direct offset to the appropriation, resulting in a net appropriation of $0.

[a] Reflects a rescission of $30,090 from the Consolidated (Omnibus) Appropriations Bill for FY 2004.
[b] Reflects a rescission of $42,000 from the Consolidated (Omnibus) Appropriations Bill for FY 2005.

Detailed Justification

(dollars in thousands)

	FY 2004	FY 2005	FY 2006
Salaries and Benefits	**3,726**	**3,748**	**3,993**

Funding supports salaries and benefits for 42 Federal employees who market 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, DOE-cascading performance 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. Reliability Performance is measured by two System Reliability Performance Indicators that provide control area compliance ratings. Southeastern's goals are: to meet or exceed the control performance standards 1 and 2 of the National Electric Reliability Council (NERC); and measure compliance with NERC and SERC operating policies. Funding provides for 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 issues a rate presentation, as needed. Repayment 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.

	(dollars in thousands)		
	FY 2004	FY 2005	FY 2006
Travel	**150**	**126**	**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, and 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	**68**	**35**	**37**

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.

Other Related Expenses	**1,126**	**1,249**	**1,444**

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), e-gov supplies, materials, and equipment and support for various initiatives associated with Homeland Security[a]. Support installation of various electronic hardware and software for the operations center and provide maintenance to integrate real-time data from the control area and provide 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 security.

Total, Program Direction	**5,070**	**5,158**	**5,600**

[a] Homeland Security: includes Safeguards and Security expenditures of approximately $12,000 associated with cyber security, property, and personnel security; and $50,000 to enhance Southeastern's physical security to achieve compliance with elevated threat level.

Explanation of Funding Changes

	FY 2006 vs. FY 2005 ($000)
Salaries and Benefits	
▪ Fiscal Year 2006 salaries are derived from the current year budgeted salaries, plus cost-of-living adjustments, promotions, within-grade increases, DOE-cascading performance 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	+245
Travel	
▪ No increase	+0
Support Services	
▪ Increase in funding for co-sponsored energy efficiency audits for residential, commercial, and industrial customers; certification of renewable resource portfolios.	+2
Other Related Expenses	
▪ Rent increase due to inflation	+8
▪ Audit due to new DOE requirement for special opinion letter	+20
▪ Communications expenses were realigned to reflect object classification of expense items. Includes $17,715 in expenses allocated to e-gov	+183
▪ Increase in tuition for operator licenses, IM, and other training	+9
▪ Maintenance expenses were realigned to reflect object classification of expense items. Actual expenses increased $8,000 and are allocated to web page support, ORACLE accounting system, SCADA system, Anti-virus software, emergency generator, and off-site record storage	-127
▪ Supplies and materials expenses were realigned to reflect object classification of expense items. Actual expenses increased $5,000 and are allocated to IT supplies	+23
▪ Contract services expenses were realigned to reflect object classification of expense items. Actual expenses increased $2,000 and are allocated to GSA clerk salaries	-93
▪ Equipment expenses were realigned to reflect object classification of expense items. Actual expenses increased $4,000 and include expenses for computer software	+172
▪ Working Capital Fund remains unchanged	0
Subtotal, Other Related Expenses	+195
Total Funding Change, Program Direction	**+442**

Support Services by Category

(dollars in thousands)

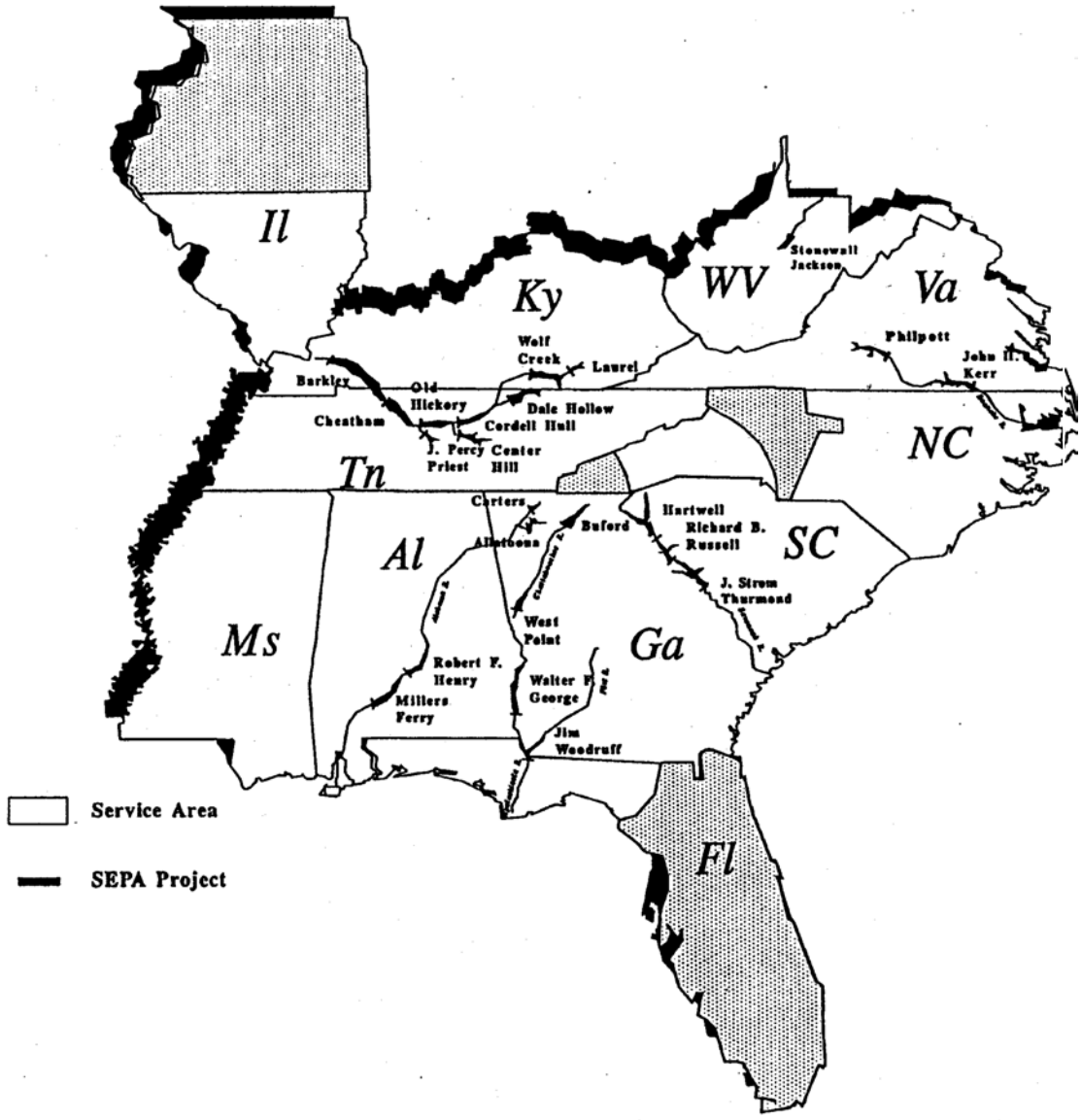
	FY 2004	FY 2005	FY 2006	$ Change	% Change
Management and Professional Support Services					
Training in efficient management and operation of utility organizations and training in renewable and energy efficient technologies	68	35	37	+2	+5.7%
Total, Management and Professional Support Services	68	35	37	+2	+5.7%

Other Related Expenses by Category

(dollars in thousands)

	FY 2004	FY 2005	FY 2006	$ Change	% Change
Other Related Expenses					
Rent to GSA	314	325	333	+8	+2.5%
Rent to Others	0	7	7	0	0.0%
Audit of Financial Statements	115	130	150	+20	+15.4%
Communications, Utilities, Misc.	10	89	272	+183	+205.6%
Printing and Reproduction	6	6	6	0	0.0%
Tuition	33	11	20	+9	+81.8%
Maintenance Agreements	201	226	99	-127	-56.2%
Supplies and Materials	6	39	62	+23	+59.0%
Contract Services	250	371	278	-93	-25.1%
Equipment	191	18	190	+172	+955.6%
Working Capital Fund	0	27	27	0	0.0%
Total, Other Related Expenses	1,126	1,249	1,444	+195	+15.6%

Service Area Map



Revenue and Receipts

(dollars in thousands)

	FY 2004	FY 2005	FY 2006	FY 2007[a]	FY 2008	FY 2009	FY 2010
Southeastern Power Administration							
Gross Revenues	215,221	230,693	232,018	233,505	234,556	235,660	236,818
Less:							
Continuing Fund	0	0	0	0	0	0	0
Use of Offsetting Collections to fund PPW	-34,000	-34,000	-38,313	-33,102	-33,251	-33,407	-34,910
Direct Funding Corps Hydropower O&M	0	0	-77,958	-74,000	-76,000	-79,000	-82,000
Cumberland Rehabilitation	-5,000	-8,000	-7,000	0	0	0	0
Net Billing Amount Credited as an Offsetting Receipt	-12,000	-14,200	-14,485	-14,649	-14,892	-15,147	-15,415
Total Proprietary Receipts	164,221	174,493	94,262	111,754	110,413	108,106	104,493
Percent of Sales to Preference Customers	99%	99%	99%	99%	99%	99%	99%
Energy Sales and Power Marketed (in billions of kilowatt hours)	8	8	8	8	8	8	8

[a] Expected increase in GA-AL-SC rates of 15 percent in FY 2007

System Statistics

	FY 2004 Actual	FY 2005 Estimate	FY 2006 Estimate
Generating Capacity:			
Nameplate Capacity (KW)	3,392,675	3,392,675	3,392,675
Peak Capacity (KW) [a]	3,679,880	3,710,000	3,710,000
Generating Stations			
Generating Projects (Number)	23	23	23
Available Energy			
Energy from Streamflow (MWH)	7,883,629	7,459,272	7,459,272
Energy generated from Pumping (MWH)	420,887	427,128	427,128
Energy Purchased for Replacement	10,518	75,000	75,000
Total, Energy available for marketing [b]	8,315,034	7,961,400	7,961,400

[a] Southeastern markets capacity based on nameplate plus an overload factor. NERC requires that Southeastern keep a portion of the capacity in reserve for emergency purposes and to cover losses.
[b] Gross amount. Transmission losses 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 2004 Actual Power (GWH)	FY 2005 Estimated Power (GWH)	FY 2006 Estimated Power (GWH)
Kerr-Philpott System				497 *	463 *	463 *
John H. Kerr	VA-NC	1	204,000			
Philpott	VA	1	14,000			
Georgia-Alabama-South Carolina System				3,319 *	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			
Jim Woodruff Project	FL-GA	1	30,000	235	237	237
Cumberland System				4,254 *	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			
Stonewall Jackson Project	WV	1	300	0	1	1
Total Power Marketed		23	3,392,675	8,305	7,887	7,887

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

Pending Litigation

Although Southeastern is not a party to the cases listed below, we are monitoring them in order to assess any impacts the outcomes may have on Southeastern's operations.

Southeastern Federal Power Customers, Inc., (SeFPC) Lawsuit Against the Corps: In late 2000, SeFPC sued the Corps in U.S. District Court for the District of Columbia regarding the management of water withdrawal contracts and collection of revenues from certain water users in Georgia. The parties agreed to settlement discussions aided by a Court-sanctioned mediator and on January 9, 2003, a mediated settlement was reached by SeFPC, the Corps, the State of Georgia, and various Georgia water users holding Corps water withdrawal contracts at Lake Lanier (Buford Project). The settlement has been contested by the States of Alabama, Florida, and other intervening parties as being in conflict with prior pending litigation in Alabama and efforts by the three States to negotiate water compacts for the Alabama-Coosa-Tallapoosa and Apalachicola-Chattahoochee-Flint River Basins in Georgia, Florida, and Alabama. Also, it is argued that implementation of the settlement would adversely affect other litigation pending in Alabama and Georgia involving these parties.

On February 10, 2004, the Court overruled the objections of the States of Alabama and Florida to the Settlement Agreement and declared it valid and approved. The Court also held that the Settlement Agreement may be executed, filed, and thereafter performed in accordance with its terms, provided the preliminary injunction entered on October 15, 2003, in the Northern District of Alabama is first vacated. The order for injunction was appealed to the 11th Circuit of Appeals and the Court, after oral arguments, returned the Alabama order to the District Court for further consideration. Briefs and oral arguments were presented in late September, and no action has been taken by the Alabama District Court. Appeals from the February order were filed in April by Florida and Alabama and are currently being briefed by the parties.

State of Georgia - Corps Litigation: The court has not yet established a new briefing schedule to move forward to the merits of this case. The State of Georgia contends that the Corps has plenary authority to make certain water supply allocations from the Buford Project without additional legislation from Congress. The State of Florida, SeFPC, and other parties to the litigation contend otherwise. The stay of proceedings agreed to by the parties to accommodate negotiations in the ACF-ACT Compacts expired on August 31, 2003. Since the issues in this case are interrelated with the SeFPC litigation set forth above and the litigation in the Northern District of Alabama, it is believed the Court will wait for a resolution of the appeals pending in both cases.

Alternative Financing

2004	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

2005	Transmission	Purchase Power	Offsetting Collections	Net Billing	Appropriated Funds
Jim Woodruff System	264	0	0	-264	0
Kerr-Philpott System	4,716	0	-4,716	0	0
GA-AL-SC System	21,430	12,000	-29,081	-4,349	0
Cumberland System	9,790	0	-203	-9,587	0
	36,200	12,000	-34,000	-14,200	0

2006	Transmission	Purchase Power	Offsetting Collections	Net Billing	Appropriated Funds
Jim Woodruff System	264	0	0	-264	0
Kerr-Philpott System	4,738	0	-4,738	0	0
GA-AL-SC System	20,414	12,000	-27,780	-4,634	0
Cumberland System	9,782	0	-195	-9,587	0
	35,198	12,000	-32,713	-14,485	0

Southwestern Power Administration

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] *program direction activities*, 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 Administration, [$29,352,000] *$30,166,000,* to remain available until expended: *Provided, That, notwithstanding 31 U.S.C. 3302 for fiscal year 2006 and each year thereafter, amounts collected by the Southwestern Power Administration to recover expenses related to operations and maintenance and program direction activities shall be credited to this account as offsetting collections, to remain available until expended for the sole purpose of making operations and maintenance and program direction expenditures: Provided further, That, for fiscal year 2006, the collections by the Southwestern Power Administration to recover expenses related to operations and maintenance and program direction activities shall not exceed $27,000,000: Provided further, That the sum herein appropriated from the General Fund for operations and maintenance and program direction activities shall be reduced as offsetting collections are received during fiscal year 2006 so as to result in a final fiscal year 2006 appropriation net of these collections not to exceed $3,166,000.*

In addition, notwithstanding [the provisions of] 31 U.S.C. 3302, up to [$2,900,000] *$1,235,000* 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 2005 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

New appropriation language provides Southwestern Power Administration (Southwestern) the authority to deposit $27,000,000 of its revenues into the Treasury as offsetting collections for expenses related to Operations and Maintenance and Program Direction. The revenues collected will be a direct offset to Southwestern's appropriation, resulting in a net appropriation of $3,166,000. The appropriation language also provides authority for the use of receipts from the sale of Federal power in the amount of $1,235,000 to fund part of Southwestern's overall purchased power needs while fulfilling its Federal 1200-hour peaking power contractual obligations. These funding authorities will ensure Southwestern's ability to provide reliable energy to the Nation, while accommodating increased loads on the Federal power system.

Southwestern Power Administration

Overview

Appropriation Summary by Program

(dollars in thousands)

	FY 2004 Comparable Appropriation	FY 2005 Original Appropriation	FY 2005 Adjustments	FY 2005 Comparable Appropriation	FY 2006 Request
Southwestern Power Administration [a]					
Operation and Maintenance (O&M)	30,231	32,252	-235	32,017	31,401
Subtotal, Southwestern Power Administration	30,231 [b]	32,252	-235	32,017 [c]	31,401
Offsetting Collections	-1,512	-2,900	0	-2,900	-28,235
Offsetting Collections (P.L. 106-377).....	-288	0	0	0	0
Total, Southwestern Power Administration	28,431	29,352	-235	29,117	3,166

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 the Program Assessment Rating Tool (PART) and Significant Program Shifts.

[a] 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.
[b] Reflects a total rescission of $168,740 (Program Direction, $113,310; Operations and Maintenance, $27,511; Construction, $27,919) from the Consolidated (Omnibus) Appropriations Bill for FY 2004.
[c] Reflects a total rescission of $234,816 (Program Direction, $154,592; Operations and Maintenance $37,408; Construction, $42,816) from the Consolidated (Omnibus) Appropriations Bill for FY 2005.

Strategic Context

Following publication of the Administration's National Energy Policy (NEP), 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[a] unit" concept. Within the 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[b] has been established for reporting and tracking performance.

The goal cascade accomplishes two things. First, it ties major activities for each program to successive goals, and, ultimately, to the 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

The mission of Southwestern 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 and participating with other water resource users in an effort to balance their diverse interests with power needs within broad parameters set by the U. S. Army Corps of Engineers (Corps), and implementing public policy.

Benefits

Southwestern's appropriation supports DOE's Energy Strategic Goal by delivering reliable, affordable, and environmentally sound energy and operating a reliable transmission system, which is an integral part of the Nation's transmission grid. Southwestern, in conjunction with the 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.
Southwestern's program provides the Nation numerous benefits, which include:

- 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.
- Producing power at the lowest cost-based rates possible.

[a] Government Performance and Results Act of 1993.
[b] 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.

- Providing approximately $457 million in economic benefits annually under average water conditions.
- Southwestern has the capability to provide regional power restoration assistance to other non-hydropower generation sources during outage emergencies.

Strategic, General, and Program 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 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.

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: Provide the benefits of Federal power to customers by selling and reliably delivering power from Federal multipurpose hydroelectric dams at the lowest cost-based rates possible that produce revenues sufficient to repay all power costs to the American taxpayers.

Contribution to General Goal 4

Southwestern contributes to the Energy Security goal through four subprograms (Program Direction, Operations and Maintenance, Construction, and Purchased Power and Wheeling) and supported by appropriations, appropriations offset by receipts, Federal power receipts, and alternative financing arrangements [net billing, bill crediting, and reimbursable authority (customer advances)]. This is accomplished by marketing and delivering all available hydroelectric power from the Corps' dams and participating with other water resource users in an effort to balance diverse interests with power needs within broad parameters set by the Corps; operating and maintaining a Federal power system, which is an integral part of the Nation's electrical grid, 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 initiatives.

Funding By General and Program Goal

(dollars in thousands)

	FY 2004	FY 2005	FY 2006
General Goal 4, Energy Security			
Program Goal 04.52.00.00, Operation and Maintenance	30,231	32,017	31,401
Subtotal, General Goal 4 (Southwestern Power Administration)	30,231 [a]	32,017 [b]	31,401
Offsetting Collections	-1,512	-2,900	-28,235
Offsetting Collections (P.L. 106-377)	-288	0	0
Total, General Goal 4 (Southwestern Power Administration)	28,431	29,117	3,166

[a] Reflects a total rescission of $168,740 (Program Direction, $113,310; Operations and Maintenance, $27,511; Construction, $27,919) from the Consolidated (Omnibus) Appropriations Bill for FY 2004.
[b] Reflects a total rescission of $234,816 (Program Direction, $154,592; Operations and Maintenance $37,408; Construction, $42,816) from the Consolidated (Omnibus) Appropriations Bill for FY 2005.

Annual Performance Results and Targets

FY 2001 Results	FY 2002 Results	FY 2003 Results	FY 2004 Results	FY 2005 Targets	FY 2006 Targets
Southwestern Power Administration, Operation and Maintenance					
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) Actual: CPS 1: 188.3 CPS 2: 99.6	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) Actual: CPS 1: 192.8 CPS 2: 99.8	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) Actual: CPS 1: 187.3 CPS 2: 99.5	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) Actual: CPS 1: 183.8 CPS 2: 99.6	*Meet industry averages (CPS1: 171.64 and CPS2: 96.71) and at a minimum, meet NERC Control Performance Standards (CPS) of CPS1≥100 and CPS2≥90. CPS1: minute by minute measures a generating system's ability to match supply to changing demand requirements and support desired system frequency (about 60 cycles per second); CPS2: measures systems ability to limit the magnitude of generation and demand imbalances.*	*Meet industry averages (CPS1: 171.64 and CPS2: 96.71) and at a minimum, meet NERC Control Performance Standards (CPS) of CPS1≥100 and CPS2≥90. CPS1: minute by minute measures a generating system's ability to match supply to changing demand requirements and support desired system frequency (about 60 cycles per second); CPS2: measures systems ability to limit the magnitude of generation and demand imbalances.*
Meet planned annual repayment of principal on Federal power investment. (ER2-5) Actual: $19.9 million	Meet planned annual repayment of principal on Federal power investment. (ER9-1) Actual: $39.3 million	Meet planned annual repayment of principal on Federal power investment. (PMA9-2b) Actual: $17.0 million	Meet planned annual repayment of principal on Federal power investment. (ER9-3) Actual: $29.2 million	*Provide power at the lowest possible cost by keeping average operation and maintenance cost per kilowatt-hour below the National average for hydropower.*	*Provide power at the lowest possible cost by keeping average operation and maintenance cost per kilowatt-hour below the National average for hydropower.*[a]
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) Actual: 3.1 recordable injuries per 200,000 hours worked.	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) Actual: 5.5 recordable injuries per 200,000 hours worked.	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) Actual: 1.3 recordable injuries per 200,000 hours worked.	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) Actual: 2.6 recordable injuries per 200,000 hours worked.	Provide $457 million in economic benefits to the region from the sale of hydroelectric power (under average water conditions).	
			Repay the Federal investment within the required repayment period. (ER9-3) Actual: met all required repayment.	Repay the Federal investment within the required repayment period.	Repay the Federal investment within the required repayment period.
			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) Actual: < 150 minutes of total preventable outages.	Provide reliable service to customers annually under normal operations, by not allowing system voltage to fall below 95% of nominal (e.g. 161kV) for more than 30 minutes during any preventable condition.	Provide reliable service to customers annually under normal operations, by not allowing system voltage to fall below 95% of nominal (e.g. 161kV) for more than 30 minutes during any preventable condition.[b]

[a] National average for hydropower O&M cost per kilowatt-hour is derived from a sampling of 30 hydropower utilities' annual reports, the Federal Energy Regulatory Commission's Form 1, and the Energy Information Administration's Form 412.

[b] Preventable condition is any event or action over which Southwestern has sole control.

Means and Strategies

Southwestern will use various means and strategies to achieve its program goal; however, various external factors may impact the ability to achieve this goal. Southwestern also performs collaborative activities to help meet its goal.

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, appropriations offset by receipts, use of Federal power receipts, and alternative financing arrangements [net billing, bill crediting, and reimbursable authority (customer advances)].
- Meet Southwestern's purchased power and wheeling contractual obligations through the use of Federal power receipts and alternative financing arrangements [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 interests 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 goal:

- Achieving and maintaining system reliability can be affected by weather, natural disasters, changes in 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 benefits to the region can be affected by weather, power markets, natural disasters, other external costs, and revenue factors.

- Achieving cost efficiencies and keeping average Operation & Maintenance (O&M) costs per kilowatt-hour below the National average for hydropower can be affected by security level requirements, weather, industry changes, equipment failure, regulatory mandates, Congressional requirements, and other unforeseen requirements.

In carrying out its mission to market and deliver hydroelectric power, Southwestern collaborates the following activities:

- Southwestern coordinates operational activities with the Corps, competing resources interests, 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 Government Accountability 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, the regional electric reliability council, and Southwestern's Federal power customers.

The achievement of Southwestern's objectives is evaluated on a daily basis. This is driven by the nature of the mission responsibilities and the continued impacts of external factors. Each objective has performance targets that are reported quarterly to the Department of Energy. Southwestern establishes a Plan of Action to improve any performance below established quarterly standards. These targets are indicators of whether Southwestern is achieving its objectives.

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 2006 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 Management (90), and Planning (77), 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 a lower score for Program Purpose (60) based on the view that Southwestern's power marketing program was not optimally designed and does not meet all of its financial obligations. This OMB view is largely based on GAO reports from past years. Since these GAO reports were issued, actions by Southwestern, other events and internal procedural changes have addressed many of OMB's concerns

OMB also provided a lower score for Results/Accountability (70). OMB stated that Southwestern had "inadequate long- and short-term goals, measures and targets, particularly efficiency measures." In

coordination with its OMB Examiner, Southwestern has established outcome- and output-oriented goals including efficiency measures, acceptable to both OMB and Southwestern. These mutually agreed to performance goals and targets, reflected in FY 2006, provide a strong link to the funding request and are expected to improve Southwestern's PART score for the FY 2007 budget cycle.

Significant Program Shifts

- The FY 2006 request reflects the Administration's proposal to fund the Corps' hydropower O&M costs in Southwestern's service area from receipts derived from the sale of Federal power and related services.
- The FY 2006 budget request proposes to fund O&M and Program Direction expenses through the use of offsetting collections. Southwestern will recover the full cost of these subprograms through revenues collected from the sale of Federal power and related services. The revenue will be deposited into the Treasury as a direct offset to our appropriation, resulting in a net appropriation of $0 for these subprograms. This would allow Southwestern to fund critical transmission replacements to meet reliability and security requirements of the NEP and DOE's Transmission Grid Study that cannot be accommodated in the target allowance. This funding authority is required to prevent further deterioration of the Nation's electrical infrastructure.

Southwestern Power Administration

Funding by Site by Program

(dollars in thousands)

	FY 2004	FY 2005	FY 2006	$ Change	% Change
Southwestern Power Administration	30,231	32,017	31,401	-616	-1.9%
Total, Southwestern Power Administration	30,231	32,017	31,401	-616	-1.9%

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 its Headquarters in Tulsa, Oklahoma and the Dispatch Center in Springfield, Missouri with maintenance crews in Jonesboro, Arkansas; Gore, Oklahoma; and Springfield, Missouri.

Operation and Maintenance

Funding Profile by Subprogram

(dollars in thousands)

	FY 2004 Comparable Appropriation	FY 2005 Original Appropriation	FY 2005 Adjustments	FY 2005 Comparable Appropriation	FY 2006 Request
Operation and Maintenance					
Program Direction	19,092	19,324	-155	19,169	19,958
Operations and Maintenance	4,635	4,676	-37	4,639	7,042
Construction	4,704	5,352	-43	5,309	3,166
Purchased Power and Wheeling	1,800	2,900	0	2,900	1,235 [a]
Subtotal, Operation and Maintenance	30,231 [b]	32,252	-235	32,017 [c]	31,401
Offsetting Collections, Program Direction	0	0	0	0	-19,958
Offsetting Collections, O&M	0	0	0	0	-7,042
Offsetting Collections, PPW	-1,512	-2,900	0	-2,900	-1,235
Offsetting Collections, PPW (P.L. 106-377)	-288	0	0	0	0
Total, Operation and Maintenance	28,431	29,352	-235	29,117	3,166

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
Public Law 108-137, Appropriations Act, FY 2004

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 and participating with other water resource users in an effort to balance their diverse interests with power needs within broad parameters set by the U.S. Army Corps of Engineers (Corps), and implementing public policy.

[a] The total purchased power and wheeling requirements are $10.6 million, $11.2 million, and $10.6 million for FY 2004, FY 2005, and FY 2006, respectively. The total requirements are financed through Federal power receipts and alternative financing methods including net billing, bill crediting, non-Federal reimbursable advances, and Federal reimbursable authority. For additional detail on funding, refer to the Funding Schedule in the Purchased Power and Wheeling section.
[b] Reflects a total rescission of $168,740 (Program Direction, $113,310; Operations and Maintenance $27,511; Construction, $27,919) from the Consolidated (Omnibus) Appropriations Bill for FY 2004.
[c] Reflects a total rescission of $234,816 (Program Direction, $154,592; Operations and Maintenance $37,408; Construction, $42,816) from the Consolidated (Omnibus) Appropriations Bill for FY 2005.

Benefits

Southwestern's appropriation supports the Department of Energy's (DOE) Energy Strategic Goal by delivering reliable, affordable, and environmentally sound energy and operating a reliable transmission system, which is an integral part of the Nation's transmission grid. Southwestern, in conjunction with the 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.

Southwestern's program provides the Nation numerous benefits, which include:

- 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.
- Producing power at the lowest cost-based rates possible.
- Providing approximately $457 million in economic benefits annually under average water conditions.
- Southwestern has the capability to provide regional power restoration assistance to other non-hydropower generation sources during outage emergencies.

Program Direction

Funding Profile by Category

(dollars in thousands/whole FTEs)

	FY 2004	FY 2005	FY 2006	$ Change	% Change
Program Direction					
Salaries and Benefits	15,374	15,729	16,419	+690	+4.4%
Travel	635	635	635	0	0.0%
Support Services	1,533	1,375	1,365	-10	-0.7%
Other Related Expenses	1,550	1,430	1,539	+109	+7.6%
Subtotal, Program Direction	19,092 [a]	19,169 [b]	19,958	+789	+4.1%
Offsetting Collections	0	0	-19,958	-19,958	-100.0%
Total, Program Direction	19,092	19,169	0	-19,169	-100.0%
Full time Equivalents	172	179	179	0	0.0%

Mission

The mission of the Program Direction subprogram is to assure continued reliability of the Federal power system by utilizing the Federal staffing resources and associated funds 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 reflects Southwestern's program goal to provide the benefits of Federal power to customers by selling and reliably delivering power from Federal multipurpose hydroelectric dams at the lowest cost-based rates possible that produce revenues sufficient to repay all power costs to the American taxpayers.

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 also with additional effort from offices which support the programs in carrying out the mission. Southwestern performs critical functions, which 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 facilities, 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 avoiding deterioration of the infrastructure.

Southwestern 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] and is "Green" in all areas. Southwestern is committed to performing its mission while supporting the goals

[a] Reflects a rescission of $113,310 from the Consolidated (Omnibus) Appropriations Bill for FY 2004.
[b] Reflects a rescission of $154,592 from the Consolidated (Omnibus) Appropriations Bill for FY 2005.

and objectives of DOE's Strategic Plan, the NEP, and the President's Management Agenda. Southwestern's Human Capital Initiative is linked with careful planning and administration of its budget. This linkage is manifested in planning to assure that funds are available and allocated properly to support the initiative's elements. Program Direction also supports the successful execution of Southwestern's Five-Year Workforce Plan of the Human Capital Management Plan. Southwestern completed implementation of DOE's Cascading Performance Management Plan throughout the entire organization.

The Program Direction subprogram provides compensation and all related expenses for 179 Federal personnel, who market, deliver, operate, and maintain Southwestern's high-voltage interconnected power system and associated facilities. Southwestern will recover the full cost of this subprogram through revenues collected from the sale of Federal Power and other related services, and deposited into the Treasury as a direct offset to the appropriation, resulting in a net appropriation of $0.

By the end of FY 2006, approximately 25 percent of Southwestern's staff will be eligible for retirement. Southwestern will remain an Agency with a strong staff of professionals dedicated to the pursuit of excellence by continuing to invest in its current employees, emphasize strong development programs, and aggressive recruitment and retention efforts as identified in its Five-Year Workforce Plan.

Southwestern continues to share facilities and administrative services with another DOE office at Southwestern's Tulsa Headquarters facility. This arrangement continues to be cost efficient and beneficial for both organizations.

Detailed Justification

(dollars in thousands)

FY 2004	FY 2005	FY 2006
Salaries and Benefits..... **15,374**	**15,729**	**16,419**

This activity funds salaries and benefits for 179 skilled Federal employees, who market and deliver Federal hydropower by operating and maintaining Southwestern's high-voltage interconnected power system with its associated facilities and providing support for these 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. Benefits continue to increase faster than salaries due to rising health insurance premiums and the higher annual cost of the FERS employees over CSRS employees.

The FY 2006 level supports 179 FTE: 55 percent of the employees are GS and subject to the President's proposed 2.6 percent cost of living adjustment; salaries of the remaining 45 percent (craft workers and power system dispatchers) are determined through union negotiations and wage surveys. This activity also includes overtime, awards, relocation, and workers' compensation. The increase in funding is due to cost of living adjustments and rising benefit costs, a union-negotiated 3.5 percent pay adjustment for the wage board employees (craft workers), and an estimated 4.0 percent pay adjustment for the administratively determined employees (power system dispatchers).[a]

[a] The authority for the administratively determined pay is based on Public Law 100-71.

	(dollars in thousands)		
	FY 2004	FY 2005	FY 2006
Travel	**635**	**635**	**635**

This activity funds all related travel and per diem expenses incurred in the operation and maintenance of Southwestern's geographically dispersed power system. Travel related to participation with the regional electric reliability council in the development of a regional transmission organization, participation with Southwest Power Pool to establish procedures for providing regional power restoration assistance to other non-hydropower generation sources during outage emergencies, E-Government related initiatives, and performance of general and administrative functions.

The funding level for this activity is primarily derived from the daily requirement of the field maintenance personnel to maintain 1,380 miles of transmission line, 24 substations, 47 microwave/radio sites, communication equipment, and the supervisory control and data acquisition network. The funding for this activity remains constant.

Support Services	**1,533**	**1,375**	**1,365**

This activity funds contracted 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 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	**1,550**	**1,430**	**1,539**

This activity funds 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 Initiative for Human Capital. The funding level for this activity includes recruitment bonuses, retention pay, and advanced in-hire rates to improve and maintain staffing for both critical and hard-to-fill positions. Personnel-related activities include special emphasis programs for minority and handicapped recruitment, investigations in support of the EEO program, cross training, and mentoring assignments.

Other funding requirements include contract services for the financial audit; business gateway and integrated acquisition environment in support of E-Government; public affairs; janitorial services; mail services; headquarters facility security; 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, and leased space contract terms. The increase in funding is due to additional expenses for PMLO services and E-Government initiatives.

Total, Program Direction	**19,092**	**19,169**	**19,958**

Explanation of Funding Changes

	FY 2006 vs. FY 2005 ($000)
Salaries and Benefits	
▪ Increase in salaries and benefits reflects wage survey-based union-negotiated and Administratively Determined pay adjustments, and a 2.6% cost of living adjustment for GS employees. The payroll benefits are increasing at a rate in excess of salaries.	+690
Support Services	
▪ Decrease reflects a reduction in support services for clerical/records management.	-10
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.	+5
▪ Decrease in printing and reproduction.	-2
▪ Decrease in rental space costs due to the terms of the negotiated contract.	-6
▪ Increase in other administrative costs reflects additional expenses for PMLO services (+$48,408) and E-Government initiatives (+$63,592).	+112
Subtotal Funding Changes, Other Related Expenses	+109
Total Funding Change, Program Direction	**+789**

Support Services by Category

(dollars in thousands)

	FY 2004	FY 2005	FY 2006	$ Change	% Change
Total, Technical Support	0	0	0	0	0.0%
Management Support					
Management and professional support services	1,533	1,375	1,365	-10	-0.7%
Total, Management Support	1,533	1,375	1,365	-10	-0.7%
Total, Support Services	1,533	1,375	1,365	-10	-0.7%

Other Related Expenses by Category

(dollars in thousands)

	FY 2004	FY 2005	FY 2006	$ Change	% Change
Other Related Expenses					
Training	65	87	92	+5	+5.7%
Printing and Reproduction	42	42	40	-2	-4.8%
Rental Space	654	556	550	-6	-1.1%
Other	789	745	857	+112	+15.0%
Total, Other Related Expenses	1,550	1,430	1,539	+109	+7.6%

Operations and Maintenance

Funding Schedule by Activity

(dollars in thousands)

	FY 2004	FY 2005	FY 2006	$ Change	% Change
Operations and Maintenance (O&M)					
Power Marketing	350	440	440	+0	+0.0%
Operations	2,027	2,788	2,570	-218	-7.8%
Maintenance	2,258	1,411	4,032	+2,621	+185.8%
Subtotal, Operations and Maintenance	4,635 [a]	4,639 [b]	7,042	+2,403	+51.8%
Offsetting Collections	0	0	-7,042	-7,042	-100.0%
Total, Operations and Maintenance	4,635	4,639	0	-4,639	-100.0%

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 that 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's) program goal to provide the benefits of Federal power to customers by selling and reliably delivering power from Federal multipurpose hydroelectric dams at the lowest cost-based rates possible 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 renewable hydroelectric energy, Southwestern provides clean, safe, reliable, cost-based electric power to its customers while limiting environmental impacts. The NEP and DOE's Energy Strategic Goal reinforce the importance of renewable hydroelectric energy by emphasizing its ongoing significant contribution to the Nation's past, current, 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 also has the capability to provide reliable off-site power to help restore other power generation sources during outage emergencies.

Southwestern's participation in the regional electric reliability council and the regional transmission organization (RTO) development process, as required by DOE's National Grid Study, reinforces Southwestern's role as part of the Nation's interconnected electric grid. As the demand for the

[a] Reflects a rescission of $27,511 from the Consolidated (Omnibus) Appropriations Bill for FY 2004.
[b] Reflects a rescission of $37,408 from the Consolidated (Omnibus) Appropriations Bill for FY 2005.

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 Supervisory Control and Data Acquisition/Energy Management System (SCADA/EMS), transmission lines, substations, and communication facilities as critical infrastructure. Southwestern will use appropriations offset by receipts and alternative financing arrangements [net billing, bill crediting, and reimbursable authority (customer advances)] to fund maintenance and replacements assuring a dependable and reliable Federal power system. Southwestern will recover the full cost of this subprogram through revenues collected from the sale of Federal power and other related services and deposited into the Treasury as a direct offset to the appropriation, resulting in a net appropriation of $0. 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.[a]

Detailed Justification

(dollars in thousands)

FY 2004	FY 2005	FY 2006
Power Marketing **350**	**440**	**440**

The Power Marketing activity funds 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 decision-making based on cost/benefit analyses. Funding is also required for Southwestern's participation in the development of a RTO and to provide regional power restoration assistance to other non-hydropower generation sources during outage emergencies. The NEP identified bottlenecks in the Nation's interconnected electrical grid, which could impede power flows. Studies will continue to be conducted that will identify any constraints on Southwestern's system.

Operations	**2,027**	**2,788**	**2,570**

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 .....** **1,286** **1,831** **1,605**
  This subactivity funds SCADA/EMS maintenance agreements, an e-tagging system that electronically schedules power for customers, load forecasting, technical support that protects the cyber infrastructure, telemetering improvements, digital test equipment, and supplies and materials. The telemetering improvements include replacement of obsolete power and energy accounting equipment and modification of existing remote terminal units that improve the reliability of the power system, specifically in the areas of monitoring and control. Funding is required for upgrades that enable Southwestern to meet the goals of the NEP and DOE's Strategic Plan by replacing deteriorating infrastructure while assuring reliability and continuing to actively participate in the development of a RTO. The funding level for communications maintenance is derived from maintenance history, the age of equipment, expected life span, annual diagnostic maintenance testing, and historical price information. The decrease in funding reflects a reduction in communication equipment replacements and maintenance agreements.

[a] 1956 WL 3064 (Comp. Gen.)

	(dollars in thousands)		
	FY 2004	FY 2005	FY 2006

- **Environmental, Safety and Health 593 576 525**
  This subactivity funds environmental activities including waste disposal/clean-up of oil and polychlorinated biphenyl contaminates 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 a result of a reduced number of reviews in the areas of threatened and endangered species.

- **Other Transmission 148 381 440**
  This subactivity funds 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 mandated by the Department of Homeland Security to meet critical infrastructure protection program criteria as set forth in Presidential Decision Directive No. 63.

Maintenance 2,258 1,411 4,032

The Maintenance activity funds 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). 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. These 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 DOE's Strategic Plan.

- **Substation Maintenance 1,120 810 2,738**
  This subactivity funds a transformer, disconnect switches, protective relay replacements, computer aided drafting and design, revenue meters, vehicle maintenance, and other equipment to perform general maintenance projects while maintaining system reliability as required by Southwestern's participation in a regional electric reliability council. 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. The increase in funding reflects Southwestern's efforts to maintain reliability of the power system while accommodating increased loads on the Federal power facilities resulting from interconnection and open access requests from other utilities.

- **Transmission Line Maintenance 1,138 601 1,294**
  This subactivity funds the purchase of wood and steel structures, crossarms and braces, right-of-way (ROW) clearing, herbicide application, aerial patrol of the transmission system to identify maintenance needs, routine vehicle repair and maintenance, and fuel costs. The quantity of steel and wood poles and crossarms and high voltage insulators is derived from the MMIS data.

	(dollars in thousands)		
	FY 2004	FY 2005	FY 2006
Emphasis is being placed on ROW clearing since NERC identified improper/insufficient ROW clearing as a major factor in the August 2003 East Coast outage. The funding level is appropriate for the number of structures and components to be replaced and the miles of ROW to be cleared as set forth by Southwestern's maintenance plans in meeting the goals of the NEP to maintain a reliable transmission system. The increase in funding reflects Southwestern's efforts to maintain reliability of the power system while accommodating increased loads on the Federal power facilities resulting from interconnection and open access requests from other utilities.			
Total, Operations and Maintenance.....	**4,635**	**4,639**	**7,042**

Explanation of Funding Changes

	FY 2006 vs. FY 2005 ($000)
Operations	
▪ Decrease reflects a reduction in funding for load forecasting equipment (-$250,000), a reduction in threatened and endangered species review (-$27,000), and an increase in security related costs (+$59,000)	-218
Maintenance	
▪ Increase in funding reflects replacement of a transformer (+$1,028,000), disconnect switches (+$538,000), relays (+$482,000), and right-of-way side-clearing (+$573,000)	+2,621
Total Funding Change, Operations and Maintenance	**+2,403**

Construction

Funding Schedule by Activity

(dollars in thousands)

	FY 2004	FY 2005	FY 2006	$ Change	% Change
Construction					
Transmission System Replacements	4,599	4,939	2,931	-2,008	-40.7%
Capital Equipment Not Related to Construction	105	370	235	-135	-36.5%
Total, Construction	4,704 [a]	5,309 [b]	3,166 [c]	-2,143	-40.4%

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 to provide the benefits of Federal power to customers by selling and reliably delivering power from Federal multipurpose hydroelectric dams at the lowest cost-based rates possible that produce revenues sufficient to repay all power costs to the American taxpayers.

Benefits

The activities of the Construction subprogram enable 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 renewable hydroelectric energy by emphasizing its ongoing significant contribution to the Nation's past, current, 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, as required by DOE's National Grid Study, 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 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.[d]

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[a] Reflects a rescission of $27,919 from the Consolidated (Omnibus) Appropriations Bill for FY 2004.
[b] Reflects a rescission of $42,816 from the Consolidated (Omnibus) Appropriations Bill for FY 2005.
[c] Reflects a programmatic decision to take the FY 2006 $2.4 million reduction in the appropriation target out of Construction. This decision was aided by completion in FY 2005 of the initial OPGW installation.
[c] 1956 WL 3064 (Comp. Gen.)

Detailed Justification

(dollars in thousands)

	FY 2004	FY 2005	FY 2006
Transmission System Replacements	**4,599**	**4,939**	**2,931**

This activity funds 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 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 demand 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** **332** **474** **0**

  This subactivity funds facility design work, installation of remote terminal units, substation metering, and telemetry equipment replacements. The decrease in funding reflects a reduction of facility design work.

- **Communication Equipment Replacements** **4,267** **4,465** **2,931**

  This subactivity funds all communication equipment and microwave tower replacements that are planned to provide improved system reliability and reduce future maintenance and equipment costs. The replacement of antiquated analog microwave radio equipment will provide a more reliable communication medium that will not be dependent upon future availability of the frequency spectrum. The decrease in funding reflects a reduction in the replacement of the communication equipment planned for FY 2006, including the completion of the initial optical ground wire (OPGW) installation in FY 2005.

Capital Equipment Not Related to Construction	**105**	**370**	**235**

This activity funds the replacement of vehicles, tractor-trailers, and heavy equipment used for maintenance and repair of the transmission system and facilities. The replacement criteria Southwestern utilizes is derived from the General Services Administration (GSA) and DOE 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 exceed their useful lives and require high levels of maintenance. The vehicle cost estimates are derived from GSA pricing schedules. The decrease in funding reflects the need to replace different types of special purpose vehicles.

Total, Construction	**4,704**	**5,309**	**3,166**

Explanation of Funding Changes

	FY 2006 vs. FY 2005 ($000)
Transmission System Replacements	
▪ The decrease in funding reflects the completion of the initial OPGW installation (-$1,534,000) and a reduction in facility design work (-$474,000).	-2,008
Capital Equipment Not Related to Construction	
▪ The decrease in funding reflects the need to replace different types of special purpose vehicles	-135
Total Funding Change, Construction	**-2,143**

Purchased Power and Wheeling

Funding Schedule by Activity

(dollars in thousands)

	FY 2004	FY 2005	FY 2006	$ Change	% Change
Purchased Power and Wheeling (PPW)					
System Support	7,000	8,000	7,335	-665	-8.3%
Other Contractual Services	3,600	3,200	3,300	+100	+3.1%
Total, PPW (gross)	10,600	11,200	10,635	-565	-5.0%
Less, Use of Alternative Financing – Reimbursable Authority (customer advances), Net Billing, Bill Crediting					
Purchased Power	1,900	3,200	2,825	-375	-11.7%
Power Losses	3,300	1,900	3,300	+1,400	+73.7%
Wheeling	3,600	3,200	3,275	+75	+2.3%
Subtotal, Alternative Financing	8,800	8,300	9,400	+1,100	+13.3%
Subtotal, PPW	1,800	2,900	1,235	-1,665	-57.4%
Offsetting Collections	-1,800	-2,900	-1,235	+1,665	+57.4%
Total, PPW Budget Authority	0	0	0	0	0.0%

Description

The mission of the Purchased Power and Wheeling (PPW) subprogram is to provide for the purchase of energy and delivery of Federal power 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 while assuring repayment of the Federal investment plus interest, thus meeting the expectations of the National Energy Policy (NEP) and the Department of Energy's (DOE's) 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 to provide the benefits of Federal power to customers by selling and reliably delivering power from Federal multipurpose hydroelectric dams at the lowest cost-based rates possible that produce revenues sufficient to repay all power costs to the American taxpayers.

Benefits

The activities of the PPW subprogram provide for the purchase of energy to meet limited peaking power contractual obligations. Southwestern's power sales contracts provide for only 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 that deliver Federal power to optimize the operation of the hydroelectric facilities marketed by Southwestern. 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, current, 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 2006. Southwestern will use Federal power receipts and alternative financing methods [net billing, bill crediting, and reimbursable authority (customer advances)] to fund this subprogram.

Detailed Justification

	(dollars in thousands)		
	FY 2004	FY 2005	FY 2006
System Support	**7,000**	**8,000**	**7,335**

This activity funds purchased power requirements that fulfill all 1200-hour contractual peaking power obligations with customers. 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. Southwestern will use Federal power receipts and alternative financing methods [net billing, bill crediting, and reimbursable authority (customer advances)] to meet purchased power requirements. The decrease in funding reflects system support needs based on recent average water conditions and market prices, and limited availability of energy banks.

Other Contractual Services	**3,600**	**3,200**	**3,300**

This activity funds other contractual services that provide for wheeling associated with the purchase of transmission service while meeting 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 use Federal power receipts and alternative financing methods [net billing, bill crediting, and reimbursable authority (customer advances)] to meet wheeling requirements. The increase in funding is due to projected cost for wheeling services based on contractual pricing and delivery terms.

Total, Purchased Power and Wheeling	**10,600**	**11,200**	**10,635**

Explanation of Funding Changes

	FY 2006 vs. FY 2005 ($000)
System Support	
▪ Decrease in system support reflects needs based on recent average water conditions and market prices, and limited availability of energy banks.	-665
Other Contractual Services	
▪ Increase in other contractual services reflects contractual pricing and delivery terms for wheeling services	+100
Total Funding Change, Purchased Power and Wheeling	**-565**

Revenues and Receipts

(dollars in thousands)

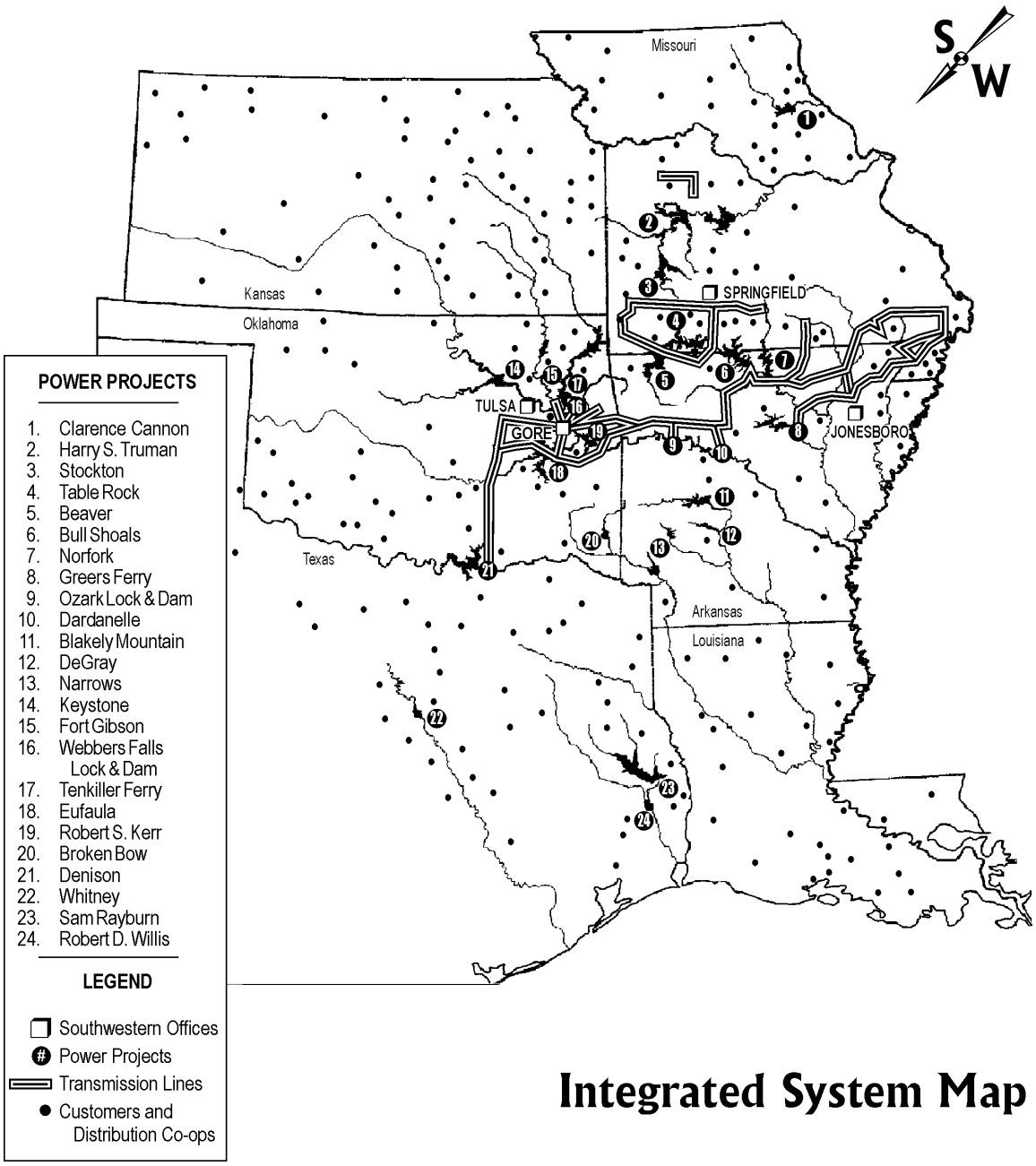
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Gross Revenues							
Sale and Transmission of Electric Energy	109,332	122,900 [a]	125,500	126,100	126,500	126,600	126,900
Total, Gross Revenues	109,332	122,900	125,500	126,100	126,500	126,600	126,900
Net Billing Credited as an Offsetting Receipt	-22,008	-19,300	-19,534	-17,300	-17,900	-18,200	-18,600
Offsetting Collections Realized, Purchased Power and Wheeling [b]	-1,800	-2,900	-1,235	-3,100	-3,100	-3,100	-3,100
Offsetting Collections Realized, Corps of Engineers' O&M/R [c]	0	0	-58,400	-56,300	-58,400	-59,500	-59,100
Offsetting Collections Realized, Southwestern O&M	0	0	-27,000	-27,700	-28,400	-29,100	-29,800
Total Proprietary Receipts	85,524	100,700 [a]	19,331	21,700	18,700	16,700	16,300
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	5.4	5.4	5.4	5.4	5.4

[a] Rate increase in FY 2005 will increase gross revenues by $8.0 million above previous estimates of $114.8.
[b] Reflects use of power receipts to fund purchased power and wheeling activities.
[c] Reflects use of power receipts to fund U.S. Army Corps of Engineers operation and maintenance of power facilities beginning in FY 2006.

System Statistics

	FY 2004 Estimate	FY 2005 Estimate	FY 2006 Estimate
Generating Capacity (kilowatts)			
Installed Capacity	2,181,800	2,181,800	2,181,800
Peak Capacity	2,052,500	2,052,500	2,052500
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	5,305,100	5,293,400	5,243,600
Energy Received	174,200	177,700	180,900
Total, Energy Available for Marketing	5,479,300	5,471,100	5,424,500
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	1,380	1,380	1,380

Southwestern Power Administration



Integrated System Map

Power Marketed, Wheeled, or Exchanged By Project

	State	Number of Plants	Installed Capacity (kW)	FY 2004 Estimated Energy (GWh)	FY 2005 Estimated Energy (GWh)	FY 2006 Estimated Energy (GWh)
Power Marketed						
Interconnected System	Missouri	4	463,200	1,848	1,845	1,829
	Arkansas	9	1,045,100	1,084	1,083	1,073
	Oklahoma	7	514,100	1,088	1,086	1,077
	Texas	2	100,000	566	565	560
	Louisiana	0	0	352	352	349
	Kansas	0	0	389	388	385
Subtotals		22	2,122,400	5,327	5,319	5,273
Isolated:						
Robert D. Willis Project						
Sam Rayburn Project						
50% to Texas		2	59,400	76	76	76
50% to Louisiana		0	0	76	76	76
Subtotals		2	59,400	152	152	152
Total, Power Marketed		24	2,181,800	5,479	5,471	5,425
Power Wheeled/Exchanged						
Wheeled (MW)				1,070	1,076	1,099
Exchanged (GWh)				61	60	60

Pending Litigation

Southwestern Power Administration (Southwestern) is an intervener in the following actions pending before the Federal Energy Regulatory Commission:

Southwest Power Pool (SPP), Docket No. ER04-48-RTO-04-04 requested recognition as a regional transmission organization. Southwestern filed a Motion to Intervene on November 5, 2003, to protect its interests as a transmission-owning customer under the SPP tariff.

Union Electric Ameren UA, Docket No. P-459-128 requested a license for a major project for the Osage Project existing dam. Southwestern filed a Motion to Intervene on April 27, 2004, to protect its interests.

Markham Ferry Grand River Dam Authority (GRDA), Docket No. P-2183-036 requested approval for a new major license. Southwestern filed a Motion to Intervene on April 27, 2004. Markham Ferry lies immediately upstream of the Ft. Gibson project. The outcome of these proceedings could produce a change in the inflows of Ft. Gibson, which could affect the Federal hydropower purpose.

Entergy Arkansas, Docket No. ER04-699 submitted proposed revisions to the Open Access Transmission Tariff. Southwestern filed a Motion to Intervene on May 20, 2004, to protect its interests. Southwestern receives energy and transmission service at two projects, Arkansas DeGray and Blakely Mountain from Entergy.

SPP, Docket No. ER05-156 requested waiver of any additional regulations. Southwestern filed a motion to intervene on November 19, 2004, to protect its interests.

Southwestern has one tort claim pending.

Southwestern's management believes that the possibility of incurring financially material liability in these matters is remote.

Estimates for Historically Black Colleges and Universities

(dollars in thousands)

Appropriation/Decision Unit	Name of HBCU (if known)	FY 2004 BA	FY 2005 BA	FY 2006 BA Request
Southwestern Power Administration, Operation and Maintenance	(to be determined)	15	15	15
Subtotal, Southwestern Power Administration 89X0303		15	15	15
Total, Southwestern Power Administration		15	15	15

Program Contact:

Name: Cheryl Crosswell

Telephone: (918) 595-6616

Western Power Administration

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; **[**$173,100,000**]** *$240,757,000*, to remain available until expended, of which **[**$167,236,000**]** *$236,596,000* shall be derived from the Department of the Interior Reclamation Fund: *Provided,* That **[**of the amount herein appropriated, $10,000,000 shall be available until expended on a nonreimbursable basis to the Western Area Power Administration to design, construct, operate and maintain transmission facilities and services for the Animas-LaPlata Project as authorized by section 301(b)(10) of Public Law 106-554: *Provided further*, 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 of the amount herein appropriated, $6,000,000 shall be available until expended on a nonreimbursable basis to the Western Area Power Administration for Topock-Davis-Mead Transmission Line Upgrades: *Provided further*, That**]** *notwithstanding 31 U.S.C. 3302, for fiscal year 2006 and each year thereafter, amounts collected by the Western Area Power Administration to recover expenses related to operations and maintenance and program direction activities shall be credited to this account as offsetting collections, to remain available until expended for the sole purpose of making operations and maintenance, and program direction expenditures: Provided further, That for 2006 the collections by the Western Area Power Administration to recover expenses related to operations and maintenance and program direction activities shall not exceed $186,800,000: Provided further, That the sum herein appropriated for operations and maintenance and program direction activities shall be reduced as such offsetting collections are received during fiscal year 2006 so as to result in a final fiscal year 2006 appropriation net of these collections not to exceed $53,957,000, of which $49,796,000 is derived from the Reclamation fund.*

In addition, notwithstanding **[**the provision of**]** 31 U.S.C. 3302, up to **[**$227,600,000**]** *$148,500,000* 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, That notwithstanding Sec 402(b)3(B) of the Reclamation Projects Authorization and Adjustment Act of 1992, the FY 2006 contribution of $6,650,000 from the Secretary of Energy, Western Area Power Administration, to the Utah Reclamation Mitigation and Conservation Account shall be made from receipts deposited to the Western Area Power Administration Colorado River Basins Power Marketing Fund on a reimbursable basis from Colorado River Storage Project customers.* (Energy and Water Development Appropriations Act, 2005).

Explanation of Change

The language inserted proposes to offset the appropriation by authorizing Western Area Power Administration to use power receipts collected from users (primarily non-Federal) to recover FY 2006

expenditures for Program Direction and Operations and Maintenance. The offsetting collections will provide $140,667,000 for Western's workforce and related expenditures in Program Direction and $46,133,000 for the Operation and Maintenance program. Language inserted also proposes to finance the annual deposit to the Utah Reclamation Mitigation and Conservation account from receipts collected on a reimbursable basis from the Colorado River Storage Project customers.

The language deleted removes earmarks for one-time funded activities; the Animas-LaPlata Project transmission facilities and the Topock-Davis-Mead transmission line upgrades. The deletions also reflect the Administration's proposal to shift funding for the Utah Reclamation Mitigation and Conservation Account deposit from appropriations to Colorado River Storage Project receipts.

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, **[**$2,827,000,**]** *$2,692,000,* **[**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*: Provided, That for fiscal year 2006, $2,692,000 in amounts collected by the Western Area Power Administration to recover expenses related to operations and maintenance activities of the Falcon and Amistad Dams shall be credited to this account as offsetting collections, for the sole purpose of operations, maintenance, and emergency costs: Provided further, That the appropriations derived from such Fund shall be reduced as collections are received during fiscal year 2006 so as to result in a final fiscal year 2006 appropriation from such fund of not more than $0*. (Energy and Water Development Appropriations Act, 2005.)

Explanation of Change

The language inserted proposes to offset the appropriation requirement by authorizing Western Area Power Administration to use power receipts collected from users (primarily non-Federal) to recover FY 2006 annual expenditures.

Western Area Power Administration

Overview

Appropriation Summary by Program

(dollars in thousands)

	FY 2004 Comparable Appropriation	FY 2005 Original Appropriation	FY 2005 Adjustments	FY 2005 Comparable Appropriation	FY 2006 Request
Western Area Power Administration Accounts					
Construction, Rehabilitation, Operation and Maintenance (CROM) Account Operating Expenses (Gross)	480,342	509,999	-1,385	508,614	451,554
Less Use of Alternative Financing[a]	-113,350	-105,631	0	-105,631	-58,135
Less Use of Prior Year Balances [b]	-27	0	0	0	0
Offsetting Collections from Colorado River Dam Fund (P.L. 98-381)	-3,992	-3,668	0	-3,668	-4,162
Offsetting Collections, Purchase power and wheeling expenses	-186,100	-227,600	0	-227,600	-148,500
Offsetting Collections, Program Direction and O&M expenses	0	0	0	0	-186,800
Total, CROM Account Budget Authority	176,873[c]	173,100	-1,385[d]	171,715	53,957
Falcon and Amistad Operating and Maintenance Account	2,625	2,827	-23	2,804	2,692
Offsetting Collections, Falcon and Amistad	0	0	0	0	-2,692
Total, Falcon and Amistad Operating and Maintenance Account Budget Authority	2,625[e]	2,827	-23[f]	2,804	0
Colorado River Basins Power Marketing Fund (CRBPMF) Operating Expenses	193,561	206,617	0	206,617	171,268
Offsetting Collections Realized	-192,103	-229,617	0	-229,617	-194,268
Total, CRBPMF Budget Authority	1,458	-23,000	0	-23,000	-23,000
Total, Western Area Power Administration	180,956	152,927	-1,408	151,519	30,957

[a] FY 2004, FY 2005, and FY 2006 CROM funding amounts include $84,900,000, $43,608,000, and $58,135,000 respectively, for planned alternative financing of the purchase power and wheeling (PPW) program; including use of Western's Continuing Fund as necessary to respond to below normal hydropower generation conditions. In addition, the FY 2004 and FY 2005 CROM funding amounts include $28,450,000 and $62,023,000, respectively, for planned alternative financing of Western's Operation and Maintenance, Construction and Rehabilitation, and Program Direction activities.

[b] FY 2004 reflects transfer of $27,407 in unobligated balances to Departmental Administration (89X0228) to support the General Counsel, Policy and International Affairs, and Economic Impact and Diversity organizations. This transfer was authorized pursuant to P.L. 102-377 (106 STAT. 1339).

[c] FY 2004 reflects the general 0.59 percent across-the-board rescission of $1,049,905 (P.L. 108-199).

[d] FY 2005 reflects the general 0.80 percent across-the-board rescission of $1,384,800 (P.L. 108-447).

[e] FY 2004 reflects the general 0.59 percent across-the-board rescission of $15,576 (P.L. 108-199).

[f] FY 2005 reflects the general 0.80 percent across-the-board rescission of $22,616 (P.L. 108-447).

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 energy supply through the 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 (BOR), 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 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: the 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 three subprograms in the CRBPMF)).

This Overview describes the Strategic Context, Mission, Benefits, Strategic Goals, and Funding by General Goal. These items together put the appropriations 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 addresses the 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[a] Unit) (10-15 yrs)

To provide a concrete link between budget, performance, and reporting, the Department developed a "GPRA 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.[b]

The goal cascade accomplishes two things. First, it ties major activities for each program to successive goals and, ultimately, to DOE's mission. This helps ensure the Department focuses its resources on fulfilling its mission. Second, the cascade allows DOE to track progress against quantifiable goals and

[a] Government Performance and Results Act of 1993.

[b] 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.

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.

Benefits

Western delivers reliable, affordable, and environmentally sound hydropower and related services across a 1.3-million-square-mile area to a diverse group of nearly 700 wholesale customers, including municipalities, cooperatives, public utility and irrigation districts, Federal and State agencies, and Native American tribes. Western's marketing efforts and delivery capability provide for recovery of annual operational costs, including the generating agencies' costs, and repayment with interest of taxpayer investment in the Federal hydropower program.

Strategic, General, and Program 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 appropriations support 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.

The Western program funded by the CROM account, the Falcon and Amistad Operating and Maintenance Fund, and the CRBPMF account 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 to assure that customers receive the benefits of Federal resources while producing sufficient revenue to repay the American taxpayers' investments allocated to power.

Contribution to General Goal 4

Within Western's three accounts (CROM Account, the Falcon and Amistad Operating and Maintenance Fund, and the CRBPMF account), Western contributes to General Goal 4, Energy Security, by performing its power marketing mission in a manner that:

- ensures the reliability of its power system in an evolving electric utility industry, and
- repays the United States Treasury for the costs associated with generating and transmitting power and related services within the timeframes established by law and regulation, and

- maintains the safety of employees and the public.

Funding by General and Program Goal

(dollars in thousands)

	FY 2004[a]	FY 2005[b]	FY 2006
General Goal 4, Energy Security			
Program Goal 04.53.00.00, Western Area Power Administration accounts			
Construction, Rehabilitation, Operation and Maintenance Account (CROM)	480,342	508,614	451,554
Falcon and Amistad Operating and Maintenance Account	2,625	2,804	2,692
Colorado River Basins Power Marketing Fund (CRBPMF) Operating Expenses	193,561	206,617	171,268
Total, General Goal 4 (Western Area Power Administration accounts)	676,528	718,035	625,514

Major FY 2004 Achievements

- 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 (FERC) 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. The project was commissioned on Dec 14, 2004; slightly ahead of schedule and about 20 percent below budget.

- Performed emergency repair, using Emergency Fund resources, of a 19-mile section of the Casper-Dave Johnston-Glendo South 115-kV transmission line in Wyoming. The repair work, consisting primarily of re-conductoring the 19-mile section of transmission line, was completed under budget and ahead of schedule at a cost of $779 thousand.

- Initiated numerous activities in response to the new post 2004 Central Valley Project marketing plan. This includes, but is not limited to, establishment of a sub-control area operating agreement between Western, Sacramento Municipal Utility District, PG&E, and the California ISO; negotiation of successor operating contracts with PG&E, Bureau of Reclamation, and other interconnected utilities; and implementation of new power sale contracts with the Central Valley Project customers.

[a] FY 2004 amounts reflect the 0.59 percent rescission of $1,049,905 to the CROM account, and $15,576 to Falcon and Amistad Operating and Maintenance Fund.
[b] FY 2005 amounts reflect the 0.80 percent rescission of $1,384,800 to the CROM account, and $22,616 to the Falcon and Amistad Operating and Maintenance Fund.

Annual Performance Results and Targets

FY 2001 Results	FY 2002 Results	FY 2003 Results	FY 2004 Results	FY 2005 Targets	FY 2006 Targets
Western Area Power Administration					
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) *Actual:* *CPS1: 186.9* *CPS2: 98.5* *Industry average:* *CPS1: 168.6* *CPS2: 95.7*	*Transmission System Performance: (MET GOAL)* *Actual:* *CPS1: 185.7* *CPS2: 98.5* *Industry average:* *CPS1: 173.0* *CPS2: 96.3*	*Transmission System Performance: (MET GOAL)* *Actual:* *CPS1: 185.6* *CPS2: 98.1* *Industry average:* *CPS1: 169.1* *CPS2: 96.5*	*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. (MET GOAL)* *Actual:* *CPS1: 184.0* *CPS2: 98.3* *Industry average:* *CPS1: 165.1* *CPS2: 96.7* System Reliability Performance: Accountable customer and/or transmission element outages will not exceed the average number of outages for the past five years. (MET GOAL) Goal: <= 26 outages Actual: 21	*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>=100); and 2) CPS2 which limits any imbalance magnitude to acceptable levels (rating>=90).* System Reliability Performance: Accountable customer and/or transmission element outages will not exceed the average number of outages for the past five years. Goal: <=23 outages	*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>=100); and 2) CPS2 which limits any imbalance magnitude to acceptable levels (rating>=90).* System Reliability Performance: Accountable customer and/or transmission element outages will not exceed the average number of outages for the past five years. Goal: Pending prior year results

FY 2001 Results	FY 2002 Results	FY 2003 Results	FY 2004 Results	FY 2005 Targets	FY 2006 Targets
				System Reliability Performance: Maintain ratio of unanticipated repair work hours to total maintenance hours at 16% or less.	System Reliability Performance: Maintain ratio of unanticipated repair work hours to total maintenance hours at 16% or less.
Repayment of Federal Power Investment: Meet planned repayment of principal on power investment. (MET GOAL) Goal: $18.1 M Actual: $54.1 M	Repayment of Federal Power Investment: (MET GOAL) Goal: $30.9 M Actual: $57.2 M	Repayment of Federal Power Investment: (MET GOAL) Goal: $24.9 M Actual: $32.2M	Repayment of Federal Power Investment: Meet planned annual repayment of principal on Federal power investment. Goal: $31.9M Actual: $38.2M (prelim)		
				Repayment of Federal Power Investment: Ensure unpaid investment is equal to or less than the allowable unpaid investment. Achieve a ratio of unpaid to allowable unpaid <= 1.00.	Repayment of Federal Power Investment: Ensure unpaid investment is equal to or less than the allowable unpaid investment. Achieve a ratio of unpaid to allowable unpaid <= 1.00.
Safety: 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. (MET GOAL) Actual: 1.9 Industry: 5.0	Safety: Recordable accident frequency rate: (MET GOAL) Actual: 1.7 Industry: 5.0	Safety: Recordable accident frequency rate: (MET GOAL) Actual: 2.5 Industry: 5.0	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. (MET GOAL). Actual: 1.6 Industry: 4.9	Recordable Accident Frequency Rate: Achieve a recordable accident frequency rate for recordable injuries per 200,000 hours worked of not greater than 3.3.	Recordable Accident Frequency Rate: Achieve a recordable accident frequency rate for recordable injuries per 200,000 hours worked of not greater than 3.3.

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 use 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 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, deregulation of the electricity market, changing electric industry organizational structures, additions to other utilities' transmission systems interconnected to the Federal system, new load patterns, and lack of adequate funding resources.

- 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 weather conditions, encroachment on rights-of-way, terrain, location of the equipment being maintained, and the loss of expertise due to retirements and the inability to replace the expertise.

Successful collaboration of the Federal hydropower partners is necessary for Western to achieve its goals. Western coordinates its operational activities with the Corps, BOR, IBWC, customers, and regional utilities to provide the most efficient use of Federal assets and to make sure we meet operational standards developed by NERC and regional reliability councils.

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 an aggressive target that has typically been about 30 percent better than 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 Government Accountability Office (GAO), the Department's Inspector General, the FERC, the U.S. Environmental Protection Agency, the Office of Personnel Management, NERC, and the regional reliability councils.

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 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 2006 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 OMB using 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 law would be required. The GAO has identified other areas it believes can be improved under existing authorizations. In the absence of Congressional action, Western will continue to pursue its statutory mandates with regard to marketing Federal power, customer preference, cost recovery, widespread use of power, and revenue disposition.

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 and FY 2006 columns 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

- To improve disclosure, Western's budget presentation has been expanded to include alternative financing amounts in Program Direction, Operation and Maintenance, and Construction and Rehabilitation subprograms. Alternative financing, primarily customer advances, in these

subprograms was initiated in FY 2003, FY 2004, and FY 2005 to ensure reliable system operation, maintenance, and rehabilitation.

- The FY 2006 request assumes implementation of the Administration's proposal to fund Federal generating agencies' hydropower 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 are proposed for funding using receipts from the sale of power and related services. In addition, the budget assumes the receipt funding proposal also covers certain annual hydropower-related operation and maintenance and research and development expenditures of BOR hydropower facilities in Western's service area. Receipt funding will help ensure resources are available to the hydropower generating agencies to adequately operate and maintain their hydropower generating assets.
- Western's FY 2006 request provides for the continuation of purchase power and wheeling receipt funded activities to the extent necessary to meet long-term average purchase needs corresponding to normal hydro conditions. For above-average purchase power requirements, customers are encouraged to enter the markets on their own. For those unable or unwilling, Emergency/Continuing Fund authorities and traditional alternative financing methods (primarily customer advances) are anticipated to be available.
- Western's FY 2006 request proposes to use offsetting collections, derived from Western power sales, to offset the appropriations for the Operation and Maintenance subprogram activities and staffing and related expenses in Program Direction, resulting in a net appropriation of $0 for these subprograms. Traditional appropriated funding levels have become insufficient to protect the Federal investment in the Federal transmission system infrastructure and to maintain the reliability of the system. The proposal is consistent with the Administration's proposal to use Western-collected receipts to ensure adequate funding for reliable hydropower related operation and maintenance activities of the generating agencies.
- Similarly, the FY 2006 request proposes the use of offsetting collections from the Falcon and Amistad Operating and Maintenance Fund (89X5178) to offset all of the appropriations for this account's operation and maintenance activities, resulting in a net appropriation of not more than $0.
- The FY 2006 request proposes to shift the non-reimbursable funding for the Utah Reclamation Mitigation and Conservation Account to Western's Colorado River Basins Power Marketing Fund on a reimbursable basis from the Colorado River Storage Project customers.
- In response to post 9/11 security concerns, $708,500 is targeted toward physical security enhancements and additions in FY 2006, including perimeter fencing and intrusion detection devices.
- 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 continue to work with OMB and DOE to enhance the usefulness of this information in making management and resource decisions. Western currently reports quarterly to DOE as part of the PMA Scorecard process which measures the improvements being made across the Department. As of the most recent quarterly rating period, Western received a successful "green" score on all of the PMA initiatives.

Construction, Rehabilitation, Operation and Maintenance
Western Area Power Administration

Funding by Site by Program

(dollars in thousands)

	FY 2004	FY 2005	FY 2006	$ Change	% Change
Western Area Power Administration	480,342	508,614	451,554	-57,060	-11.2%
Total, Construction, Rehabilitation, Operation and Maintenance Account	480,342	508,614	451,554	-57,060	-11.2%

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 its 16,938-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 primarily 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 Management Center in Salt Lake City, Utah, also provides customer support.

Falcon and Amistad Operating and Maintenance Fund
Western Area Power Administration

Funding by Site by Program

(dollars in thousands)

	FY 2004	FY 2005	FY 2006	$ Change	% Change
Western Area Power Administration	2,625	2,804	2,692	-112	-4.0%
Total, Falcon and Amistad Operating and Maintenance Fund	2,625	2,804	2,692	-112	-4.0%

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's 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.

Amistad Dam is located about 300 miles upstream from Falcon Dam. The Amistad Powerplant was constructed by the U.S. Army Corps of Engineers, as agent for the IBWC. The United States' portion of construction, operation and maintenance was authorized by the Mexican-American Treaty Act of 1950. Amistad Dam was completed in 1969. Its two generating units, with a generation capacity of 66.0 MW, came on line in 1983.

Project power is marketed to two cooperatives in south Texas via Central Power and Light Company's transmission system. There is no Federal transmission associated with these two projects.

Colorado River Basins Power Marketing Fund
Western Area Power Administration

Funding by Site by Program

(dollars in thousands)

	FY 2004	FY 2005	FY 2006	$ Change	% Change
Western Area Power Administration	193,561	206,617	171,268	-35,349	-17.1%
Total, Colorado River Basins Power Marketing Fund	193,561	206,617	171,268	-35,349	-17.1%

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:

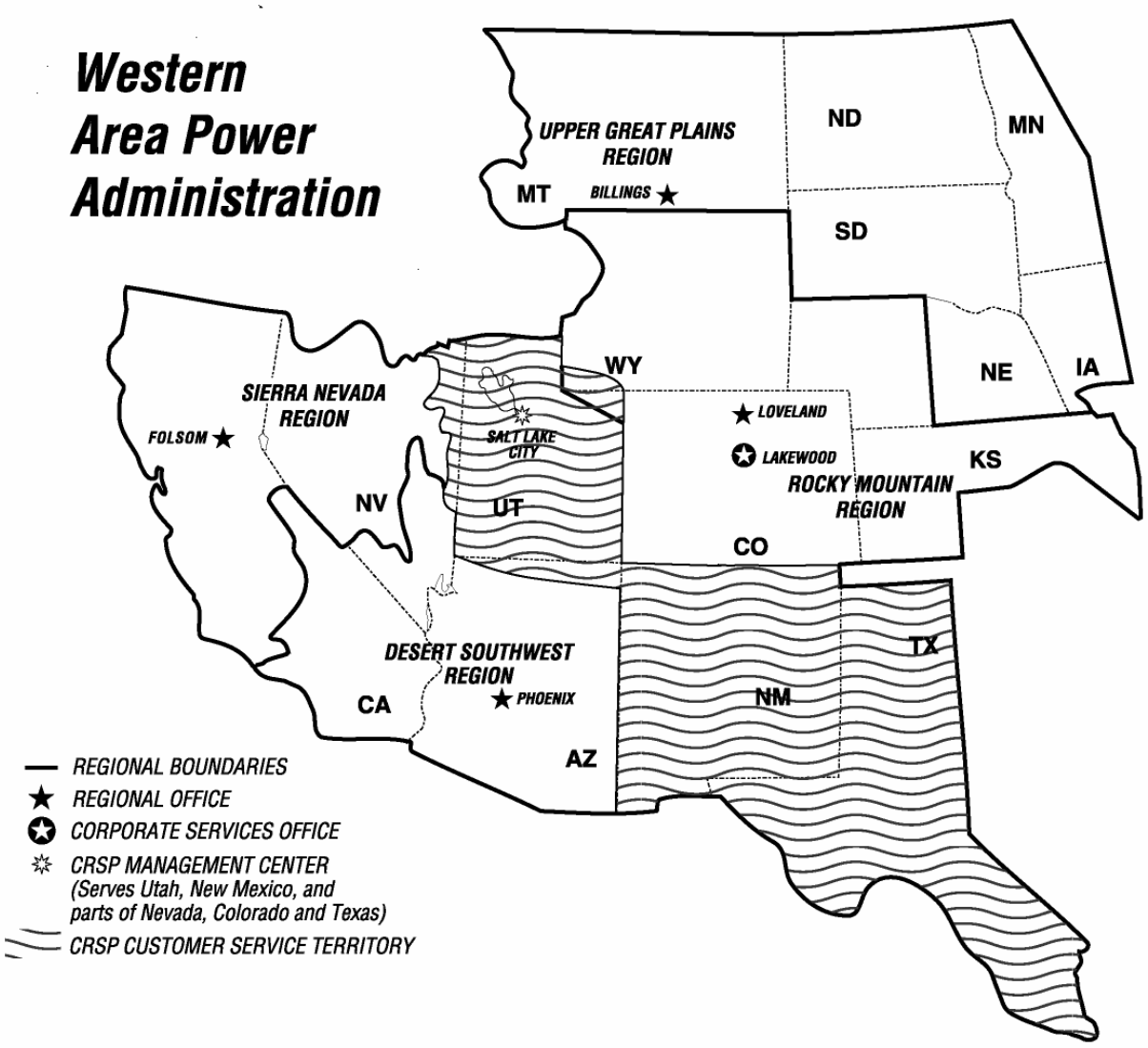
The **Colorado River Storage Project** (CRSP) was authorized in 1956. It consists of four major storage units: Glen Canyon, on the Colorado River in Arizona near the Utah border; Flaming Gorge on the Green River in Utah near the Wyoming border; Navajo on the San Juan River in northwestern New Mexico; 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 as an element of the **Colorado River Basin Project** to furnish irrigation and municipal water supplies to Arizona and New Mexico, and for other purposes. In FY 2006, this project will use reimbursable arrangements; not the revolving fund authorities.


Western
Area Power
Administration
UPPER GREAT PLAINS
REGION
MT
BILLINGS
ND
MN
SD
NE
IA
WY
SIERRA NEVADA
REGION
FOLSOM
SALT LAKE
CITY
LOVELAND
LAKEWOOD
KS
ROCKY MOUNTAIN
REGION
NV
UT
CO
DESERT SOUTHWEST
REGION
PHOENIX
CA
AZ
NM
TX
REGIONAL BOUNDARIES
REGIONAL OFFICE
CORPORATE SERVICES OFFICE
CRSP MANAGEMENT CENTER
(Serves Utah, New Mexico, and
parts of Nevada, Colorado and Texas)
CRSP CUSTOMER SERVICE TERRITORY

Construction, Rehabilitation, Operation and Maintenance

Funding Profile by Subprogram

(dollars in thousands)

	FY 2004[a] Comparable Appropriation	FY 2005 Original Appropriation	FY 2005 [b] Adjustments	FY 2005 Comparable Appropriation	FY 2006 Request
Construction, Rehabilitation, Operation and Maintenance Account					
Program Direction [c]	131,580	142,246	-912	141,334	143,667
Operation and Maintenance (O&M) [d]	37,560	46,054	-311	45,743	47,295
Construction and Rehabilitation [e]	34,039	44,291	-112	44,179	53,957
Purchase Power and Wheeling (PP&W) [f]	271,000	271,208	0	271,208	206,635
Utah Mitigation and Conservation	6,163	6,200	-50	6,150	0
Total Program, Operating Expenses	480,342	509,999	-1,385	508,614	451,554
Use of Alternative Financing	-113,350	-105,631	0	-105,631	-58,135
Less Use of Prior Year Balances [g]	-27	0	0	0	0
Offsetting Collections from Colorado River Dam Fund (P. L. 98-381)	-3,992	-3,668	0	-3,668	-4,162
Offsetting Collections–PP&W (P.L. 106-377, P.L. 108-137, P.L. 108-199)	-186,100	-227,600	0	-227,600	-148,500
Offsetting Collections–Program Direction	0	0	0	0	-140,667
Offsetting Collections–O&M	0	0	0	0	-46,133
Total Budget Authority Request	176,873	173,100	-1,385	171,715	53,957

[a] Budget authority reflects a general 0.59% across-the-board 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 Appropriations Act, 2004 (P.L. 108-199). The Act also provided an additional $3,992,000 in receipt spending authority for Purchase Power and Wheeling, totaling $186,100,000 for FY 2004.

[b] FY 2005 was adjusted to reflect the general 0.80% across-the-board rescission of $1,384,800 (P.L. 108-447).

[c] 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. By year, the amounts are $3,388,000, $2,747,000, and $3,000,000 for FY 2004, FY 2005, and FY 2006, respectively. Funding includes proposed use of receipts from the recovery of Program Direction expenses of $140,667,000 in FY 2006. Funding also includes use of alternative financing methods in the amount of $5,719,000, and $25,490,000 for FY 2004 and FY 2005, respectively.

[d] Operation and Maintenance funding amounts include activities of the Boulder Canyon Project in the amounts of $604,000, $921,000, and $1,162,000 for FY 2004, FY 2005, and FY 2006, respectively. Funding also includes use of alternative financing methods in the amount of $1,566,000 and $6,233,000 for FY 2004 and FY 2005, respectively. Program also includes proposed use of receipts from the recovery of O&M expenses of $46,133,000 in FY 2006.

[e] Construction and Rehabilitation funding includes use of alternative financing methods in the amount of $21,165,000 and $30,300,000 for FY 2004 and FY 2005, respectively.

[f] Purchase Power and Wheeling program obligations includes use of receipts from the recovery of PPW expenses of $186,100,000, $227,600,000, and $148,500,000 in FY 2004, FY 2005, and FY 2006, respectively. In addition, FY 2004, FY 2005, and FY 2006 include use of alternative financing methods in the amounts of $84,900,000, $43,608,000, and $58,135,000 respectively.

[g] FY 2004 reflects transfer of $27,407 ($26,600 Operation and Maintenance and $807 Program Direction) in unobligated balances to Departmental Administration (89X0228) to support the General Counsel, Policy and International Affairs, and Economic Impact & Diversity organizations. This transfer was authorized pursuant to P.L. 102-377 (106 STAT. 1339).

Detail Breakout - Total Budget Authority by Subprogram

(dollars in thousands)

	FY 2004 Comparable Appropriation	FY 2005 Original Appropriation	FY 2005 Adjustments	FY 2005 Comparable Appropriation	FY 2006 Request
Construction, Rehabilitation, Operation and Maintenance Account					
Program Direction	122,472	114,009	-912	113,097	0
Operation and Maintenance	35,364	38,900	-311	38,589	0
Construction and Rehabilitation	12,874	13,991	-112	13,879	53,957
Utah Mitigation and Conservation	6,163	6,200	-50	6,150	0
Total Budget Authority Request	176,873	173,100	-1,385	171,715	53,957

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"
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

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

Benefits

Western delivers reliable power and related services across a 1.3-million-square-mile area to a diverse group of nearly 700 customers, including municipalities, cooperatives, public utility and irrigation districts, Federal and State agencies, and Native American tribes. Western's marketing efforts and delivery capability provide 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 2004[a]	FY 2005[b]	FY 2006	$ Change	% Change
Program Direction [c]					
Salaries & Benefits	90,746	96,998	98,715	+1,717	+1.8%
Travel	7,699	7,581	7,203	-378	-5.0%
Support Services	14,865	19,338	20,866	+1,528	+7.9%
Other Related Services	18,270	17,417	16,883	-534	-3.1%
Total, Program	131,580	141,334	143,667	+2,333	+1.7%
Less Use of Alternative Financing	-5,719	-25,490	0	+25,490	+100.0%
Less Use of Prior Year Balances	-1	0	0	0	0.0%
Use of Receipts from Colorado River Dam Fund	-3,388	-2,747	-3,000	-253	-9.2%
Offsetting Collections, Program Direction Expenses	0	0	-140,667	-140,667	-100.0%
Total, Program Direction Budget Authority	122,472	113,097	0	-113,097	-100.0%
Full-time Equivalents	1,061	1,043	1,045	+2	+0.2%

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 to the transmission facilities; and those that market the power and energy produced to repay annual expenses and capital investment. Beginning with FY 2006, Western Area Power Administration proposes to offset its Program Direction appropriation with receipts recovered from the sale of power

[a] FY 2004 amount reflects the 0.59 percent across-the-board rescission of $726,880 from the Consolidated Appropriations Act, 2004 (P.L. 108-199) and transfer of $807 in unobligated balances to Departmental Administration (89X0228) pursuant to P.L. 102-377 (106 STAT. 1339).

[b] FY 2005 reflects the general 0.80 percent across-the-board rescission of $912,072 (P.L. 108-447).

[c] Program descriptions and 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 the Interior, Bureau of Reclamation.

and related services. These collections will directly offset the appropriation, resulting in a net appropriation for Program Direction of not more than $0 by fiscal year end.

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 (Federal staff decreased from 1,504 to 1,329; contract staff went from 601 to 239). Western's FY 2004 total Federal FTE usage was 1,323; with 1,061 FTE funded through the CROM appropriation.

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.

The Program Direction activity further supports Western's Human Capital Management (HCM) Workforce Plan. HCM Workforce Plan activities include: exploring ways to increase HR efficiency though consolidation; the development and/or expansion of intern/apprenticeship programs in the occupations of energy marketing, dispatcher, lineman, and electrician; introduction of an under-study program in Power Marketing, prior to an incumbent retiring; rotational training programs for engineers; strategic use of knowledge sharing and training events in critical occupations; and, succession planning development programs for mid- to upper-level graded Federal positions. By design, it is anticipated that costs for these HCM programs will be minimal as local area expertise and facilities will be utilized to the maximum extent possible. The HCM Workforce Plan noted that no new A-76 studies were required and/or anticipated at this time.

Western operates and maintains a transmission system to deliver 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.

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 avoid redundant facilities and result in realized cost savings and/or increased efficiencies for all participants.

Detailed Justification

(dollars in thousands)

	FY 2004	FY 2005	FY 2006
Salaries and Benefits	**90,746**	**96,998**	**98,715**

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 16,938 circuit-miles of line, 272 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 maximize revenues from non-firm energy sales. Staff provides continuing services such as system operations, power billing and collection, power marketing, rate setting, energy services, environmental, safety, security and emergency management. Due to the extreme hazards associated with a high-voltage electrical system, staff makes 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 2006 include 1,027 for Western's Construction, Rehabilitation, Operation and Maintenance (CROM) Account activities and 18 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 1,044 and 1,026 for FY 2004 and 2005, respectively. FTE associated with BCP activities remained constant at 17 for FY 2004 and 2005. The additional FTE requested in FY 2006 for Western's CROM Account is required to support Western's additional security requirements resulting from world events of the past several years.

The FY 2006 program request reflects anticipated salary and within-grade increases to fund the majority of the 1,027 FTE financed in this account, including approximately $1.9 million for salary and benefit activities of the Boulder Canyon Project. Western's overall average budgeted salary/benefit costs per FTE for FY 2005 and FY 2006 are $93,600 and $94,500, respectively. More than 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 General Schedule scale increases.

(dollars in thousands)

	FY 2004	FY 2005	FY 2006
Travel	**7,699**	**7,581**	**7,203**

Estimates, including $193,000 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 result in less competitive pricing. Rental/lease of GSA vehicles and other transportation estimates are also included. Estimates are based on historical costs and an assessment of planned activity. The decrease is attributed to a less travel anticipated in Western's administrative indirect account. Also includes $88,756 for E-Travel.

Support Services	**14,865**	**19,338**	**20,866**

Support services funded in this activity include information processing, warehousing, computer-aided drafting, engineering, and general administrative support. The net increase of $1.5 million includes an increase of approximately $2.8 million primarily attributable to an increased level of environmental activities in support of implementing the Post-2004 Marketing Plan at the Sierra Nevada Region. Also included in this request is a decrease of $501,000 for ADP support, mostly attributed to the decline of system upgrade support requirements. Administrative support services decrease by $758,000 in the CROM Account for general support provided to the Desert Southwest Region, Rocky Mountain Region, and the Corporate Services Office. The Boulder Canyon portion of the support services estimate totals $408,000.

Other Related Expenses	**18,270**	**17,417**	**16,883**

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 $509,000. 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 decrease is primarily attributed to a decrease in Western's administrative indirect account. This includes decreases to activities such as supplies and materials, miscellaneous services and charges, DOE's Working Capital Fund distribution to Western, and ADP software purchases. Also includes $487,169 for E-Government assessment.

Total, Program Direction	**131,580**	**141,334**	**143,667**

Explanation of Funding Changes

	FY 2006 vs. FY 2005 ($000)
Salaries and Benefits	
▪ The increase to salary and benefits is attributable to salary and within-grade increases to fund the FTE financed in this account, including those salaries determined through negotiations.	+1,717
Travel	
The decrease is attributed to a decrease in travel expenses anticipated from Western's administrative indirect account.	-378
Support Services	
▪ Support services estimate includes an increase of approximately $2.8 million primarily attributable to an increased level of environmental activities in support of implementing the Post-2004 Marketing Plan at the Sierra Nevada Region, offset by a decrease of $501,000 to ADP services due to the decline of system upgrade support requirements and a decrease of $758,000 to administrative service requirements in various regions throughout Western.	+1,528
Other Related Expenses	
▪ The decrease is primarily attributed to a decrease in Western's administrative indirect account. This includes decreases to activities such as supplies and materials, miscellaneous services and charges, DOE's Working Capital Fund distribution to Western, and ADP software purchases	-534
Total Funding Change, Program Direction	**+2,333**

Support Services by Category

(dollars in thousands)

	FY 2004	FY 2005	FY 2006	$ Change	% Change
Technical Support					
Economic and Environmental Analysis	1,223	1,225	4,012	+2,787	+227.5%
Test and Evaluation Studies	0	0	0	0	0.0%
Total, Technical Support	1,223	1,225	4,012	+2,787	+227.5%
Management Support					
Management Studies	0	0	0	0	0.0%
Training and Education	0	0	0	0	0.0%
ADP Support	5,389	6,263	5,762	-501	-8.0%
Administrative Support	8,253	11,850	11,092	-758	-6.4%
Total, Management Support	13,642	18,113	16,854	-1,259	-7.0%
Total, Support Services	14,865	19,338	20,866	+1,528	+7.9%

Other Related Expenses by Category

(dollars in thousands)

	FY 2004	FY 2005	FY 2006	$ Change	% Change
Training	1,225	608	650	+42	+6.9%
Working Capital Fund	912	1,023	752	-271	-26.5%
Printing and Reproduction	253	202	183	-19	-9.4%
Rental Space	2,418	1,943	1,965	+22	+1.1%
Software Procurement/Maintenance Activities/Capital Acquisitions	5,090	4,691	4,510	-181	-3.9%
Other	8,372	8,950	8,823	-127	-1.4%
Total, Other Related Expenses	18,270	17,417	16,883	-534	-3.1%

Operation and Maintenance

Funding Schedule by Activity

(dollars in thousands)

	FY 2004	FY 2005	FY 2006	$ Change	% Change
Operation and Maintenance [a]					
Regular Operation and Maintenance	19,066	22,702	23,615	+913	+4.0%
Replacements and Additions	18,494	23,041	23,680	+639	+2.8%
Total, Operation and Maintenance	37,560	45,743	47,295	+1,552	+3.4%
Alternative Financing	-1,566	-6,233	0	+6,233	+100.0%
Less Use of Prior Year Balances	-26	0	0	+0	0.0%
Use of Receipts from Colorado River Dam Fund	-604	-921	-1,162	-241	+26.2%
Offsetting Collections – O&M expenses	0	0	-46,133	-46,133	-100.0%
Total, O&M Budget Authority	35,364[b]	38,589[c]	0	-38,589	-100.0%

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.

Detailed Justification

Supplies and materials, such as wood poles, instrument transformers, meters and relays must be procured to provide the 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

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

[b] FY04 reflects the general 0.59 percent across-the-board rescission of $210,040 from the Consolidated (Omnibus) Appropriations Act, 2004 (P.L. 108-199), and transfer of $26,600 in unobligated balances to Departmental Administration (89X0228) pursuant to P.L. 102-377 (106 STAT. 1339).

[c] FY05 reflects the general 0.80 percent across-the-board rescission of $311,200 (P.L. 108-447).

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, 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, availability of spare parts, 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 (SCADA) systems, and other communication and control equipment continues to provide increased system reliability 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.

(dollars in thousands)

FY 2004	FY 2005	FY 2006

Regular Operation and Maintenance..... 19,066 22,702 23,615

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 $991,000 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 Goal No. 4 by minimizing sudden failure, unplanned outages, and possible regional power system disruptions. Safe working procedures are discussed before work begins 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..... 18,494 23,041 23,680

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 equipment eliminates safety hazards for the public and Western's personnel. Planned activity is detailed by category below.

- **Electrical Equipment 7,745 10,861 11,606**
  Electrical equipment, such as circuit breakers, transformers, relays, batteries and chargers, reactors, meters, capacitor banks and switches, will be replaced at facilities throughout Western's 15-state area. Treatment and/or replacement of wood poles will extend the life of aging, deteriorating transmission lines. The request includes $171,000 for activities in the Boulder Canyon Project, funded directly through receipts from the Colorado River Dam Fund. 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 4,177 4,448 3,116**
  Key to system reliability, replacement of aged analog radio systems with digital radio and fiber optics at various Western facilities continues. Manufacturers have discontinued support of the obsolete analog equipment and there is inadequate channel capacity to support our needs. The staged movement to narrow communications band spectrums as directed by the Federal Communications Commission (FCC) and National Telecommunications and Information Administration (NTIA) continues. In addition, funding includes updating the PBX systems at our Mead Substation and our Watertown Operations office, replacement of remote terminal units, and continued upgrades to the existing SCADA systems which control Western's electric power system. The $1.1 million upgrade to the SCADA systems is considered part of Western's Information Technology (IT) project and will include central processors and associated components (RAM, disk, etc.), operating system and application software, workstations, network and point-to-point communications interfaces. 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 6,572 7,732 8,958**
  Capitalized movable equipment needed to support the O&M of the interconnected power system will be purchased. Replacement of special purpose equipment includes an Olathe Chipper, 2 Sno-Cats, low-bed trailer, 3 cranes, 2 backhoes, forklift, patrol vehicles, earth auger, line truck, Versalift, substation test equipment, a vehicle equipped with survey equipment, and replacement of the Bell 206-L1-C30P helicopter assigned to our Desert Southwest Region with a Bell 407. Supported by a life-cycle cost analysis and provided to DOE's Senior Aviation Management Official in a letter dated May 5, 2004, this aircraft will be more cost effective, both from the standpoint of significant improvements in technology and performance restrictions of the current aircraft. Post 9/11 security equipment is estimated at over $700,000 and includes installation of perimeter intrusion detection devices at various locations throughout Western, fencing around control buildings, and security cameras and recording devices at various sites throughout Western. As part of Western's IT project, over $2 million of this request will fund server and router replacements, tape storage systems, cyber security upgrades, and LAN upgrades. Replacement needs are based on age, reliability, and safety

	(dollars in thousands)		
	FY 2004	FY 2005	FY 2006
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.			
Total, Operation and Maintenance	**37,560**	**45,743**	**47,295**

Explanation of Funding Changes

	FY 2006 vs. FY 2005 ($000)
Regular Operation and Maintenance	
▪ Increase in regular O&M is attributed to inflation and increased maintenance on Western's aging infrastructure.	+$913
Replacements and Additions	
▪ The increase in capitalized movable equipment (+$1,226,000), is primarily attributed to the replacement of one of Western's helicopters and is nearly offset with a decrease in communications equipment (-$1,332,000). The increase in replacements and additions of electrical equipment (+$745,000) is primarily due to inflation	+$639
Total Funding Change, Operation and Maintenance	**+$1,552**

Construction and Rehabilitation

Funding Schedule by Activity

(dollars in thousands)

	FY 2004[a]	FY 2005[b]	FY 2006	$ Change	% Change
Construction and Rehabilitation[c]					
Transmission Lines and Terminal Facilities	7,944	21,557	29,665	+8,108	+37.6%
Substations	15,263	19,838	15,687	-4,151	-20.9%
Other [d]	10,832	2,784	8,605	+5,821	+209.1%
Total, Construction & Rehabilitation	34,039	44,179	53,957	+9,778	+22.1%
Use of Prior Year Balances	0	0	0	0	0.0%
Alternative Financing	-21,165	-30,300	0	+30,300	+100.0%
Total, C&R Budget Authority	12,874	13,879[e]	53,957	+40,078	+288.8%

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 General Goal 4, Energy Security, 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. 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

[a] FY 2004 amount reflects the 0.59 percent across-the-board rescission of $76,405 from the Consolidated Appropriations Act, 2004 (P.L. 108-199).

[b] FY 2005 amount reflects the 0.80 percent across-the-board rescission of $111,928 from the Consolidated Appropriations Act, 2005 (P.L. 108-447).

[c] The C&R activity breakdown reflects changes to support the FY 2005 Appropriations Act to design, construct, operate and maintain transmission facilities for the Animas-LaPlata Project (P.L. 106-554) and upgrades to the Topock-Davis-Mead Transmission Line. Both of these projects will be performed on a nonreimbursable basis.

[d] Other includes communication equipment, maintenance facilities, power facility developmental costs, and minor unscheduled jobs.

[e] Western's FY 2005 C&R Budget authority was reduced by $6.2 million to cover Congressional action to fund the Utah Reclamation Mitigation and Conservation Account pursuant to title IV of the Reclamation Projects Authorization and Adjustment Act of 1992.

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.

Detailed Justification

Western transmission system has 16,938 circuit-miles of line and 272 substations. Of the 8,033 miles of wood poles, 5,737, or 71 percent, exceed the normal service life of 40 years, with 4,068, or 51 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) ages, maintenance costs increase, replacement parts become unavailable, risks of outages increase, and system reliability declines. Western has 66 transformers and 26 circuit breakers more than 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 10 years, 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.

Western has aggressively reduced its capital investment program from levels around $110 million (including Program Direction) annually in the early 1990s. An estimated base level of $31 million is required to support a program that emphasizes replacement and upgrading of existing infrastructure to sustain reliable power delivery to our customers while maintaining competitive rates. In recent years, the appropriated funding level for this program has dropped to a level of $12 to $20 million (excluding Program Direction). In the FY 2004 Performance and Management Assessments Summary of Western's Program Assessment Rating Tool (PART), OMB proposed that Western "modestly increase construction expenditures for scheduled substation equipment replacements and the ongoing replacement of transmission line facilities and housekeeping needs such as a new roof on one of their buildings." In an attempt to accommodate the backlog resulting from recent years of decreased budgets, Western's planned program for FY 2006 is at the $54 million level.

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 evaluate Western's facilities which were built 40 to 50 years ago, and develop 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. OMB's Summary of the PART noted that Western's "system for reviewing and adopting construction projects is rigorous."

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 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 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 C&R program 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. Further postponement 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.

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.

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.

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, and telecommunications), maintenance facilities, power facility development costs, and minor unscheduled jobs. Planned activity is detailed by category below.

	(dollars in thousands)		
	FY 2004	FY 2005	FY 2006
Transmission Lines and Terminal Facilities	**7,944**	**21,557**	**29,665**
▪ **Transmission Lines and Terminal Facilities, Continuing Work**	**3,598**	**8,575**	**22,457**

Continue modifications and rehabilitation of transmission lines (TL) in FY 2006 to ensure power system reliability and stability:

- Rebuild 48-mile 115-kV TL from Cheyenne to Snowy Range Substation (Wyoming). This project is one stage of the continuing effort to rebuild the 146-mile Cheyenne-Miracle Mile 115-kV TL constructed in 1939 using wood poles with copper conductor. The wood poles are deteriorated and copper conductor has not been used in power lines 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.
- 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.
- 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 imminent, 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.
- Replace existing Beaver Creek-Hoyt 115-kV TL (Colorado). Built in 1949 with wood H-frame and 397 aluminum conductor steel reinforced (ACSR) conductor, numerous poles along this 17-mile TL have deteriorated. System studies show numerous transmission overloads in the Eastern Colorado transmission area that would be eliminated by rebuilding the line with 230-kV.
- Reconductor Brookings-Watertown No. 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.
- Rebuild 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.
- Rebuild Lovell-Thermopolis 115-kV TL (Wyoming). This 84.3-mile line was built in 1953 using wood H-frame structures and 397 ACSR conductor. The wood poles are deteriorated, resulting in increased outages and excessive maintenance. Replacing these structures will improve system reliability, safety and maintenance requirements. It is proposed this project will be done in stages over 10 years.

- Continue Pick-Sloan Missouri Basin Program and Colorado River Storage Project wood pole life-extension testing and replacement programs. These programs maintain wood pole transmission lines, maximizing their effective service lives and delaying the need for expensive total rebuild projects. Without funding, wood pole lines will further deteriorate, increasing the risk of pole and crossarm failures. Line outages caused by these failures could trigger major regional outages given the high loadings now experienced on the interconnected power system.

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, Rehabilitation Starts..... 4,346 12,982 7,208**

Four TL and terminal facility rehabilitation starts are planned in FY 2006:

- Replace existing Casa Grande-Empire (Arizona) 115-kV TL with 230-kV TL. This 17-mile line was constructed in 1948 using wood H-frame construction. Upgrade of this line will provide additional transfer capability that will alleviate existing reliability concerns. In addition, replacement of existing wood poles with steel poles will also increase reliability.
- Replace existing Empire-ED5 (Arizona) 115-kV TL with 230-kV TL. This 9-mile line was constructed in 1948 using wood H-frame construction. Upgrade of this line will provide additional transfer capability that will alleviate existing reliability concerns. In addition, replacement of existing wood poles with steel poles will also increase reliability.
- Replace existing Watford City-Williston (North Dakota) 115-kV TL with 230-kV TL. This 42-mile TL has been in service since 1951. The majority of the structures do not meet Western's design criteria. The upgrade of the line will provide additional transfer capability which will alleviate existing reliability criteria violations during system outages.
- Upgrade various substation equipment to accommodate the proposed 2007 construction of a new 26.6-mile 230-kV double-circuit TL from Obanion Substation to Elverta Substation (California). This project will provide breakers and control and protection equipment at these Federally owned substations located at both ends of the new transmission line.

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 2004	FY 2005	FY 2006

- **Transmission Lines and Terminal Facilities, Work Funded by Others 0 0 0**

  Potential transmission line and terminal trust work in FY 2006 includes planning, design or construction of:

  - Havre-Rainbow 230-kV TL Rebuild with new overhead groundwire (OHGW) & conductors due to generation additions request
  - 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).

  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.

  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..... 15,263 19,838 15,687

- **Substations, Continuing Work 2,032 4,092 9,755**

  Continue modifications and rehabilitation of substations in FY 2006 to ensure power system reliability and stability:

  - Upgrade and modification of Casa Grande Substation (Arizona) with a three-circuit breaker, 230-kV ring bus, and two new 230/13.8-kV, 60-MVA transformers. This is part of the upgrade of Western's 115-kV transmission system from Casa Grande Substation to ED 5 Substation to Coolidge Substation and will increase capacity and reliability and decrease maintenance costs. The substation facilities are old and in poor condition. Equipment has become obsolete and is no longer supported by the manufacturers.
  - Establish a new 230-kV TL connection at Trinity County power plant (California), consisting of three 230-kV breakers, four 230/60-kV transformers, 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 to loads in the County. Consumers in this area routinely see nearly 20,000 consumer hours per year in outages, many lasting three to four days in the winter.

- 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 FY03, this project was put on hold to accommodate unplanned work. To maintain system reliability and avoid the increased costs of an emergency replacement, this transformer should be replaced as soon as possible.
- Continue 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.

- **Substations, Rehabilitation Starts 13,231 15,746 5,932**

Eleven substation rehabilitation starts are planned in FY 2006:

- Replacement of control boards at Morris Substation (North Dakota). The majority of the relays and protection equipment was installed in 1961, 1969, and 1970. The existing electromechanical relays require excessive maintenance compared to solid-state relays and may contain PCB-contaminated capacitors. Updating control boards and protection schemes will enhance the reliability of the substation.
- Replacement and upgrade of Watford City Substation (North Dakota). This project will expand the substation yard and construct a 230-kV area. Built in 1949, equipment is obsolete and environmentally unsound, resulting in high maintenance costs and reliability issues. This project will replace PCB-contaminated oil equipment; enhance reliability by updating control boards and protection schemes; and replace the original control building for security reasons, energy efficiency and rodent control.
- Upgrade controls at Parker Substation to a digital control system (DCS) to avoid safety and reliability issues while separating the BOR and Western's DC power supplies. DC power for the yards is supplied from Parker Dam. The Bureau of Reclamation has requested that the DC power for the dam and switchyards be separated due to outages caused by overloading the current battery system. This will require significant wiring changes in the control boards. Due to inadequate documentation of repairs to the system throughout the years and the age of much of the equipment at the dam, separating the DC systems could create safety and system reliability issues. Upgrading to DCS controls will allow the work to be performed with minimal disruption

to system operation and will provide a more reliable system and safer work environment.

- Empire Tap Rebuild Replacement and upgrade of equipment at Empire Tap Substation (Arizona). Acquire land and furnish and install a new three circuit breaker, 230-kV ring bus and one new 230/115-kV, 30-MVA transformer. Built in 1953, the tap has remained unchanged and has become a source of operational concern; deteriorating equipment is obsolete, making maintenance difficult and costly. The replacement and upgrade of this equipment is a part of the South of Casa Grande Project, which is an upgrade of Western's 115-kV transmission system to 230-kV from Casa Grande Substation to ED 5 Substation to Coolidge Substation, including work at seven substations and approximately 61 miles of transmission line.
- Sectionalize the Cheyenne-Miracle Mile and Happy Jack-Miracle Mile 115-kV transmission lines in the Laramie, WY area with the for addition of Snowy Range Substation, including a three-breaker 230-kV ring bus, one 133-MVA, 115/230-kV transformer and a six-bay 115-kV main and transfer bus arrangement. Although this work is in conjunction with the Cheyenne-Miracle Mile transmission line rebuild from 115-kV lines to 230-kV lines, this addition will be necessary for voltage and sectionalizing support regardless of the planned voltage level or design of the line placement.
- Miracle Mile 230-kV Substation additions in conjunction with the Cheyenne-Miracle Mile transmission line rebuild from 115-kV lines to 230-kV lines. The additions will include two 230-kV line bays and one 133-MVA, 115/230-kV transformer.
- Upgrade Elverta 230-kV Substation to breaker-and-a-half configuration. Elverta Substation design is currently a main and transfer bus configuration. Under the existing configuration, if breaker failure occurs due to breaker protection failure or human error, up to six critical 230-kV transmission lines would be lost. Loss of more than one of these transmission lines could cause the loss of power to the entire Sacramento area of more than one million customers and industrial loads during the high summer loading period. This upgrade would include adding nine breakers in a breaker-and-a-half configuration, reconfiguring bus, and adding associated disconnects, control, protection and communication equipment.
- Upgrade Tracy 230-kV Substation (California) to a double-breaker, double-bus configuration by adding breakers, disconnects, bus, and associated control, protection and communication equipment. This substation design is currently a main and transfer bus configuration. With this configuration, we will lose up to six critical 230-kV transmission lines, two major ties to the Tracy 500-kV Substation, and the entire Tracy pumping plant if breaker failure occurs due to human error or failure of breaker protection equipment. This would represent a loss of 2,150 MVA of transfer capacity, potentially causing major West Coast power outages during critical load times of the year.
- Replacement of Transformer KY1A at Leeds Substation (North Dakota). Installed in 1951, this transformer has exceeded its life expectancy of 40 years and loading is approaching the maximum rating of 20 MVA. It will be replaced with a 115/69-kV 45-MVA autotransformer.

- Transformer addition at Granite Falls Substation (Minnesota). This project includes the addition of a second 230/115-13.8 200-MVA transformer, the associated 230-kV and 115-kV bays, reactors off the tertiary, and the associated control boards. The single transformer connection prevents Western from performing routine maintenance during peak conditions because local utilities cannot absorb Western's load when this transformer is removed from service. Western fails to meet NERC's reliability standard to withstand the single most severe contingency.
- Addition of 230-kV Yard at Williston Substation (North Dakota). This project consists of expanding the yard and building a 230-kV yard in conjunction with the upgrade of the Charlie Creek-Watford City-Williston transmission line. The upgrade of the Charlie Creek-Watford City-Williston transmission line will require the addition of a 230-kV substation yard which will include a 230/115 transformer.

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.

- **Substations, Work Funded by Others 0 0 0**

Substation trust work in FY 2006 includes:

- Review design and construction of Phase 2 of Fiddyment Substation for City of Roseville (California).
- Havre Substation 230-kV Bay Addition
- Rainbow & Greatfalls Substations modifications
- Arizona Public Service interconnection to Flagstaff 345-kV Substation
- Nevada Power fault duty mitigation to Mead Substation
- Nevada Power interconnection to Mead 230-kV Substation
- Nevada Power interconnection to Mead 500-kV Substation
- Valley Electric interconnection to Mead 230-kV Substation

Other 10,832 2,784 8,605

- **Other, Communications Systems 5,350 1,329 6,244**

Continue to replace/modernize/expand communication systems (microwave, fiber optic, global information system, and telecommunication) in the Colorado River Storage Project, the Central Valley 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.

- **Other, Miscellaneous 5,482 1,455 2,361**
  - Replace the primary power source for Western's Sierra Nevada Regional (SNR) Office by tapping directly into Western's Folsom-Nimbus transmission line, part of the Central Valley Project transmission grid located approximately 300 feet from the office. Current electrical service is obtained via a distribution line owned by the Sacramento Municipal Utility District and is subject to periodic unscheduled outages. These involuntary automatic load interruptions could impact Western's ability to perform its transmission functions. SNR's dispatch center must operate without interruption 24 hours a day, 365 days a year. The Folsom-Nimbus line is not impacted by distribution outages or rotating blackouts since it is part of Western's "Bulk Transmission System" connecting two power plants. Tapping into this line will improve station service and transmission reliability and allow Western to meet the new homeland security guidelines associated with major infrastructures.
  - Upgrade facilities to provide additional storage for vehicles, electrical equipment, and supplies that are presently being stored outside, subjected to adverse weather conditions at Western's Dawson maintenance facility (Montana).
  - Continue development of Rocky Mountain Region's GIS (Geographical Information System) mapping system for the Region's electrical transmission system and facilities. Mapping includes transmission lines, access roads, environmental sites, structure locations, substation sites, communication sites, and other important features on the Region's electrical system.
  - Continue minor enhancements or alterations to control buildings, access road repairs, roof repair, erosion control, oil spill containment, structure modifications, asphalt pavement, painting, communication sites, and other non-electrical type projects at existing facilities.
  - 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.

Preconstruction Activities 0 0 0

The following projects will have active preconstruction activities during FY 2006: Addition of two 5-mvar capacitor banks at Bonesteel Substation (South Dakota); Devils Lake Control Board Replacement and Ward Delivery Substation (North Dakota); Havre Control Building and Boards Replacements and Antelope Substation (Montana); Gering-Gering Valley 34.5-kV TL Wood Pole Replacement (Nebraska); Hoyt-Wiggins TL rebuild (Colorado) and Clark Tap – Metering Project (Nevada).

Total, Construction and Rehabilitation 34,039 44,179 53,957

Explanation of Funding Changes

	FY 2006 vs. FY 2005 ($000)
Transmission Lines and Terminal Facilities	
▪ Transmission Lines and Terminal Facilities work is projected to be $8 million more than the FY 2005 level. The increase in the funding request for these facilities results from deferring necessary planned upgrades due to budget constraints in recent years, the deterioration of our aging lines, and Congressional mandates for specific transmission facilities. The requested funding for FY 2006 will allow Western to repair, rebuild, or relocate structures that have been identified as having potential reliability, safety, and maintenance problems. It will allow Western to continue its wood pole testing, treatment, and replacement programs to maximize service life and postpone costs.....	+8,108
Substations	
▪ Western's Substation program will be approximately $4 million less than the FY 2005 level. The decrease is a result of planned customer funding for critical additions and upgrades for which appropriations are not available in FY 2005 but which are essential to maintaining a stable, safe and reliable Federal transmission system.	-4,151
Other	
▪ Funding of ongoing fiber optic communications projects increases by $4.5 million due to projects budgeted in FY 2005 but delayed due to Congressional earmarks. Projects in California, North Dakota, 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. An increase of $1.3 million is reflected in miscellaneous projects such as roof repairs, security upgrades, fire system upgrades, and other minor construction work.....	+5,821
Total Funding Change, Construction and Rehabilitation	**+9,778**

Purchase Power and Wheeling

Funding Schedule by Activity

(dollars in thousands)

	FY 2004	FY 2005	FY 2006	$ Change	% Change
Central Valley Project	156,000	163,049	77,013	-86,036	-52.8%
Pick-Sloan Missouri Basin and Other Programs	115,000	108,159	129,622	+21,463	+19.8%
Total, PPW (gross)	271,000	271,208	206,635	-64,573	-23.8%
Use of Alternative Financing	-84,900	-43,608	-58,135	-14,527	-33.3%
Total, PPW	186,100	227,600	148,500	-79,100	-34.8%
Offsetting Collections Realized	-186,100	-227,600	-148,500	+79,100	+34.8%
Total, PPW Budget Authority	0	0	0	0	0.0%

Description

The mission of the Purchase Power and Wheeling (PPW) 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 firm 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. The CVP long-term power sale contracts have been renegotiated; the prior contracts expired at the end of calendar year 2004. By its nature, hydropower is a variable resource; it is affected by reservoir storage, drought conditions, powerplant maintenance and other project purposes. Variations occur between load and generation hour by hour or even minute by minute. Western buys power and related transmission services to fulfill its firm power-sale 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 principle 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 which place binding responsibilities on Western to provide firm power to customers of the Pick-Sloan Missouri Basin Program-Eastern Division, Loveland Area Projects and Parker-Davis Project.

The FY 2004 program amount was enacted based on prior year (FY 2003) preliminary actual purchase power and wheeling program requirements and expenditures estimated at $271.0 million. FY 2005

program amounts enacted assume continuation of the PPW program services with an increase in the level of receipt authority authorized.

The FY 2006 request provides for the continuation of purchase power and wheeling receipt funded activities to the extent necessary to meet long-term average purchase needs corresponding to normal hydro conditions. The receipt funding requirement, estimated at $148.5 million, was estimated conservatively based on the long-term average of the actual purchases over 20 years. The concept is similar to the approach Western uses for determining the amount of hydropower generation available for sale (i.e., the average hydro generation available over the long term). For above average purchase power requirements, estimated at $58.3 million in FY 2006, customers are encouraged to enter the markets on their own. For those unable or unwilling, Emergency/Continuing Fund authorities and traditional alternative financing methods (primarily customer advances) are anticipated to be available.

The following table lays out the FY 2004, FY 2005, and FY 2006 PPW program assumptions against preliminary actuals for FY 2003 purchases, energy prices and wheeling costs.

Purchase Power and Wheeling Program Assumptions

	FY 2003 Preliminary Actual	FY 2004 Enacted	FY 2005 Enacted	FY 2006 Request (long-term average)
Power Purchases (gigawatthours)				
Central Valley Project	5,022	5,022	2,229	942
Pick-Sloan Missouri Basin and Other Programs	3,052	3052	2,964	1,674
Total, Purchases	8,074	8,074	5,193	2,616
Purchase Power Prices ($/megawatthour)				
Central Valley Project	27.7	27.7	49.9	48.0
Pick-Sloan Missouri Basin and Other Programs	34.0	34.0	31.9	43.0
Cost of Power Purchases ($000)				
Central Valley Project	139,188	139,188	111,151	45,200
Pick-Sloan Missouri Basin and Other Programs	103,812	103,812	94,609	72,000
Total, Purchase Power Costs	243,000	243,000	205,760	117,200
Wheeling Costs ($000)				
Central Valley Project	16,790	16,812	51,898	25,200
Pick-Sloan Missouri Basin and Other Programs	11,125	11,188	13,550	6,100
Total, Wheeling Costs	27,915	28,000	65,448	31,300
FY 2006 anticipated above average purchases for drought – Financed by alternative methods and/or Continuing Fund				58,135
Total, Purchase Power and Wheeling Costs	270,915	271,000	271,208	206,635

Detailed Justification

	(dollars in thousands)		
	FY 2004	FY 2005	FY 2006
Central Valley Project	**93,757**	**144,522**	**70,400**

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

- **Central Valley Project, Program Requirement** **156,000** **163,049** **77,013**

  In FY 2006, Western continues to firm its contractual power commitments to customers; however, at a much reduced level. FY 2006 is the first full fiscal year under the Post 2004 Marketing Plan. Firm contractual power deliveries will be significantly reduced, leading to a much lower firming purchase requirement. The budget request assumes current full load service customers will choose continued service from Western through 'Custom Products' contractual arrangements. Other arrangements will be negotiated with variable resource customers. The average price for purchases in FY 2006 increases to current market rates. The prior year average prices were offset by lower cost energy available under long-term contract with PG&E which expired at the end of the 1st quarter of FY 2005.

- **Central Valley Project, Alternative/Customer Financing**.... **-62,243** **-18,527** **-6,613**

  Anticipated variable resource customer contractual arrangements in FY 2006 will be financed using alternative methods; primarily direct customer advances.

Pick-Sloan Missouri Basin and Other Programs **92,343** **83,078** **78,100**

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

- **Pick-Sloan Missouri Basin and Other Programs, Program Requirement** **115,000** **108,159** **129,622**

  In FY 2006, the request continues to support long-term firm power 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 total program estimates shown for FY 2005 are based primarily on market pricing of short-term firm energy, negotiated transmission rates, and Western and generating agency' forecasts reflecting the impact of existing drought conditions on purchase requirements. The FY 2006 program request is up from the FY 2005 estimate due primarily to continuation of the severe drought conditions and also to escalation in current pricing over prior year levels. Receipt funding is provided for normal purchase requirements based on long-term average purchase levels. Above normal purchase needs will require alternative financing methods and possibly Emergency/Continuing Fund resources.

- **Pick-Sloan Missouri Basin and Other Programs, Alternative/Customer Financing** ..... **-22,657** **-25,081** **-51,522**

  Alternative financing methods will be used to provide for above normal purchase power requirements, primarily due to drought, where customers are unable or unwilling to enter the market to acquire their own firming power. The Emergency//Continuing Fund authorities are also available to mitigate below normal hydro-generation resulting from the drought conditions.

Total, Purchase Power and Wheeling **186,100** **227,600** **148,500**

Explanation of Funding Changes

	FY 2006 vs. FY 2005 ($000)
Central Valley Project	
▪ The gross PPW requirement of $77.0 million in FY 2006 is decreasing by $86.0 million from the $163.0 million level anticipated in FY 2005. FY 2006 is the first full year under the Post 2004 Power Marketing Plan. The previous power marketing plan and the integration agreements with PG&E expired at the end of CY 2004. New power sale contracts are under way; however, the integration contract with PG&E was not extended. Western has considered several options to continue service to its customers after CY 2004. Currently, firming purchases given normal water conditions are expected to drop from 2,229 GWhs, at cost of $111.2 million in FY 2005 to 942 GWhs at a cost of $45.2 million in FY 2006. Western expects transmission costs to decline from the previously estimated FY 2005 levels of $51.9 million to just $25.2 million in FY 2006. $6.6 million in alternative financing, primarily customer advances, is assumed for anticipated contractual arrangements with variable resource customers. No direct appropriations are necessary.....	-86,036
Pick-Sloan Missouri Basin and Other Programs	
▪ The gross PPW requirement of $129.6 million in FY 2006 is increasing by $21.5 million from the $108.2 million restated FY 2005 level. The increase reflects slight pressure on energy prices, and the continuation of long-term drought conditions which will push back the improved water conditions anticipated in the re-stated FY 2005 program. Purchase power requirements are expected to increase from 2,964 GWhs in FY 2005 to 3,473 GWhs in FY 2006. Normal purchases are closer to 1,700 GWhs; it will require several years of good water conditions before purchases will drop to normal levels in the Pick-Sloan Missouri Basin. Alternative financing of $51.5 million is anticipated to provide for above-normal purchase power needs where customers are unable or unwilling to enter the energy markets to acquire firming energy on their own..	+21,463
Total Funding Change, Purchase Power and Wheeling Budget Authority	**-64,573**

Utah Reclamation, Mitigation and Conservation

Funding Schedule by Activity

(dollars in thousands)

	FY 2004[a]	FY 2005[b]	FY 2006	$ Change	% Change
Total, Utah Mitigation and Conservation Budget Authority	6,163	6,150	0	-6,150	-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 2004	FY 2005	FY 2006
Utah Mitigation and Conservation	**6,163**	**6,150**	**0**
No appropriated funding is requested. Beginning with FY 2006, this Account will be funded through Western's Colorado River Basin Power Marketing Fund.			
Total, Utah Mitigation and Conservation	**6,163**	**6,150**	**0**

[a] FY 2004 amount reflects the 0.59 percent across-the-board rescission of $36,580 from the Consolidated (Omnibus) Appropriations Act, 2004 (P.L. 108-199).
[b] FY 2005 reflects the general 0.80 percent across-the-board rescission of $49,600 (P.L. 108-447).

Explanation of Funding Changes

	FY 2006 vs. FY 2005 ($000)
Utah Mitigation and Conservation	
▪ Beginning with FY 2006, this Account will be funded through Western's Colorado River Basin Power Marketing Fund.	-6,150
Total Funding Change, Utah Mitigation and Conservation	**-6,150**

Falcon and Amistad Operating and Maintenance Fund

Funding Profile by Subprogram

(dollars in thousands)

	FY 2004 [a]Comparable Appropriation	FY 2005 Original Appropriation	FY 2005[b] Adjustments	FY 2005 Comparable Appropriation	FY 2006 Request
Falcon and Amistad Operating and Maintenance Fund	2,625	2,827	-23	2,804	2,692
Offsetting Collections, Falcon and Amistad	0	0	0	0	-2,692
Total, Falcon and Amistad Budget Authority	2,625	2,827	-23	2,804	0

Public Law Authorizations:
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. Beginning with FY 2006, Western Area Power Administration proposes to offset its appropriation for the Falcon-Amistad Project with receipts recovered from sale of power and related services. These collections will provide for a direct offset to the appropriation, resulting in a net appropriation of $0 by fiscal year end.

Benefits

The Falcon-Amistad Project 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

[a] FY 2004 reflects the general 0.59 percent across-the board rescission of $15,567 (P.L. 108-199).
[b] FY 2005 reflects the general 0.80 percent across-the-board rescission of $22,616 (P.L. 108-447).

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.

Funding Schedule by Activity

(dollars in thousands)

	FY 2004	FY 2005	FY 2006	$ Change	% Change
Falcon and Amistad Operating and Maintenance Fund					
Salaries and Benefits	1,723	1,736	1,745	+9	+0.5%
Routine Services	771	813	793	-20	-2.5%
Miscellaneous Expenses	115	245	145	-100	-40.8%
Marketing, Contracts, Repayment Studies	16	10	9	-1	-10.0%
Emergency Contingency	0	0	0	0	0.0%
Total, Falcon and Amistad Operating and Maintenance Fund	2,625	2,804	2,692	-112	-4.0%

Detailed Justification

(dollars in thousands)

	FY 2004	FY 2005	FY 2006
Salaries and Benefits	**1,723**	**1,736**	**1,745**

Salaries and benefits are provided for 26 FTE 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 slight increase is attributed to increases for promotions, within grade, salary, and cost of living adjustments, partially offset by a decrease of hours charged to this activity.

Routine Services	**771**	**813**	**793**

Routine services such as inspection and service of the HVAC and air compressor systems, fire suppression systems, elevators, self-contained breathing apparatus, recharge and hydro-testing of fire extinguishers, calibration of test equipment, rebuild of electric motors, and repair of obsolete equipment when replacement parts are no longer available, will be provided. Additionally, replacement of tools and equipment, security and intrusion detector systems, an additional maintenance utility vehicle at the Amistad Powerplant ($23,000), and a replacement of a hi-reach maintenance utility truck ($83,000) at the Falcon Powerplant are also planned. The request also includes $416,000 for major purchases of high voltage circuit breakers and a main transformer at the 50-year old Falcon Powerplant.

Miscellaneous Expenses	**115**	**245**	**145**

Estimates include miscellaneous expenses for IBWC employees and technical advisors, including travel, training, communications, utilities and printing. Planned training and travel activities include that which 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. The decrease in this activity is attributed to a lower level of anticipated travel and office supplies.

	(dollars in thousands)		
	FY 2004	FY 2005	FY 2006
Marketing, Contracts, Repayment Studies	**16**	**10**	**9**
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.			
Emergency Contingency	**0**	**0**	**0**
Restoration of the emergency contingency to the $200,000 level originally appropriated was completed in FY 2003.			
Total, Falcon and Amistad Operating and Maintenance Fund Budget Authority	**2,625**	**2,804**	**2,692**

Explanation of Funding Changes

	FY 2006 vs. FY 2005 ($000)
Salaries and Benefits	
▪ The increase in salaries and benefits is primarily attributed to anticipated promotions, within grade, salary, and cost-of-living adjustments, partially offset by a decrease in hours charged by employees to this Account.	+9
Routine Services	
▪ The decrease in routine services reflects a slightly lower level of equipment and tool replacements	-20
Miscellaneous Expenses	
▪ The decrease in miscellaneous expenses is attributable to an anticipated decreased level travel and a decrease in miscellaneous office supplies	-100
Marketing, Contracts, Repayment Studies	
▪ The decrease reflects a slightly lower level of effort for these activities.	-1
Total Funding Change, Falcon and Amistad Operating and Maintenance Fund	**-112**

Colorado River Basins Power Marketing Fund

Funding Profile by Subprogram

(dollars in thousands)

	FY 2004 Comparable Appropriation	FY 2005 Original Appropriation	FY 2005 Adjustments	FY 2005 Comparable Appropriation	FY 2006 Request
Colorado River Basins Power Marketing Fund					
Equipment, Contracts and Related Expenses	153,471	167,876	0	167,876	124,582
Utah Mitigation and Conservation	0	0	0	0	6,650
Program Direction	40,090	38,741	0	38,741	40,036
Total, Operating Expenses from new authority	193,561	206,617	0	206,617	171,268
Offsetting Collections Realized	-192,103	-229,617	0	-229,617	-194,268
Total, Obligational Authority	1,458	-23,000	0	-23,000	-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, replacements, 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.

Equipment, Contracts and Related Expenses

Funding Schedule by Activity

(dollars in thousands)

	FY 2004	FY 2005	FY 2006	$ Change	% Change
Equipment, Contracts and Related Expenses					
Supplies and Materials	9,925	9,414	8,752	-662	-7.0%
Purchase Power Costs	129,701	134,671	92,381	-42,290	-31.4%
Capitalized Equipment	5,159	8,952	13,170	+4,218	+47.1%
Interest/Transfers	8,686	14,839	10,279	-4,560	-30.7%
Total, Equipment, Contracts and Related Expenses	153,471	167,876	124,582	-43,294	-25.8%

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 cost-based non-firm energy sales.

Benefits

Western's equipment, contracts and related expenses are necessary to operate and maintain 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 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 controls 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, SCADA, 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 2004	FY 2005	FY 2006
Supplies and Materials	**9,925**	**9,414**	**8,752**

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 begins to optimize public safety, 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 planned activity.

Purchase Power Costs	**129,701**	**134,671**	**92,381**

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. Purchased power costs decreases in FY 2006 as a result of lowering sustainable hydro power from 6100 GWh to 4500 GWh, which in turn, reduces the amount of energy purchased by Western.

Capitalized Equipment	**5,159**	**8,952**	**13,170**

Capitalized equipment, including circuit breakers, transformers, relays, switches, transmission line

equipment, microwave, SCADA, 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. Planned communications equipment purchases decrease slightly and include funding for the continuation of the project to replace analog microwave with fiber optic ground wire and fiber terminal equipment (Upper Great Plains Region). Also included is the continuation of replacing obsolete mobile radio equipment to allow for coverage in areas requiring communications with Operations Offices. Funds are requested to replace aging telemetry system equipment which transports data from approximately 120 meter locations to the Rocky Mountain Region for processing. The goal of this replacement project is to install a system which is simplified in design, easier to support and maintain, and composed of commercially manufactured components. Transmission line estimates include the purchase of poles, crossarms, conductors, overhead ground wire and hardware for transmission line rebuilds and replacement to the 230-kV specifications for 10 miles each of the Harvre-Rainbow line and the Wolf Point-Williston line, as both have reached the end of their expected lifecycle (Upper Great Plains Region). Planned substation estimates include the repair or replacement of the worn and aged 230-kV substation switches at the Hayden Substation used to disconnect and deenergize circuit breakers and transmission lines from the substation for maintenance. Funding is also requested to replace the air core reactors at the Curecanti substation. Current reactors have experienced failures and reactor banks have been designated as essential and necessary for voltage control on the power system. Also planned is replacement of the existing transformer units at Flaming Gorge due to a history of periodic overloading. These units will be replaced with larger transformers to avoid transformer overload (Rocky Mountain Region). Other substation capitalized equipment purchases include the replacement of electro-mechanical relays due to aging; replacement of the Dynamic Overvoltage Devices for the Miles City HVDC Converter Station; replacement of the Rudyard 69-kV and 115-kV interrupters as they do not operate properly, need constant adjustments, and create voltage transients; and funding to replace the Custer reactor as it is showing signs of gassing, has reached the end of its intended service life, and is essential for voltage control (Upper Great Plains Region). Planned movable capitalized property estimates include the replacement of a 20-year old undersized motor grader, a front-end loader used for right-of-way clearing on Western's transmission lines and for access road maintenance and repair, replacement of a 20-year old manlift vehicle with a reliable manlift, including a 100-foot boom, to be used primarily for rebuilding wood transmission lines to 230 standards and installing fiber optic overhead ground wire. Also requested is funding to replace servers and routers to adequately accommodate the added capacity requirements for current and projected growth of the automated business application databases, and funding to replace outdated electrical and communications test equipment.

	(dollars in thousands)		
	FY 2004	FY 2005	FY 2006
Interest/Transfers	**8,686**	**14,839**	**10,279**

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 use funds for programmatic needs. The projected interest payment decreases in FY 2006 as unpaid investments have lower interest rates.

Total, Equipment, Contracts and Related Expenses	**153,471**	**167,876**	**124,582**

Explanation of Funding Changes

	FY 2006 vs. FY 2005 ($000)
Supplies and Materials	
▪ The decrease is attributed to a slight change in the level of activity	-662
Purchase Power Costs	
▪ Purchased power costs decreases in FY 2006 as a result of lowering sustainable hydro power from 6,100 GWh to 4,500 GWh	-42,290
Capitalized Equipment	
▪ The increase in capitalized equipment purchases is primarily attributed to an increased level of purchases associated with planned replacement of transmission line hardware and substation equipment.	+4,218
Interest	
▪ Planned interest payment to the U.S. Treasury in FY 2006 decreases due to unpaid investments having lower interest rates....	-4,560
Total Funding Change, Equipment, Contracts and Related Expenses	**-43,294**

Utah Reclamation, Mitigation and Conservation

Funding Schedule by Activity

(dollars in thousands)

	FY 2004	FY 2005	FY 2006	$ Change	% Change
Total, Utah Mitigation and Conservation Budget Authority	0	0	6,650	+6,650	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 have been considered non-reimbursable and non-returnable. However, beginning with FY 2006, Western Area Power Administration will recover its cost of this Account from the sale of power and related services through Western's revolving fund. 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 2004	FY 2005	FY 2006
Utah Mitigation and Conservation	**0**	**0**	**6,650**
A deposit in the amount of $6,650,000 will be made to this Account.			
Total, Utah Mitigation and Conservation	**0**	**0**	**6,650**

Explanation of Funding Changes

	FY 2006 vs. FY 2005 ($000)
Utah Mitigation and Conservation	
▪ Beginning with FY 2006, Western's contribution to this Account has shifted from appropriated funds to Western's revolving fund.	+6,650
Total Funding Change, Utah Mitigation and Conservation	**+6,650**

Program Direction

Funding Profile by Category

(dollars in thousands)

	FY 2004	FY 2005	FY 2006	$ Change	% Change
Program Direction					
Salaries and Benefits	27,360	27,581	29,017	+1,436	+5.2%
Travel	2,306	2,174	2,013	-161	-7.4%
Support Services	3,375	4,252	4,592	+340	+8.0%
Other Related Expenses	7,049	4,734	4,414	-320	-6.8%
Total, Program Direction	40,090	38,741	40,036	+1,295	+3.3%
Full-time Equivalents	262	281	281	0	0%

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 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 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 2004	FY 2005	FY 2006
Salaries and Benefits	**27,360**	**27,581**	**29,017**

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 power delivery. 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, staff makes

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 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 Order Nos. 888 and 889, Western's Federal salary/benefit costs for the dispatching/scheduling functions increase at varying rates.

Travel	**2,306**	**2,174**	**2,013**

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. Decreased levels are attributable to a slight decline in Western's administrative indirect distributions to this account.

Support Services	**3,375**	**4,252**	**4,592**

Support services funded in this activity include IT support, warehousing, computer-aided drafting/engineering, and general administrative support. The increase is primarily attributed to inflationary factors and the anticipation of a new contract award for Energy Management and Marketing activities to support Western's scheduling activities.

Other Related Expenses	**7,049**	**4,734**	**4,414**

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 inflationary increases offset by decreases in Western's administrative indirect distributions to this account.

Total, Program Direction	**40,090**	**38,741**	**40,036**

Explanation of Funding Changes

	FY 2006 vs. FY 2005 ($000)
Salaries and Benefits	
▪ Increase in salaries and benefits is attributed 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.	+1,436
Travel	
▪ Decrease levels are attributable to a slight decline in Western's administrative indirect distributions to this account.	-161
Support Services	
▪ Increase in support service estimates is primarily attributed to inflationary factors and a planned new contract award in support of Western's scheduling activities	+340
Other Related Expenses	
▪ Decrease in estimated other related expenses includes inflationary increases offset by decreases in Western's administrative indirect distributions to this account. This includes decreases to supplies and materials, miscellaneous services and charges, DOE's Working Capital Fund distribution, and maintenance of equipment	-320
Total Funding Change, Program Direction	**+1,295**

Support Services by Category

(dollars in thousands)

	FY 2004	FY 2005	FY 2006	$ Change	% Change
Technical Support					
Economic and Environmental Analysis	0	0	0	0	0.0%
Test and Evaluation Studies	0	0	0	0	0.0%
Total, Technical Support	0	0	0	0	0.0%
Management Support					
Management Studies	0	0	0	0	0.0%
Training and Education	0	0	0	0	0.0%
ADP Support	1,773	1,936	1,985	+49	+2.5%
Administrative Support	1,602	2,316	2,607	+291	+12.6%
Total, Management Support	3,375	4,252	4,592	+340	+8.0%
Total, Support Services	3,375	4,252	4,592	+340	+8.0%

Other Related Expenses by Category

(dollars in thousands)

	FY 2004	FY 2005	FY 2006	$ Change	% Change
Training	200	200	200	0	0.0%
Working Capital Fund	243	235	172	-63	-26.8%
Printing and Reproduction	14	50	44	-6	-12.0%
Rental Space	834	805	692	-113	-14.0%
Software Procurement/Maintenance Activities/Capital Acquisitions	1,147	1,103	982	-121	-11.0%
Other	4,611	2,341	2,324	-17	-0.7%
Total, Other Related Expenses	7,049	4,734	4,414	-320	-6.8%

System Statistics

	FY 2004	FY 2005	FY 2006
Generating Plants (Number)	56	56	56
Generating Capacity:			
Installed Capability (kW)	10,605,000	10,605,000	10,605,000
Substations[a]:			
Number [b]	272	277	281
Capacity (kVa) [c]	24,387,160	24,502,880	24,519,550
Transmission Lines (Circuit-miles):			
500-kV [d]	544.50	628.50	628.50
345-kV	1,574.57	1,574.57	1,574.57
230-kV [e]	6,917.94	6,943.64	6,943.64
161-kV	888.22	888.22	888.22
138-kV	330.19	330.19	330.19
115-kV	5,741.03	5,741.03	5,741.03
69-kV and below	941.69	941.69	941.69
Total circuit-miles	16,938.14	17,047.84	17,047.84

[a] Number of substations in outyears is based on facilities that are projected to be commissioned or ownership transferred in that year.
[b] Additions for FY 2004 include Exira Substation (Iowa); Dos Amigos Substation (California); San Louis Unit P.P. Substation (California). Additions planned for FY 2005 include Whiterock Substation (Wyoming), Whitney Substation (Colorado), Test Track (Arizona); Gavilan Peak Switchyard (Arizona); and Sierra Nevada Primary Power Station. Additions planned for FY 2006 include Trinity (California); Ward Delivery Substation (Bismarck); Snowy Range Substation (Wyoming); Antelope Creek (Montana).
[c] 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.
[d] Includes 84 miles of 500 kV Los Banos - Gates transmission line (Path 15) in 2005.
[e] 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) 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 [a]

(dollars in thousands)

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Boulder Canyon Project	66,086	69,355	73,791	74,160	80,533	79,253	80,321
Central Valley Project	246,921	252,349	255,095	256,211	257,594	257,594	257,594
Central Arizona Project [b]	104,705	104,698	104,698	104,698	104,698	104,698	104,698
Falcon-Amistad Project	4,733	4,796	4,690	4,690	4,689	4,688	4,687
Fryingpan-Arkansas Project	13,937	13,907	13,844	13,844	13,844	13,803	13,803
Pacific Northwest-Southwest Intertie Project	25,069	27,427	29,377	30,809	30,798	32,188	32,188
Parker-Davis Project	47,187	45,587	45,881	44,032	41,981	56,870	56,866
Pick-Sloan Missouri Basin Program	278,142	291,681	294,356	297,876	308,810	298,240	298,372
Provo River Project	285	300	287	289	292	295	322
Washoe Project	552	552	552	552	552	552	552
Salt Lake City Area Integrated Projects	150,774	151,683	148,525	149,637	150,634	152,277	153,327
Total	938,391	962,335	971,096	976,798	994,425	1,000,458	1,002,730

[a] Most project revenue estimates are based on their FY 2003 Power Repayment Studies (PRS). For Boulder Canyon Project, Pacific Northwest-Southwest Intertie Project, and Pick-Sloan Missouri Basin Program, amounts are based on the current 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.

[b] 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 costs to cover annual expenses.

Estimate of Energy Sales [a]

(in gigawatthours) [b]

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Boulder Canyon Project	4,092	3,903	3,755	3,927	3,939	3,937	3,980
Central Valley Project [c]	9,700	4,750	4,750	4,750	4,750	4,750	4,750
Central Arizona Project (Navajo)	4,260	4,260	4,260	4,260	4,260	4,260	4,260
Falcon-Amistad Project	89	89	89	89	89	89	89
Loveland Area Projects [d]	2,134	2,134	2,134	2,134	2,134	2,134	2,134
Pacific Northwest-Southwest Intertie Project [e]	0	0	0	0	0	0	0
Parker-Davis Project	1,346	1,346	1,346	1,346	1,346	1,425	1,425
Pick-Sloan Missouri Basin Program, Eastern Division	9,743	10,110	10,245	10,405	10,902	10,422	10,432
Provo River Project	10	10	10	10	10	10	10
Washoe Project	11	11	11	11	11	11	11
Salt Lake City Area Integrated Projects [f]	5,010	5,108	5,224	5,331	5,441	5,563	5,594
Total	36,395	31,721	31,824	32,263	32,882	32,601	32,685

[a] FY 2004 through FY 2010 estimates are general based on FY 2003 Power Repayment Study (PRS) assumptions. The estimates for Boulder Canyon Project and Pick-Sloan Missouri Basin Program are from their respective current ratebase PRS. The estimates for Central Arizona, Falcon-Amistad, and Provo River projects are based on average sales over the prior five years.

[b] One gigawatthour (GWh) equals one million kilowatt-hours (kWh).

[c] Post 2004 sales estimates for the Central Valley Project assume power delivery at reduced levels pending establishment of outyear project use and negotiation of customer Custom Product contractual requirements.

[d] Loveland Area Projects include Fryingpan-Arkansas Project and the Western Division of the Pick-Sloan Missouri Basin Program.

[e] 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.

[f] Salt Lake City Area Integrated Projects include the Colorado River Storage Project, Collbran Project, Rio Grande Project, Seedskadee Project, and Dolores Project.

Estimate of Proprietary Receipts

(dollars in thousands)

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
MANDATORY							
Falcon Amistad Maintenance Fund, 895178	2,455	2,804	0	0	0	0	0
Sale and transmission of electric power, Falcon and Amistad Dams, 892245	2,000	2,332	1,998	1,690	1,689	1,688	1,687
Sale of Power and Other Utilities Not Otherwise Classified, 892249 [a]	27,200	42,500	15,047	14,086	13,092	12,062	10,997
Sale of Power–Western–Reclamation Fund, 895000.27	186,761	225,769	124,741	109,517	107,380	103,383	102,016
Total, Mandatory Receipts	218,416	273,405	141,786	125,293	122,161	117,133	114,700
DISCRETIONARY							
Sale of Power–Western–Reclamation Fund, 895000.27	0	0	57,453	59,414	61,408	62,438	64,503
Less Transfers - Corps of Engineers [a]	0	0	-27,453	-28,414	-29,408	-30,438	-31,503
Less Transfers - Bureau of Reclamation [b]	0	0	-30,000	-31,000	-32,000	-32,000	-33,000
Subtotal, 895000.27	0	0	0	0	0	0	0
Offsetting Collections from the recovery of power related expenses – Western – 89X5068.01 [c]	186,100	227,600	335,300	350,079	361,016	371,996	383,328
Less Purchase Power and Wheeling expenses	-186,100	-227,600	-148,500	-153,698	-159,077	-164,645	-170,407
Less O&M and Program Direction expenses	0	0	-186,800	-196,381	-201,939	-207,351	-212,921
Subtotal, 89X5068.01	0	0	0	0	0	0	0
Offsetting Collections from the recovery of power related expenses – Falcon Amistad Maintenance – 89X5178 [d]	0	0	2,692	3,000	3,000	3,000	3,000
Less Operating and Maintenance expenses	0	0	-2,692	-3,000	-3,000	-3,000	-3,000
Subtotal, 89X5178	0	0	0	0	0	0	0
Subtotal, Discretionary Receipts	0	0	0	0	0	0	0
TOTAL, PROPRIETARY RECEIPTS	218,416	273,405	141,786	125,293	122,161	117,133	114,700

[a] 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 2006 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. An agreement has been reached re-classifying these receipts.
[b] The FY 2006 request also proposes that Bureau of Reclamation annual hydropower operation and maintenance and research and development for facilities in Western's service area be funded by receipts. OMB is working with Congress to reach agreement on re-scoring these receipts from mandatory to discretionary.
[c] The FY 2006 request proposes to finance annual expenses for Western PPW, O&M, and Program Direction with power sale collections. The collections from the recovery of PPW expenses have been reclassified as discretionary. OMB is working to reach agreement on reclassifying collections from the recovery of O&M and Program Direction expenses.
[d] The FY 2006 request also proposes to finance annual expenses for the Falcon and Amistad dams directly from power sale collections. OMB is working with Congress to reclassify these collections as well.

Pending Litigation

Pending litigation that may impact Western's FY 2006 Congressional Budget request includes:

- *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) filed a Chapter 11 bankruptcy proceeding in the Central District of California in March 2001. The Cal PX plans are to liquidate. The Cal PX's bankruptcy is due in large part to the 2000-2001 energy crisis in California, which caused PG&E and Southern California Edison (SCE) to default on their obligations to the Cal PX. The Cal PX, which functioned as a trading house with no real assets, was then unable to pay its suppliers, including Western. PG&E has emerged from its own bankruptcy proceedings and has set up an escrow account to make its payments to the Cal PX. SCE had earlier entered into a settlement with the State of California, which allowed it to once again become solvent and to make back payments to the Cal PX. These payments from PG&E and SCE should eventually allow the Cal PX to be able to pay a significant portion of its debts, including debts to Western. Ultimate resolution of the Cal PX bankruptcy is also contingent on proceedings at the Federal Energy Regulatory Commission (FERC) related to refunds owed to the State of California. Eventually, FERC approval will be needed for final disposition of the Cal PX's assets. However, a recent ruling from the District of Colombia Circuit Court of Appeals has placed the current limited operating status of the Cal PX in jeopardy. While no longer operational, the Cal PX has been conducting limited business. For example, the Cal PX has engaged in considerable litigation against former directors. The Cal PX has also incurred litigation expenses related to the bankruptcies of Enron and Mirant. But, the Cal PX's arguably most import continuing business has been its necessary involvement in the "California Refund Proceedings" (*see San Diego Gas and Electric Company v. Sellers of Energy and Ancillary Services Into Markets Operated by the California Independent System Operator and the California Power Exchange,* Docket Nos. EL00-95-000, *et al.;* and *Investigation of the Practices of the California Independent System Operator and the California Power Exchange,* Docket EL00-98-000, *et al*., below). The Court of Appeal ruled on July 9, 2004, that the FERC ordered rate, which was supporting the Cal PX's operations in bankruptcy, was illegal, retroactive rate-making and threw out the rate. Settlement discussions were initially held among CalPX participants to find an acceptable method for funding; however, those discussions were unsuccessful and the CalPX has filed new rates with the Commission.
- In a related matter, the Department of Justice has intervened in California State court proceedings dealing with the inverse condemnation of the Cal PX's "Block Forward" contracts that were seized by California Governor Davis immediately following the Cal PX's initial defaults in January 2001. These proceedings continue in state court.
- *Quechan Indian Tribe v. Department of Energy, Federal District Court, Southern District of California, Civil Action No. 02CV0196IEG (AJB).* On June 7, 2002, the Quechan Indian Tribe filed suit in Federal District Court in its own capacity, and as *parens patriae* on behalf of its members, seeking declaratory and injunctive relief and $9.4 million in damages relating to the impact to cultural sites that occurred within the Tribe's Fort Yuma Reservation located in Imperial County, California. The causes of action against Western are for money damages for injury or loss of property caused by the alleged negligent or wrongful acts or omissions of federal employees while acting within the scope of their office or employment when doing work on a project known as the Gila-Knob Pole 161-kV Wood Pole Rehabilitation Project. The United States filed an Answer on October 22, 2002.

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.

In anticipation of a settlement in the Supreme Court litigation, the United States and the Tribe negotiated a Case Management Order that the Court accepted that provides for the following four phased approach: (Phase 1) fact discovery is to be completed by March 30, 2005; (Phase 2) the parties will file summary judgment motions on or before May 2, 2005; (Phase 3) expert discovery; and (Phase 4) pretrial proceedings. The Tribe has scheduled depositions for January 12-14, 2005, in Phoenix. The United States intends to conduct a Fed. R. Civ. P. 30(b)(6) deposition in late January or early February and may follow up with additional depositions of individual Tribal members.

Federal Energy Regulatory Commission Litigation

- *San Diego Gas and Electric Company v. Sellers of Energy and Ancillary Services Into Markets Operated by the California Independent System Operator and the California Power Exchange,* Docket Nos. EL00-95-000, *et al.;* and *Investigation of the Practices of the California Independent System Operator and the California Power Exchange,* Docket EL00-98-000, *et al*. 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 proceedings 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 Court of Appeals 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 and Western is working in particular with the City of Redding regarding the filing of a Fuel Cost Allowance (FCA) claim on behalf of Redding.

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 and Montrose 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 early 2005. The Commission is also still considering numerous rehearing requests and other motions, including a recent request for comments on the nature of revenue shortfall filings. Initial briefing also began in the 9th Circuit regarding certain threshold issues on December 23, 2004.

A Settlement Conference with all parties was held on June 30, 2004. A number of settlements (Duke, Dynegy, Williams) are now pending with the Commission. Western has also had limited settlement discussions with the California Parties and to the extent necessary with SNR's Scheduling Coordinator customers, who would ultimately would be liable for any refunds. Additionally, in September 2004, the Court of Appeals for the Ninth Circuit ruled against the Commission and found that the Commission did in fact have authority to order refunds for the time period prior to October 2, 2000, based on the theory that certain sellers with market-based rate authority had failed to file required reports of sales with the Commission. The Commission has not yet issued any orders in response to the 9th Circuit opinion.

- *Pacific Gas and Electric Company*, FERC Docket No. ER04-690-000. In Docket ER04-690-000, on March 31, 2004, PG&E filed a proposed notice to terminate PG&E Rate Schedule Nos. 79, 63, 81, 126, 151 and 152 between PG&E and Western. These rate schedules mainly concern Contract No. 14-06-200-2948A executed between Western and PG&E as part of the consideration to allow PG&E to participate in a portion of the federal construction of the Pacific Northwest Pacific Southwest Intertie. As part of this filing, PG&E has unilaterally filed unexecuted replacement agreements.

  On that same date, in Docket ER04-688-000, PG&E filed a notice to terminate PG&E Rate Schedule No. 35 and SCE Rate Schedule No. 37. Rate Schedule No. 35 and No. 37 is the contract between Western and the California Pool Companies, comprised of PG&E, Southern California Edison and San Diego Gas and Electric Company for extra high voltage transmission and exchange services, Contract No. 14-06-200-2947A. This contract also is part of the package of contracts executed as part of consideration of the Pacific Northwest Pacific Southwest Intertie.

  On that same date, in Docket ER04-693-000, PG&E filed a notice to terminate Rate Schedule No. 146. Rate Schedule No. 146 concerns the Coordinated Operating Agreement for part of the Pacific Northwest Pacific Southwest Intertie: the Pacific Alternating Current Intertie and the California Oregon Transmission Project.

  On April 19, 2004, Western filed a motion to intervene, reject, consolidate and protest. Western argued the subject matter of the dockets are all intertwined – the contracts at issue in this case all arise from PG&E's proposals to integrate Western's and PG&E's system and from the federally

mandated construction of the Pacific Northwest Pacific Southwest Intertie. Western argued to dismiss on the grounds that PG&E's filing was: (1) premature; (2) failed to include the proper cost of service; and (3) failed to include a credit for integrated facilities. Western protested and moved to reject on the grounds that (1) PG&E has failed to continue to provide critical services; (2) PG&E's rates must be wholesale; (3) PG&E must continue to provide split wheeling; and (4) PG&E unlawfully has applied a state mandated exit fee. Finally, Western sought to examine whether PG&E has been exercising monopoly power.

The Commission has set the matter for technical conferences.

On October 15, 2004, Western and PG&E filed offers of settlement in these dockets. As part of the settlements, PG&E agreed to provide dual supply service to Western's new customers. As to Western's existing customers, PG&E agreed to provide wholesale transmission service to them. Western, PG&E and the CAISO, also, agreed on a transmission exchange agreement which embodies many of the same principles found in the current contract.

On December 3, 2004, the Commission accepted and approved the settlements. Western expects that Southern California Edison Company will seek a rehearing.

- *Pacific Gas and Electric Company*, Docket No. ER01-424-000. On November 13, 2000, PG&E tendered for filing a Grid Management Charge (GMC) Pass-Through Tariff. PG&E alleged that the filing seeks to recover the costs proposed in the Cal ISO's GMC filing in Docket No. ER01-313-000. PG&E further alleged that GMC is a new service. PG&E requested an effective date of January 1, 2001, or the date the Commission makes effective the Cal ISO's filing. In the alternative, PG&E argued it was allowed to modify the existing contracts to pass through the GMC. Western argued that PG&E was not offering a new service for its existing contract customers. Western also argued the GMC was unjust and unreasonable. Finally, Western argued the filing was insufficient.

  On December 29, 2000, the Commission accepted the matter for filing and set the matter for evidentiary hearing. Western filed its answering testimony on August 17, 2001. Western filed a motion asking for summary judgment on the issue of whether PG&E could modify Western's existing contracts. The Presiding Judge granted Western's motion. As a result, the only issue at hearing was whether the charges were new services. From November 13, 2001 – December 20, 2001, the Presiding Law Judge heard the case and issued the Initial Decision on May 10, 2002.

  The Initial Decision found that the charges for Control Area Service (CAS) constituted a new service to PG&E's Control Area Agreement (CAA) customers, i.e. existing contract holders. The Initial Decision also found that charges for Market Operations (MO) were not a new service for CAAs. Therefore the Presiding ALJ ordered PG&E to make a compliance filing to reflect the existing charges for market operations under each CAA and those additional ISO MO charges. However, in the case of Western, the Presiding Judge acknowledged her ruling on Summary Judgment that PG&E had not fulfilled its limited Section 205 rights under 2948A. Thus, PG&E is barred from amending Contract 2948A with the charges for MO, despite a compliance filing.

  Western filed a brief on exceptions on June 10, 2002, asserting that the Initial Decision errs in finding that the CAS constitutes a new service and violates Commission precedent.

On May 2, 2003, the Commission issued an opinion affirming the Presiding Judge's opinion that the CAS pass through was a new service and reversing the Presiding Judge's finding that the MO component of the GMC was not a new service.

On June 2, 2003, Western filed a request for rehearing. On January 23, 2004, the Commission issued a order denying Western's Request for Rehearing. Western then requested that the Department of Justice seek judicial review of FERC's decision. The Department of Justice filed a Petition for Review on March 22, 2004 and, in the meantime, is seeking authorization from the Solicitor General's Office to pursue judicial review. Following the Commission's January 2004 Order on Rehearing, numerous parties filed Motions for Rehearing on the Order on Rehearing.

On or about May 18, 2004, FERC filed a motion to hold Western's and other parties' Circuit Court petitions in abeyance pending resolution of all Commission proceedings. Western did not oppose FERC's motion. The parties entered into a settlement agreement providing that the 2004 charges could be passed through to Western subject to the outcome of the Circuit Court appeal.

Bonneville Power Administration

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Bonneville Power Administration

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 [2005]*2006,* no new direct loan obligations may be made.

Explanation of Changes

The proposed appropriations language restricts new direct loans in FY [2005]*2006* as in FY [2004]*2005*.

Bonneville Power Administration

Overview

Summary by Program

(accrued expenditures in thousands of dollars)

	FY 2004	FY 2005	FY 2006
CAPITAL INVESTMENTS			
Power Business Line	136,806	199,658	184,400
Transmission Business Line	273,815	198,260	266,579
Capital Equipment & Bond Premium	28,081	35,022	36,491
Total Capital Investments	438,702	432,940	487,470
Accrued expenditures will require budget obligations of	438,702	432,940	487,470
Operating Expenses	2,642,075	2,946,770	2,976,655
Projects Funded in Advance	41,317	153,791	147,359
CAPITAL TRANSFERS (cash)	598,462	303,098	371,560
BPA NET OUTLAYS	-61,000	-10,000	-10,000
BPA STAFFING (FTE)	3,136	3,166	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 create and deliver the best value for its customers and constituents as it acts in concert with others to assure the Pacific Northwest:

- An adequate, efficient, economical and reliable power supply;
- A transmission system that provides open and non-discriminatory transmission access, that is adequate to the task of integrating and transmitting power from federal and non-federal generating units, providing service to BPA's customers, providing interregional interconnections, and maintaining electrical

reliability and stability; and
- Mitigation of the Federal Columbia River Power System (FCRPS) impacts on fish and wildlife.

BPA is committed to cost-based rates, open and non-discriminatory transmission access, and public and regional preference in its marketing of power. BPA will set its rates as low as possible consistent with sound business principles and the full recovery of all of its costs, including timely repayment of the Federal investment in the system.

The organization of BPA's FY 2006 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 (PBL) includes line items for Fish and Wildlife, Conservation and Energy Efficiency, Residential Exchange, Associated Projects O&M Costs, and Northwest Power and Conservation Council (Planning 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 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.

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 create and deliver the best value for its customers and constituents as it acts in concert with others to assure the Pacific Northwest:

- An adequate, efficient, economical and reliable power supply;
- A transmission system that is adequate to the task of integrating and transmitting power from federal and non-federal generating units, providing service to BPA's customers, providing interregional interconnections, and maintaining electrical reliability and stability; and
- Mitigation of the FCRPS impacts on fish and wildlife.

BPA is committed to cost-based rates, open and non-discriminatory transmission access, and public and regional preference in its marketing of power. BPA will set its rates as low as possible consistent with sound business principles and the full recovery of all of its costs, including timely repayment of the Federal investment in the system.

Benefits

Bonneville provides electric power (about 40 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. 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. Bonneville also supports the protection and enhancement of fish and wildlife, and provides leadership in conservation and renewables development, as part of its efforts to preserve and balance the economic and environmental benefits of the FCRPS.

Strategic, General, and Program 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's Program Goal 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: Ensure Federal hydropower is marketed and delivered while passing the North American Electric Reliability Council's Control Compliance Ratings, meeting planned repayment targets, and achieving a recordable accident frequency rate at or below our safety performance standard.

Contribution to General Goal 4:
Bonneville contributes to this goal through its strategic vision that emphasizes the basic core values of reliability, low rates consistent with sound business principles, environmental stewardship, and accountability to the region. BPA has renewed its emphasis on performance and has adopted 24 agencywide objectives that are key to achieving its mission. These objectives, aligned using the balanced scorecard model, are focused on stakeholder value, financial performance, internal operations, and people and culture.

Funding by General and Program Goal

(Accrued Expenditures)

(dollars in thousands)

	FY 2004	FY 2005	FY 2006	$ Change	% Change
General Goal 4, Energy Security					
Program Goal 04.54.00.00					
Bonneville Power Administration					
CAPITAL INVESTMENTS					
Power Business Line	136,806	199,658	184,400	-15,258	-7.6%
Transmission Business Line	273,815	198,260	266,579	+68,319	+34.5%
Capital Equipment & Bond Premium	28,081	35,022	36,491	+1,469	+4.2%
Total Capital Investments	438,702	432,940	487,470	+54,530	+12.6%
Accrued expenditures will require budget obligations of	438,702	432,940	487,470	+54,530	+12.6%
Operating Expenses	2,642,075	2,946,770	2,976,655	+29,885	+1.0%
Projects Funded in Advance	41,317	153,791	147,359	-6,432	-4.2%
CAPITAL TRANSFERS (cash)	598,462	303,098	371,560	+68,462	+22.6%
Net Outlays	-61,000	-10,000	-10,000	0	+0.0%
BPA Staffing (FTE)	3,136	3,166	3,166	0	0.0%

Funding by General and Program 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.

Major FY 2004 Achievements

BPA passed a major milestone of its infrastructure program in December 2003, when it energized the Kangley-Echo Lake 500-kilovolt transmission line, the first major new high voltage line in the Northwest since 1987. BPA also completed the Grand Coulee-Bell 500-kilovolt transmission line, which will increase capacity in the East to West corridor from 2,800 megawatts to 4,200 megawatts.

The Celilo modernization project, completed in April 2004, will maintain with greater reliability the transmission line capacity of the 846-mile Pacific Direct-Current (DC) Intertie running from Los Angeles, California, to the northern Oregon border. BPA and the Los Angeles Department of Water and Power began work in 2001 to modernize the converter stations at both ends of the Intertie to maintain the DC line's reliability and capacity. The modernization will maintain the 3,100-megawatt capacity of the line for another 30 years. Without the upgrade, DC capacity would be 1,100 megawatts.

Cost management was a focus throughout BPA in 2004 and continues as a focus in future planning. BPA captured $70 million in power program-related cost reductions in FY 2004 over what was expected when rates were set in August 2003. On the transmission side, BPA cut operating costs by more than $65 million in FY 2004, largely offsetting a reduction in revenue estimates from the rate case.

Annual Performance Results and Targets

Bonneville Power Administration

FY 2001 Results	FY 2002 Results	FY 2003 Results	FY 2004 Results	FY 2005 Targets	FY 2006 Targets
Transmission System Reliability Performance: Met Goal Actual: CPS1: 173.1% CPS2: 98.7%	**Transmission System Reliability Performance:** Met Goal Actual: CPS1: 197.5% CPS2: 96.8%	**Transmission System Reliability Performance:** Met Goal Actual: CPS1: 198.0% CPS2: 93.6%	**Transmission System Reliability Performance:** Met Goal Actual: CPS1: 198.5% CPS2: 94.3%	**Transmission System Reliability Performance:** Attain average NERC compliance ratings for the following NERC 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 >=100); and (2) PCS2, which limits any imbalance magnitude to acceptable levels (rating >=90). Actual: CPS1: CPS2:	Achieve results in the top half of benchmarked utilities for reliability performance targets defined through a customer process in 2004-2005.
Repayment of Federal Power Investment: Met Goal ($139 million) Actual: $237 million	**Repayment of Federal Power Investment:** Met Goal ($239 million) Actual: $505 million	**Repayment of Federal Power Investment:** Met Goal ($216 million) Actual: $544 million	**Repayment of Federal Power Investment:** Met Goal ($246 million) Actual: $592 million	**Repayment of Federal Power Investment:** Meet planned annual repayment of principal on Federal power investments. Actual:	**Repayment of Federal Power Investment:** Meet planned annual repayment of principal on Federal power investments. Actual:
				Hydropower Generation Efficiency Performance: *Achieve 97% Heavy-Load-Hour Availability (HLHA) through efficient performance of Federal hydro-system processes and assets, including joint efforts of BPA, Army Corps of Engineers, and Bureau of Reclamation. HLHA is actual machine capacity available during heavy-load hours (0700-2200 Monday-Saturday), divided by planned available capacity during heavy-load hours.* *Goal: 97%* *Actual:*	***Hydropower Generation Efficiency Performance:*** *Achieve 97% Heavy-Load-Hour Availability (HLHA) through efficient performance of Federal hydro-system processes and assets, including joint efforts of BPA, Army Corps of Engineers, and Bureau of Reclamation. HLHA is actual machine capacity available during heavy-load hours (0700-2200 Monday-Saturday), divided by planned available capacity during heavy-load hours.* *Goal:* *Actual:*

Recordable Injury Frequency Rate: Met Goal Actual: 2.0 injuries	**Recordable Injury Frequency Rate**: Met Goal Actual: 1.7 injuries	**Recordable Injury Frequency Rate**: Met Goal Actual: 2.6 injuries	**Recordable Injury Frequency Rate**: Met Goal Actual: 2.3 injuries.	**Recordable Injury Frequency Rate**: Achieve a safety performance of no more than 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. Actual:	**Recordable Injury Frequency Rate**: Achieve a safety performance of no more than 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. Actual:

Notes:
The performance indicators above have been modified in consideration of the BPA section of the 2004 DOE Program Plan. BPA is continuing to assess target measures that achieve the best alignment with its strategic objectives.

The Hydropower Generation Efficiency Performance Target is included in this FY 2006 budget as a performance measure starting in FY 2005. Historical data for this measure includes FY 2001 Goal 97%, Actual 97%; FY 2002 Goal 100%, Actual 98%; FY 2003 Goal 97%, Actual 97%; FY 2004 Goal 97%, Actual 100%.

Transmission System Reliability Performance Indicator 1 (FY 2006)

This indicator is based on the Institute of Electrical and Electronics Engineers (IEEE) standard measures of outage frequency (SAIFI) and duration (SAIDI). Control chart techniques, closely mirroring the transmission reliability methodology adopted by the California Independent System Operator, are used to establish allowable performance levels. SAIFI and SAIDI for transmission circuits, as categorized by Circuit Importance, are the adopted performance measures. Control Limits and Warning Limits are calculated based on historical circuit performance for the 10-year period FYs 1994-2003. BPA's Security Office will indicate in writing if a security breach relating to the transmission system was the cause of any involuntary curtailment of firm load or if there were no such cases. BPA is continuing to assess other potential transmission targets that achieve better alignment with strategic objectives.

Transmission performance target in 2004 and 2005 – Outage frequency and duration for key transmission circuits are within control chart limits and no involuntary curtailments of firm load occur as a result of transmission system security breach. This target was met in FY 2004.

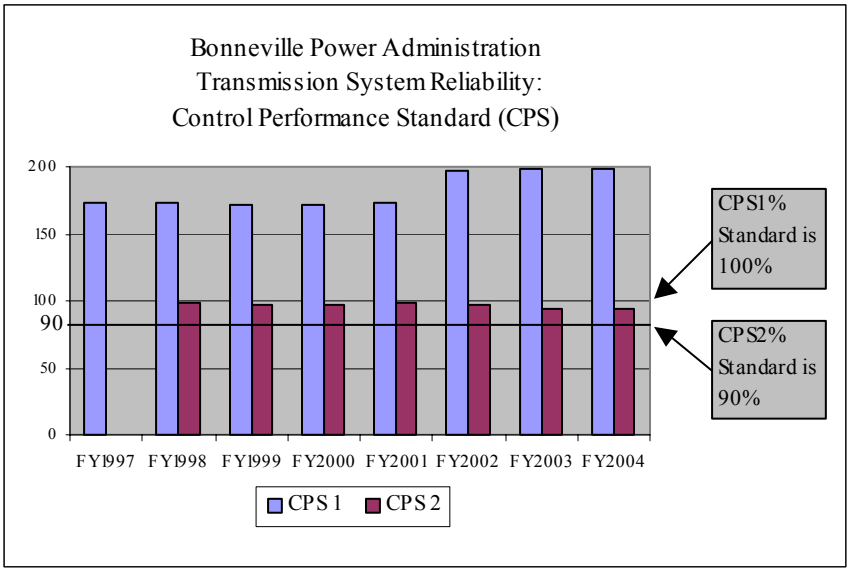
Transmission performance target, post-2005 – BPA will be in the top half of benchmarked utilities for reliability performance targets defined through a customer process in 2004-2005.

Transmission System Reliability Performance Indicator 2 (FYs 2001-2005)

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, Control Performance standards (CPS) 1 and 2.

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.

Target in FY 2005: Attain average NERC compliance ratings for the following NERC 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 >=100); and (2) PCS2, which limits any imbalance magnitude to acceptable levels (rating >=90).



Repayment of Federal Power Investment Performance Indicator

This indicator measures the variance of actual from planned principal payments to the U.S. Treasury (Treasury).

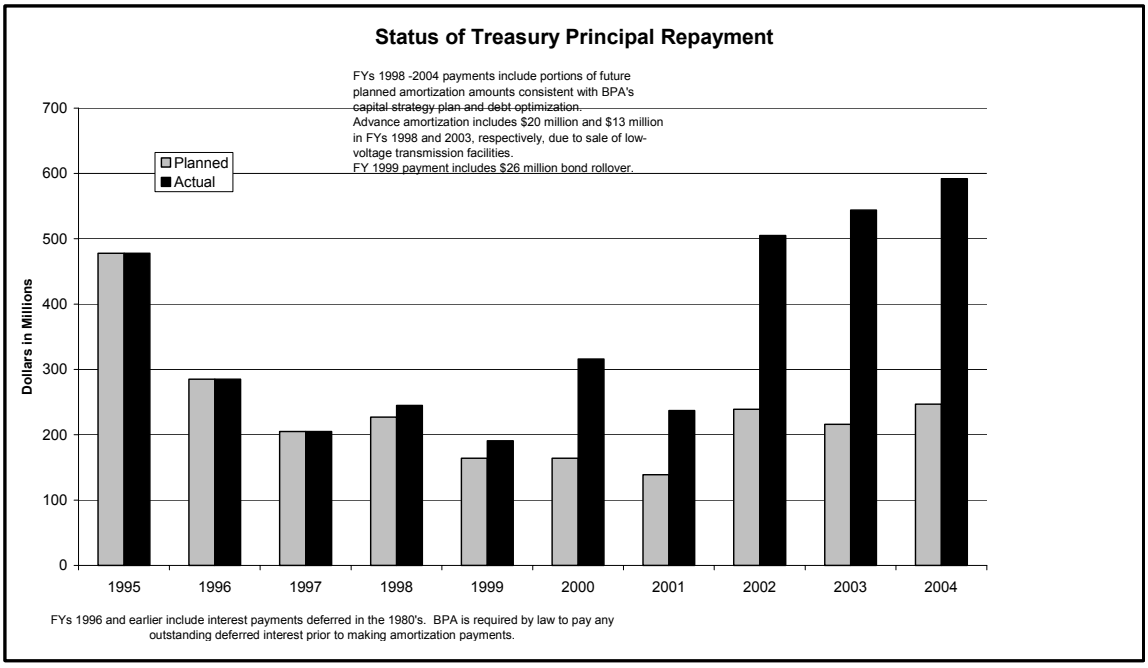
Treasury payment outyear estimates for planned amortization or principal are based on rate case estimates when available and planned amortization for future rate case periods. These estimates may change due to revised capital investment plans, actual Treasury borrowing, and advanced amortization payments. 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. Bonneville made its full planned FY 2004 payment of $1,049 million to the Treasury, including $346 million in advanced amortization.

Repayment target, in 2004 – Meet planned repayment of principal on Federal power investments in FY 2004.

Repayment target, in 2007 – Meet planned repayment of principal on Federal power investments in FY 2007.

Repayment target, in 2011 – Meet planned repayment of principal on Federal power investments in FY 2011.

The following chart displays principal repayment only.

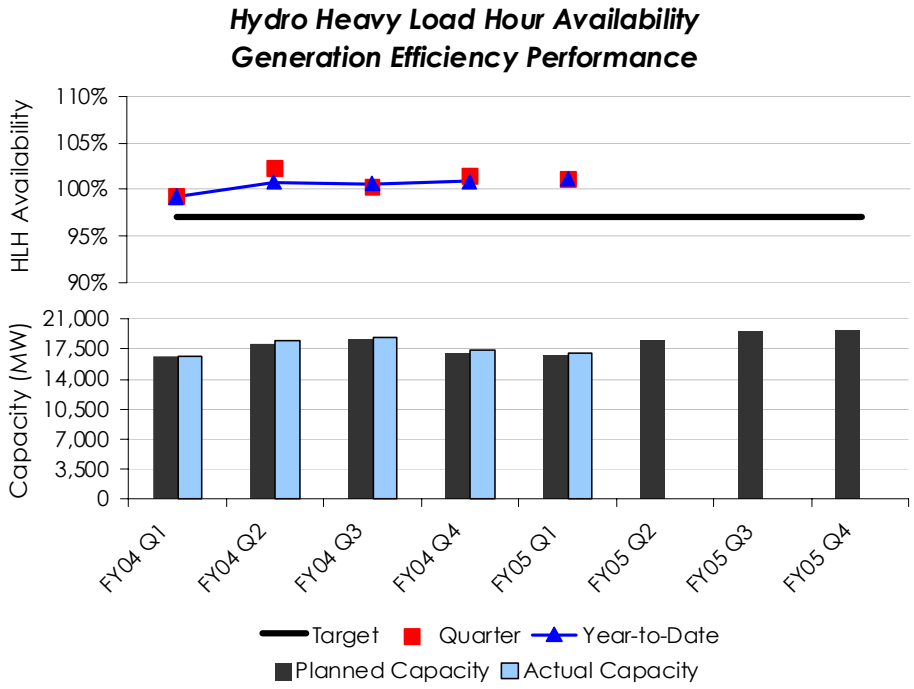


Hydropower Generation Efficiency Performance Indicator

The fundamental programmatic role of Bonneville within the FCRPS is the marketing of electricity generated at the multi-purpose hydro projects in the Pacific Northwest owned and operated by the Corps and the Bureau. This indicator concerns the actual effective performance of the hydro system, reflecting joint work between BPA, the Corps, and the Bureau to improve performance of these generating projects when they are needed most for commercial power operation. It is important from a reliability and economic standpoint to have power generation available when loads are high.

This indicator is based on actual machine capacity available during heavy load hours (HLH), divided by planned available capacity during heavy load hours, expressed in megawatts (MW). Planned capacity is established annually through the Annual Outage planning process, and then updated quarterly based on changes in load and water forecasts. This planned capacity is the basis for the HLH target.

> Hydropower Generation Efficiency target: Achieve actual efficiency results at or above planned availability target levels for hydropower generation efficiency.
>
> FY 2005: Achieve 97% Heavy-Load-Hour Availability (HLHA) through efficient performance of Federal hydro-system processes and assets, including joint efforts of BPA, Army Corps of Engineers, and Bureau of Reclamation. HLHA is actual machine capacity available during heavy-load hours (0700-2200 Monday-Saturday), divided by planned available capacity during heavy-load hours.



As represented above, in 2004 the FCRPS hydro performance tracked closely to the HLH targets, meeting the targets in all four quarters.

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 standards established by the 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 2003 national average recordable injury frequency rate of 4.1 injuries per 200,000 hours worked. Bonneville's recordable injury frequency rate for FY 2004 was 2.3 injuries. The Bonneville target for FYs 2004 and 2005 is to achieve a safety performance of no more than 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.

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.

BPA's strategic direction and balanced scorecard establish a key objective of meeting electricity availability, adequacy, reliability, and cost-effectiveness standards through performance and expansion of the transmission system. To that end, in 2004 BPA managed nine critical transmission infrastructure projects achieving all project milestones on schedule and coming under budget at $154 million, $13 million less than the $167 million threshold. In 2005, BPA is continuing its efforts with 13 key projects and a not-to-exceed budget of $108 million. Performance is being monitored continuously and reported monthly. For 2006 BPA's total capital budget includes $414 million for transmission (main grid additions, upgrades and additions, system replacements, area and customer services, and projects funded in advance), from which a set of critical transmission infrastructure projects will be selected. These investments - repaid entirely by BPA's customers - are foundational to BPA's transmission performance.

As part of these initiatives, Bonneville is also working to improve efficiencies and initiate further cost reductions. Bonneville coordinates its power operational activities with the Corps, the Bureau, the NERC, 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 FCRPS, increasing its generation efficiency and optimization of hydro facility operation.

In addition, 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 Council, regional fisheries managers, the U.S. Fish and Wildlife Service (USFWS), 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 other programs offer several ways for customers to participate in regional conservation.

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 Accountability Office (GAO), 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. BPA has incorporated feedback from OMB into the FY 2006 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. Enactment of the BPA rate with the Safety Net Cost Recovery Adjustment is an example of how BPA is working to continuously improve its rates processes and utilize rate setting as a tool to protect the taxpayer's investment in the FCRPS. 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 2004 Treasury payment marks the 21st year that BPA has made its payment on time and in full.

Regarding PART feedback on performance measurement, BPA has recently re-examined its overall strategic vision and associated performance measures, enhancing the linkage between its financial performance and strategy. BPA's long-term agency objectives are presented through a strategy map that expresses a direct link of overall agency direction to the objectives and targets of internal organizations. Managers' performance contracts also relate directly to organization and agency targets. In addition, BPA is looking to examine industry benchmarking techniques associated with performance and is continuing to develop associated efficiency measures and targets, both short- and long term.

With respect to the marketing and cost recovery findings, BPA continues to implement recommendations from its internal Lessons Learned Report to the Administrator, as well as a similar BPA Report to the Region that assessed BPA's recent financial challenges and included recommendations in part to assure cost recovery and added efficiencies. Additionally, BPA is improving its management of capital project costs and capital investment assessments while helping to assure long-term availability of needed capital funds.

Significant Program Shifts

This section provides an introduction to Bonneville operations and statutory authorities followed by a description of significant Bonneville program shifts.

Bonneville is the DOE's electric Power Marketing Administration for the 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 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 also owns and operates over 15,000 miles of high-voltage transmission lines, transmitting power from the dams and regional power on an open-access non-discriminatory basis. 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 power and transmission 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 Pacific Northwest Electric Power and Conservation Planning Council, now commonly called the Northwest Power and Conservation Council.

Bonneville's program is treated as 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 2004, Bonneville has returned approximately $20.5 billion to the Treasury for payment of FCRPS O&M and other costs (about $2.9 billion), interest (about $11.0 billion), and amortization (about $7.0 billion) of appropriations and bonds. Bonneville made its full planned FY 2004 payment of $1,049 million to the Treasury, including $346 million in advanced amortization. Total FY 2004 credits applied for fish mitigation were about $83 million. For FY 2005, Bonneville plans to pay the Treasury $775

million: $303 million to repay investment principal, $445 million for interest, $27 million for Pension and Post-retirement Benefits. FY 2005 and FY 2006 4(h)(10)(C) credits are estimated at $79 million annually. The FY 2006 Treasury payment is currently estimated at $848 million.

Estimates of interest levels for outyear Treasury payments are based on rate case estimates as 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 advanced 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 2004 is about $1,146 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 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 Bonneville also 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 Treasury. BPA's total O&M direct funding was $214 million in FY 2004.

This FY 2006 budget proposes Bonneville accrued expenditures of $2,977 million for operating expenses, $147 million for Projects Funded in Advance, $487 million for capital investments, and $372 million for capital transfers in FY 2006. The budget has been prepared on the basis of Bonneville's major areas of activity, Power and Transmission. This business structure arose as a response to 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 voluntarily comply with the FERC orders. 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 inconsistent with federal 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 2006 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 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. BPA underwent a comprehensive strategic planning process using the Balance

Scorecard model to align all business units around specific goals and align resources to achieve these goals. In support of strengthening its strategic alignment, BPA is also seeking to achieve operational efficiencies through a stronger overall agency perspective while still complying with the FERC Standards of Conduct.

- The past several years have been particularly challenging for BPA responding to the 2000-2001 West Coast power crisis. Drought and the resulting poor hydrological conditions contributed to a significant decline in expected revenues and high market prices for power purchases required to meet load obligations created significant cost increases. Since then, continued below average hydrological conditions have put pressure on BPA's financial condition. BPA's priority has been to restore its financial health and look toward a stronger financial future. Aggressive cost reductions, debt optimization efforts, cost recovery rate adjustments, and improved market conditions have all contributed to help stabilize Bonneville's finances. BPA is continuing its efforts to assure full recovery of its costs by the end of the rate period in FY 2006 and to achieve long-term financial stability while meeting its overall responsibilities to the Pacific Northwest and the U.S. taxpayer.

- When BPA set power rates for the FY 2002-2006 rate period, it incorporated a series of cost recovery adjustment clauses (CRACs) into its rates structure to provide flexibility to make adjustments as needed to deal with costs or financial situations not anticipated when setting the base rate. Since then, BPA has instituted several actions to reduce costs, thereby keeping power rates as low as possible over the rate period.

- As reflected in this FY 2006 budget, about $550 million in actual and forecasted program and internal operations expense reductions and revenue enhancements for the power function are being implemented over the FY 2003-2006 power rate period, compared to when rates were set. Of this amount, about $100 million was identified by the Power Net Revenue Improvement Sounding Board, composed of customers and other regional stakeholders working with BPA. BPA is continuing its efforts to reduce costs and enhance revenues. Through its significant cost reductions and deferrals since the beginning of FY 2003, coupled with the implementation of the cost recovery rate adjustments, Bonneville has retained a high probability of making its Treasury payment throughout the remaining FYs 2005-2006 of the rate period.

- BPA, in September 2004, announced a wholesale power rate decrease of 7.5 percent for FY 2005 relative to FY 2004 rates. The rate decrease is the first since the West Coast energy crisis and Northwest drought of 2000-2001 drove rates up starting in FY 2002. The rate reduction is made possible by continued cost reductions and a positive outlook for surplus sales revenues. BPA initiated a public process in January 2005 called the Power Function Review (PFR) that will address power program levels for the FY 2007-2011 period. Results from this process will provide important direction for the initial rate proposal that takes affect FY 2006.

- BPA is engaging its customers, constituents and employees in discussions on the agency's power supply role through the Regional Dialogue public process. A key goal of this process is to gain clarity regarding BPA's load obligations and those of the region's utilities. As part of this process, BPA issued in July, 2004 a draft Regional Dialogue

Policy Proposal for Power Supply Role for FYs 2007-2011 for public review and comment. This draft policy is consistent with many of the recommendations included in a recent GAO report on BPA entitled "Better Management of BPA's Obligation to Provide Power is Needed to Control Future Costs." BPA is targeting to complete final policy decisions and a Record of Decision covering short-term issues in the Regional Dialogue in early 2005, followed by additional consideration of remaining long-term issues.

- For the transmission function, BPA established transmission and ancillary service rates for the FY 2004-2005 rate period, with the two-year timeframe designed to mitigate the risks related to an unstable marketplace and in part to support the transition toward formation of a Regional Transmission Organization (RTO). The Federal Energy Regulatory Commission (FERC) granted final approval of BPA's proposed FY 2004-2005 transmission rates and tariffs on September 23, 2003. These rates are consistent with an earlier settlement agreement reached with most of BPA's customers providing for a 1.5 percent increase for most transmission and ancillary service rates over the rate period.

- In anticipation of establishing transmission rates for the FY 2006-2007 period, BPA initiated Programs in Review (PIR), a public process with customers, constituents and others designed to share proposed transmission program funding levels. The PIR includes an overview of the Transmission Business Line's (TBL) vision and objectives which include: providing open and nondiscriminatory transmission access, maintaining system reliability for an improving economy, providing low-cost transmission to the Northwest, increased accountability to customers and constituents, and heightened environmental consciousness.

- Results from the PIR process served as the basis for development of costs in BPA's Initial Proposal for transmission rates that was included in a Settlement Agreement signed by BPA on January 11, 2005 and over 120 BPA customers and other parties. Terms of the agreement entail an overall 12.5 percent increase for the FY 2006-2007 rate period. The increase is driven primarily by a significant drop in TBL's revenues combined with increased costs associated with completion of major infrastructure projects to improve system reliability. Under the Settlement Agreement, BPA commits to proposing in the 2006-2007 Transmission Rate Case the Initial Proposal reflected in the Settlement Agreement. BPA intends to start the formal transmission rate case with a Federal Register Notice expected to be published in February 2005.

- The TBL funding levels included in this FY 2006 budget are based on initial PIR funding estimates. The TBL is continuing to identify added efficiencies, defer work, and cut program costs to help keep transmission rates low.

- 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 to support a competitive wholesale market in the Western Interconnection that encompasses 15 western States, two Canadian provinces and two Mexican States. As part of those efforts, BPA passed a major milestone in its infrastructure program when it energized the Kangley-Echo Lake 500-kilovolt transmission line in December 2003. Another critical component

of the program, the Celilo modernization project, was completed in April 2004, and will maintain the transmission line capacity of the 846-mile Pacific DC Intertie running from Los Angeles, California, to the northern Oregon border.

- Bonneville has identified a number of actions that it is taking or could take over the next several years to provide additional electric system 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 transmission investments. Part of this process, developed with stakeholder input, will provide investor owned utilities (IOUs) 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. For efficient use of 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, continue to use funds only for authorized purposes, continue to 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 Treasury and have outstanding at any one time. Bonneville is pursuing other strategies to sustain funding for its infrastructure investment requirements as well. These additional strategies include optimization of Energy Northwest (ENW) debt, revenue financing of some amount of transmission investments, and seeking, when possible, third party financing sources. This FY 2006 budget includes $15 million of revenue financing in FYs 2004 and 2005 for transmission infrastructure capital- projects funded in advance.

- 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 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 the Open Access Same-Time Information System (OASIS)/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. Furthermore, Bonneville assumes that transmission additions for the purpose of generation integration will go forward with funds

provided by generators up front, to be amortized through credits for transmission services as FERC has encouraged.

- Construction of the Schultz-Wautoma-500 kV transmission infrastructure project was financed in part through a lease-purchase agreement with Northwest Infrastructure Financing Corp., a subsidiary of JH Management. The Schultz-Wautoma project is one of the top projects in BPA's transmission infrastructure program and will add transmission capacity and greatly ease congestion on related transmission paths. The line will increase reliability, potentially reducing outages, while allowing approximately 600 megawatts of new capacity for power flowing in the North to South corridors.

- This FY 2006 budget includes capital and expense estimates for the PBL based on updated estimates from the 2005 Safety Net CRAC rate proposal. The outyear power estimates included in this budget serve as the basis for program levels included in the PFR public process initiated in January 2005. The TBL capital and expense estimates are based on initial TBL PIR funding estimates. Capital investment levels also reflect executive management decisions from BPA's cross-agency Business Operations Board review process, and external factors such as 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 2004 cost estimates are based on BPA's audited actual financial results.

- FYs 2005-2010 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. FY 2004 revenue estimates are based on BPA's audited actual financial results.

- Revenue calculations include depreciation and 4(h)(10)(C) assumptions. 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. Credits for 4(h)(10)(C) included in this FY 2006 budget are $83 million for FY 2004, and $79 million for FYs 2005 and 2006. 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.

- Bonneville is continuing to work closely with the region's IOUs, Bonneville's public agency customers and other stakeholders through a public collaborative process called the Regional Representatives Group (RRG) to further develop a grid management proposal that addresses the specific needs and opportunities of the Pacific Northwest. At the core of the proposal is a flexible business model providing for a staged, voluntary implementation process and a governance structure that provides for a set of checks and balances to ensure that the region has a hand in shaping how the entity serves the region's needs. A preliminary step has been taken by the restructuring of the earlier RTO West proposal into the Grid West proposal and adoption of the Grid West Developmental Bylaws.

- Estimates included in this FY 2006 budget anticipate a slight increase in near-term funding requirements that follows the adoption of the Grid West Developmental Bylaws. If BPA subsequently elects to fund its share of further developmental costs to be incurred by an independent Grid West board, BPA estimates costs for implementation of Grid West could range as high as $10 million annually.

- Bonneville's 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 raising low interest rates on historic appropriations to current Treasury market rates and resetting the principal of unpaid FCRPS appropriations. As called for in the legislation, Bonneville submitted its calculations and interest rate assignments implementing the refinancing to the Treasury. The Treasury then approved the BPA submission in July 1997, thus finalizing the implementation of the Bonneville Appropriations Refinancing Act.

- Consistent with assumptions in its 2002 Supplemental Power Rate Proposal and this FY 2006 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, 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 2,200 aMW, which will be provided entirely as financial benefits consistent with new IOU contracts signed in May 2004. 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 Treasury's 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.

- As part of its continuing competitive efforts, Bonneville is working to further optimize debt service costs (often referred to as debt optimization elsewhere in this budget). Bonneville has reached agreement with ENW to pursue refinancing of certain ENW bonds. Bonneville pays the debt service on these bonds under the terms of earlier net billing

agreements. A component of the refinancing strategy is 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 is being extended into the 2013-2018 time period. Bonneville has committed to ENW 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.

- 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. Due to cost management initiatives, BPA is currently assessing its FTE estimates and expects reductions in actual FTE levels that are planned to occur through attrition and as part of efforts to reduce costs to assure Bonneville's continued financial health. BPA is currently in the process of seeking authority to offer a voluntary separation incentive (VSI) and voluntary early retirement authority (VERA) in FY 2005. Annual Bonneville FTE projections included in this FY 2006 budget for FYs 2005 and 2006 are 3,166.

- 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, power rates were set to provide sufficient revenue to satisfy Bonneville's fish and wildlife responsibilities. Bonneville is working closely with the Council, regional fisheries managers, National Oceanic and Atmospheric Administration Fisheries Service (NOAA Fisheries), the USFWS, Corps, 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 Bonneville's fish and wildlife costs from FY 1996 though 2003.

- 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 and hatchery offsite mitigation measures. The FCRPS Action Agencies' (Corps, Bureau, and Bonneville) 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 Council's Fish and Wildlife Program, provides the mechanism for integrating activities focused on ESA-listed fish in the NOAA Fisheries 2004 and USFWS 2000 Biological Opinions (FCRPS Biological Opinions) with those for non-listed species affected by the Columbia Basin's federal and non-federal hydrosystems).

- Bonneville and the other FCRPS Action Agencies will continue to prioritize funding for fish and wildlife projects, including biological opinion implementation, and will focus funding on cost-effective projects. 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 adaptive management.

- Bonneville is also relying on the Council's recently submitted Sub-basin Plans for the entire Columbia River Basin to further integrate needs identified through recovery planning with those of the Council's Fish and Wildlife Program and FCRPS Biological Opinion implementation. 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 Council's Fish and Wildlife Program.

- 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 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 incorporated a matrix team approach utilizing the OMB and Office of Personnel Management (OPM) "Proud to Be" standards and is continuing to develop strategies to achieve greater efficiencies in Bonneville programs and operations. In 2004, BPA was rated "green" on its performance of each annual target associated with the DOE Energy General Goal.

- 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 the context of past results, and implementing the Balanced Scorecard concept of performance management. As part of this year's budget development, BPA has initiated a "full-cycle financial management" process where the agency's strategic direction drives the development of performance targets that in turn are reflected in outyear budget estimates, BPA's long-term rate development process, and individual managerial performance contracts.

  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 (GAAP), and are consistent with Presidential Initiative schedule guidance.

Bonneville, along with the Corps and Bureau, has developed an asset management strategy to improve the performance and efficiency of FCRPS assets. This strategy evolved into a comprehensive integrated business management model, which dovetails with the President's Budget and Performance initiative. While each agency has its own distinct identity and mission, much greater effort is being made to plan and manage the system collectively and to share strategic objectives. The process involves a continuous loop that integrates planning and resource management with results, while helping to instill greater cooperation among the FCRPS agencies.

- In the area of Expanding E-Government, Bonneville is self-reporting its Current Status as "green" and its Progress Toward Implementing the President's Management Agenda as "green." In an effort to close the gap in the standard of IT (Information Technology) program management (90 percent of IT projects completed 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. In a move to further reduce operations cost, Bonneville has consolidated its business and administrative IT groups.

- Bonneville is self-reporting "green" in Current Status and "green" in Progress Toward Implementing the President's Management Agenda in the area of Human Capital. This initiative has served as a catalyst in redefining BPA's organizational strategy, in developing and getting alignment with meaningful objectives, and in assigning clear accountabilities. A Workforce Plan, completed in early 2004, sets forth BPA's strategy for achieving these goals. The Human Capital Initiative also underscores BPA's efforts toward creating a culture and workforce capability that ensure its ability to successfully achieve its mission. Through its Performance Management systems, as an example, Bonneville aligned Agency Strategic Business Objectives with quantifiable targets that are embedded in individual executive and managerial performance contracts. Development of a new Human Resource Management Information System tool that will support organizational development plans focused on closing mission critical skills gaps is underway as well.

  In support of these efforts, BPA is also beginning implementation of its "position management" initiative that will evaluate the structuring of positions, functions, and organizations in a manner that optimizes productivity, efficiency, and organizational effectiveness. Strong position management will help ensure the efficient distribution of staff resources and help in identifying, preventing, and eliminating unnecessary

organizational fragmentation. Implementation of this long-term program will utilize position management targets.

Overview of Detailed Justifications

Bonneville's Detailed Justification Summaries, included in this FY 2006 budget, follow present budget requirements for 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 2006 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 PBL 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 are assumed to 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 2006.

The near-term forecasted capital funding levels have undergone an extensive internal review as a result of BPA's capital budgeting process and its associated capital asset management strategy. These capital reviews encompass project cost management initiatives, capital investment assessments, and prioritization of capital projects to be funded based on risk and other factors. Consistent with BPA's near-term capital funding review process, this FY 2006 budget includes updated capital funding levels for FY 2005. 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 its extensive internal management assessment of capital investments, Bonneville has developed and is implementing an associated external capital investment review process that provides significant benefits to Bonneville. The combined internal and external processes add value 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 further implement its 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 2006, budget expense obligations are estimated at $2,977 million. The total program requirements of all Bonneville programs include estimated budget obligations of $3,611 million in FY 2006.

Power Business Line - Capital

Funding Schedule by Activity

(Accrued Expenditures)

(dollars in thousands)

	FY 2004	FY 2005	FY 2006	$ Change	% Change
Associated Project Costs	111,319	131,158	119,400	-11,758	-9.0%
Fish & Wildlife	8,514	36,000	36,000	0	0.0%
Conservation & Energy Efficiency . . .	16,973	32,500	29,000	-3,500	-10.8%
Total, Power Business Line - Capital .	136,806	199,658	184,400	-15,258	-7.6%

Description

Associated Project Costs provide for direct funding of additions, improvements and replacements of existing Bureau, and 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 percent 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. 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 initially decline at a rate of about 1.5 percent per year. Supplementary analyses and experience with the system have revealed additional investment needs above and beyond the levels originally planned under the Asset Management Strategy for this and the next several rate periods.

These planned investments, included in this FY 2006 budget 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 Council's Fish and Wildlife Program.

Bonneville is also mandated to implement measures called for under the ESA. These measures are part of the biological opinions issued in November 2004 by the NOAA Fisheries and in 2000 by the USFWS to address the effects of the operation of the FCRPS on threatened and endangered salmon and steelhead and ESA-listed Kootenai River – white sturgeon and bull trout. The biological opinions require the FCRPS Action Agencies to implement actions in the Columbia River Basin that address impacts on the Federal hydrosystem on ESA-listed fish to ensure that operation of the FCRPS does not jeopardize the continued existence of listed species or adversely modify their designated critical habitat. The NOAA 2000 Biological Opinion on the FCRPS was challenged in Federal District Court and found to be legally invalid. The Court remanded it to NOAA to issue an opinion consistent with the Court's holdings. The revised opinion was issued on November 30, 2004 (NOAA Fisheries 2004 Biological Opinion). In February 2005, the FCRPS Action Agencies will publish an implementation plan for their proposed action addressed in the NOAA Fisheries 2004 Biological Opinion. The Implementation Plan, together with projects undertaken to address mitigation for non-listed species under the Northwest Power Act, and those to address requirements of the USFWS 2000 Biological Opinion form the basis for Bonneville's planned capital investment of $36 million for FYs 2005 and 2006.

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, and fish monitoring facilities. 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 Basin wide Salmon Recovery Strategy* (All-H Strategy), Bonneville is implementing much of the off site mitigation actions required by the FCRPS 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 Council's Fish and Wildlife Program provides the mechanism for integrating activities focused on ESA-listed fish stocks in the NOAA Fisheries 2004 and USFWS 2000 Biological Opinions for the FCRPS with those for non-listed species affected by the Columbia Basin's federal and non-federal hydrosystems. Recently completed Sub-basin Plans that include prioritized strategies for mitigation actions will serve as the template for project selection that meet both BPA's ESA and Power Act responsibilities. Additionally, discussion of a minimum cost-sharing requirement for fish and wildlife projects funded by BPA in 2007 and beyond is occurring in currently ongoing long-term funding discussions with the Council and the regional fish and wildlife managers and Tribes.

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 most recent Power Plan, finalized in January 2005, defines conservation as the more efficient use of electricity and recommends that the region develop 700 aMW of conservation over the next 5-years. Bonneville's share of the conservation target is 40 percent or 280 aMW. 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 2004	FY 2005	FY 2006
Associated Project Costs.	**111,319**	**131,158**	**119,400**

BPA will work with both the Corps and 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 generation efficiencies.

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 purposes.

- **Corps of Engineers (known projects to date):**
  FY 2004: Completed work on Power System Reliability Improvements on Lower Columbia River projects and continued work on Lower Snake River projects and other selected sites. Continued refurbishment/replacement of head gates, the gantry crane and bridge crane at Bonneville Dam. Completed repair work of the fish unit generator. Continued exciter installation at Bonneville. Began rehabilitation work 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 CO2 system at Chief Joseph. Continued station service transformer replacement at Chief Joseph. Completed replacement of DC power supplies at John Day and The Dalles. Continued solicitation for a new prototype turbine runner for McNary. Continued hydro optimization investigations system wide. Tested prototype replacement governors at Albeni Falls. Completed implementation of Cougar modernization. Continued exciter replacements at John Day and Willamette Valley projects. Began exciter replacements at Libby. Completed battery system upgrade at McNary. Began rehabilitation work at The Dalles. Began design, solicitation and purchase of spare or replacement transformers for several projects. Continued 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	FY 2005	FY 2006

FY 2005: Complete work on Power System Reliability Improvements on Lower Snake River projects and continue work at 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 systemwide. Continue work on governor replacements at selected projects. Continue refurbishment/replacement of head gates and bridge crane, and complete replacement of gantry crane at Bonneville Dam. Continue rewedging at Bonneville. Complete exciter installation at Bonneville. Continue rehabilitation work at Bonneville. Begin HVAC upgrade at Bonneville. Continue turbine runner replacement and modernization at McNary. Complete exciter replacements at John Day and Willamette Valley projects. Continue exciter replacements at Libby. Continue CO2 system replacement at Chief Joseph. Complete station service transformer replacement at Chief Joseph. Continue turbine replacements at Chief Joseph. Begin crane rehabilitation at Ice Harbor. Complete purchase of replacement generator winding for Lower Granite and Detroit. Continue replacement of exciters at Lower Monumental and Lower Granite. Complete head gate rehabilitation at Ice Harbor. Complete or continue replacement and upgrades on protective relays and fire protection at Lower Snake River projects. Complete heat pump replacements at Little Goose. Continue solicitation and purchase of spare or replacement transformers for several projects. Continue intake crane rehabilitation and station service improvements at The Dalles. Continue rehabilitation work at The Dalles, plus a variety of smaller continuing or new investments and repairs to failed units.

FY 2006: Continue work on Power System Reliability Improvements at selected projects. 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 systemwide. Continue work on governor replacements at selected projects. Continue refurbishment/replacement of head gates and bridge crane at Bonneville Dam. Complete rewedging at Bonneville. Continue rehabilitation work at Bonneville. Continue HVAC upgrade at Bonneville. Continue turbine runner replacement and modernization at McNary. Continue exciter replacements at Libby. Complete CO2 system installation at Chief Joseph. Begin work on the 480-volt distribution system and supervisory control consoles replacements at Chief Joseph. Continue turbine replacements at Chief Joseph. Continue replacement of exciters at Lower Monumental and Lower Granite. Finish replacement and upgrades on protective relays and fire protection at Lower Snake River projects. Begin head gate rehabilitation at McNary. Continue solicitation and purchase of spare or replacement transformers for several projects. Continue intake crane rehabilitation and station service improvements at The Dalles. Continue rehabilitation work at The Dalles, plus a variety of smaller continuing or new investments and repairs to failed units.

FY 2004	FY 2005	FY 2006

Bureau of Reclamation (known projects to date):

FY 2004: Continued Grand Coulee runner replacements. Completed Grand Coulee repairs associated with station service fire and finish generator rewind of unit #4. Completed elevator rehabilitation at Grand Coulee. Continued or completed breaker replacement at Grand Coulee and other projects. Continued air housing cooler replacement at Grand Coulee. Continued modifications to Grand Coulee Arrival Center. Continued with replacement of air compressors at Grand Coulee. Purchased spare winding for Grand Coulee. Continued hydro optimization investigations and equipment installations at Grand Coulee. Began SCADA replacement at Grand Coulee and Hungry Horse. Continued life-safety modifications at Hungry Horse and completed life-safety modifications at Anderson Ranch. Completed Boise Diversion modernization. Completed unit breaker replacements at Palisades. Continued transformer replacement at Green Springs and begin replacement at Roza, plus a variety of smaller continuing or new investments and repairs to failed units.

FY 2005: Continue Grand Coulee runner replacements. Complete main unit breaker replacement at Grand Coulee. Continue air housing cooler replacement at Grand Coulee. Continue modifications to Grand Coulee Arrival Center. Continued other breaker and switchgear replacements at Grand Coulee. Continue replacement of air compressors at Grand Coulee. Purchase another spare winding for Grand Coulee. Continue hydro optimization investigations and equipment installations at Grand Coulee. Continue SCADA replacement at Grand Coulee and Hungry Horse. Continue life-safety modifications at Hungry Horse. Continue transformer replacements at Green Springs and Roza. Start seal ring replacement at Chandler, plus a variety of smaller continuing or new investments and repairs to failed units.

FY 2006: Continue Grand Coulee runner replacements. Complete air housing cooler replacement at Grand Coulee. Complete modifications to Grand Coulee Arrival Center. Continue other breaker and switchgear replacements at Grand Coulee. Complete replacement of air compressors at Grand Coulee. Continue hydro optimization investigations and equipment installations at Grand Coulee. Continue SCADA replacement at Grand Coulee and Hungry Horse. Start replacement of breakers at Hungry Horse. Complete life-safety modifications at Hungry Horse. Complete transformer replacements at Green Springs and Roza. Continue seal ring replacement at Chandler, plus a variety of smaller continuing or new investments and repairs to failed units.

Fish and Wildlife.	**8,514**	**36,000**	**36,000**

Although the Sub-basin planning effort resulting in projects to be recommended for funding in FY 2006 is not complete, and is not expected to be completed until sometime in FY 2005, the following projects may be candidates for capital funding in FY 2006. 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 2004-2005 efforts include continued implementation of high priority ESA-related projects and activities associated with the NOAA Fisheries 2004 and USFWS 2000 Biological Opinions. 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 implement the NOAA Fisheries 2004 and USFWS 2000 Biological Opinions are also described in the FCRPS Action Agencies' Implementation Plans. 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 2006 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 (known as the Northeast Oregon Hatchery or NEOH), 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.

FY 2004	FY 2005	FY 2006

- 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.
- Grand Coulee and Chief Joseph Wildlife Habitat Acquisition
- Couer d'Alene Fish and Wildlife Habitat Acquisition
- Albeni Falls Wildlife Mitigation.
- Blue Creek Winter Range Wildlife Habitat Acquisition
- Yakima Valley Fish and Wildlife Habitat Acquisition
- Grande Ronde Wildlife Habitat Acquisition
- Salmon River Fish Habitat Acquisition
- Fish and Wildlife Land Acquisition - Selah Gap to Union Gap.

Conservation and Energy Efficiency. 16,973 32,500 29,000

The Conservation Augmentation (ConAug) program offers several ways for customers to participate in regional conservation. ConAug program components include: (1) utility standard offer and custom programs, which include the request for Interest in Reducing Load Through Conservation (IRLC), which resulted in customer proposals to conserve energy through residential weatherization, commercial lighting and HVAC (High Voltage Direct Current), industrial processes and lighting, and irrigated agriculture; (2) third party delivery programs, such as residential compact fluorescent lighting, "Vending Mi$er" (a program to reduce energy use in regional refrigerated vending machines) and the Water and Waste Water Treatment Facilities program; (3) Federal programs to help Federal installations in the region reduce energy use, which includes the Federal Hatcheries program and work at various dams to help the Corps and the Bureau in their efforts to reduce energy use; and (4) other initiatives still in the design stage.

Total Power Business Line – Capital 136,806 199,658 184,400

Explanation of Funding Changes

	FY 2006 vs. FY 2005 ($000)
Associated Project Costs	
▪ Decrease is a reshaping of funding requirements based on the need to maintain a minimum level of generation each year. The reshaping provides a modest increase in investment in FY 2005. The increase would provide additional flexibility for unanticipated outages or repairs in these two years.	-11,758
Fish and Wildlife	
No change	0
Conservation and Energy Efficiency	
▪ BPA has been working with its delivery partners to reduce its conservation costs.	-3,500
Total Funding Change, Power Business Line - Capital	**-15,258**

Transmission Business Line – Capital

Funding Schedule by Activity

(Accrued Expenditures)

(dollars in thousands)

	FY 2004	FY 2005	FY 2006	$ Change	% Change
Main Grid	154,327	58,855	96,498	+37,643	+64.0%
Area & Customer Services	5,626	10,604	20,049	+9,445	+89.1%
Upgrades & Additions	54,248	45,599	62,761	+17,162	+37.6%
System Replacements	59,614	83,202	87,271	+4,069	+4.9%
Projects Funded in Advance	41,317	153,791	147,359	-6,432	-4.2%
Total, Trans Business Line - Capital	315,132	352,051	413,938	+61,887	+17.6%

Description

The 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 offers transmission service under the terms and conditions of its Open Access Transmission Tariff (OATT).

The eastern blackout on August 14, 2003, alerted the Nation to the lack of investment in utility infrastructure. BPA received its alert with the August 10, 1996, West Coast disturbance that originated in the Northwest. Infrastructure investment is being made and operational practices were 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.

TBL is continuing to make significant infrastructure improvements and additions to the system over the next several years to assure open and non-discriminatory access as guided by FERC. 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. Prior to beginning the infrastructure improvements, the TBL had built no major transmission projects since 1987. Only incremental additions had been added to the system over the years.

The system continues to show signs of stress, as two close calls in 2003 demonstrated. On June 4, 2003, voltage instability in the Spokane area was prevented 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.

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.

Bonneville's infrastructure investments to strengthen the network consist of the following projects:

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

These projects will relieve congestion contributing toward 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 Grid West (formally referred to as RTO West) to start without the regional grid being heavily congested.

Bonneville assumes that some generators will integrate their power into the Federal transmission system. Depending on which generators build on sites in the Northwest and the project locations, significant generation capacity can be integrated with the completion of those generator integration projects listed above. Bonneville assumes that the additions and improvements necessary for generation integration will be funded by generators. BPA assumes that it will amortize the upfront payments through credits for transmission services, as FERC has encouraged.

As a means to further sustain BPA's limited Treasury financing, third-party funding partnerships also are being pursued for some projects . 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 (part of G2) 500-kV project is being funded through third party financing, and non-Federal funding for the McNary-John Day (part of G3) 500-kV transmission project is being pursued as well.

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 that are at or near the end of their useful life; 2) replacing risky, outdated, and obsolete control and communications equipment and systems; 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 excess fiber optic capacity, such capacity can be made available to telecommunications providers and to regional non-profits to meet public benefit needs. Bonneville's investments in fiber optics are consistent with the "Fiber Optic Cable Plan" submitted to Congress on May 24, 2000, accompanying the FY 2000 Energy and Water Development Appropriations Act.

Detailed Justification

	(dollars in thousands)		
	FY 2004	FY 2005	FY 2006
Main Grid	**154,327**	**58,855**	**96,498**

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 will provide for transmission access for new generation projects to the load center. Minor reinforcements in the Portland, Oregon/Seattle, Washington corridor are also planned.

- FY 2004: 1) Completed 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) Continued Wautoma Substation construction (G2- North of Hanford/North of John Day); 3) Completed installation of the 500-kV series capacitor addition at Schultz substation (G6 -Cross Cascades North); 4) Continued construction of the Grand Coulee-Bell 500-kV line and substation additions including 500-kV series capacitor additions at Bell and Dworshak substation, 500-kV series capacitor and controls replacement at Garrison Substation (G9- Spokane Area and Western Montana Generation Additions); 5) Continued construction of the 500-kV shunt reactor addition at Grand Coulee; 6) Completed the installation of the 500/230-kV transformer bank addition at Pearl Substation (G10- Portland Area Additions); 7) Continued the Ostrander 500-kV shunt capacitor group addition; 8) Began environmental analysis, demand side management study, design and material acquisition for Olympic Peninsula Addition II (G12); 9) Delayed the loop in of the Wautoma-Ostrander 500-kV line to Big Eddy Substation (G14) to FY 2012; 10) Delayed the Libby-Sand Spring-Bell 230-kV project (G15 & G20) to FY 2012); 11) Placed the Monroe-Echo Lake 500-kV line #2 (G8- I-5 Corridor Additions) on hold; 12) Completed tower footings and mitigation for tower crossing at McNary for the G-3 West of McNary; 13) Continued planning studies and design to comply with the N-2 outage reliability criteria; 14) Continued planning studies to identify other system reactive needs to mitigate unacceptable low or high voltage problems and other system additions;

(dollars in thousands)		
FY 2004	FY 2005	FY 2006

15) Continued planning studies to solve the transmission system capacity congestion and for the integration of new generation facilities; 16) Continued planning studies to identify and clarify needed infrastructure additions.

- FY 2005: (1) Continue construction of the Schultz-Wautoma 500-kV line and Wautoma Substation (G2- North of Hanford/North of John Day); 2) Complete construction of Grand Coulee-Bell 500-kV line (G9); 3) Continue planning studies for the Olympic Peninsula Addition II project (G12); 4) Review and keep current studies for the Southwest Washington-Northwest Oregon generation integration project (G13) (on hold); 5) Continue studies for the loop in of the Wautoma-Ostrander 500-kV line to Big Eddy Substation (G14); 6) Continue planning studies for the Monroe-Echo Lake 500-kV line #2 (G8) (I-5 Corridor Additions); 7) Design will be completed, materials ordered, and construction started on the West of McNary (G-3), pending generation interconnection decisions; (G4) Starbuck Generation (cancelled), (G5) Lower Monumental and McNary Area Generation (Phase II) projects; 8) Continue planning studies and design to comply with the N-2 outage criteria; 9) Continue planning studies to identify other system reactive needs to mitigate unacceptable low or high voltage problems and other system additions; 10) Continue planning studies to solve the transmission system capacity congestion and for the integration of new generation facilities; 11) Continue planning studies to identify and clarify needed infrastructure additions.

- FY 2006: 1) Complete construction of the Schultz-Wautoma 500-kV line and Wautoma Substation (G2- North of Hanford/North of John Day); 2) Complete construction of West of McNary (G-3), pending generation interconnection decisions; 3) Continue planning studies to identify and clarify needed infrastructure additions; 4) Continue planning studies and design to comply with the N-2 outage criteria; 5) Continue planning studies to identify other system reactive needs to mitigate unacceptable low or high voltage problems and other system additions; 6) Continue planning studies to solve the transmission system capacity congestion and for the integration of new generation facilities.

Area & Customer Service **5,626** **10,604** **20,049**

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.

- FY 2004: 1) Completed construction to rebuild the Albany-Eugene 115-kV line to double circuit from Eugene to the Alderwood Tap; 2) Completed the rebuild of Minidoka Substation; 3) Cancelled adding 115-kV line sectionalizing switches at Victor Tap; 4) Retired low voltage facilities at Addy Substation; 5) Replaced the 115-12.5-kV transformer at Duckabush Substation; 6) Completed conversion of 69 to 115-kV facilities at Port

Angeles and Fairmount substations; 7) Delayed adding 230-kV and 115-kV terminal facilities at Vintage Valley Substation to FY 2007; 8) Continued 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 115k-V switches at Olympia Substation; 2) Add a 115-kV terminal at McNary Substation; 3) Relocate approximately 1 mile of the White Bluffs-Richland 115-kV line; 4) Add a 115-kV circuit breaker at Targee substation; 5) Begin work on a new Caribou substation to support Lower Valley Power & Light; 6) Continue preliminary engineering and design for miscellaneous facilities required to meet contractual obligations and maintain reliable service for BPA's service area.

- FY 2006: 1) Begin studies for SW Oregon Coast (Bandon-Rogue); 2) Begin studies for East Omak 230/115-kV transformer; 3) Continue work on new Caribou Substation; 4) Replace Hampton transformer; 5) Add two 115-kV breakers at Red Mountain Substation; 6) Add shunt caps for Fords Prairie area; 7) Add SVC for Condon wind generation; 8) Reconductor Chehalis-Centralia 69-kV #1 & #1 lines; 9) Continue preliminary engineering and design for miscellaneous facilities required to meet contractual obligations and maintain reliable service for BPA's service area.

Upgrades & Additions	**54,248**	**45,599**	**62,761**

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, and other associated activities. 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 that are technologically obsolete and nearing the end of their useful life. In some areas, temporarily excess fiber capacity is being offered for a term to telecommunications providers or to non-profit entities as a public benefit.

- FY 2004: 1) Completed construction of the 12 mile fiber optic cable on the Raver-Echo Lake 500-kV line; 2) Completed construction of the Kalispell-Hot Springs digital radio section of the Noxon-Hot Springs 200-mile fiber optic project; 3) Continued construction of the Thompson Falls to Taft sections of the 175-mile Noxon-Hatwai fiber optic project; 4) Continued construction of 41 miles of fiber optic cable and terminations from Echo lake to Monroe to Snohomish; 5) Delayed the design, material acquisition construction of 32 miles

of fiber optic cable between Covington, Maple Valley, and Echo Lake; 6) Continued construction of fiber projects and digital radio system upgrades to improve the operational telecommunication system; 7) Continued replacement and upgrade of operational and business tools at the Dittmer and Munro control centers; 8) Continued planning, design, material acquisition, and construction of special remedial action control schemes required for interconnecting new generation projects and mitigating immediate constrained paths; 9) Continued 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 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) Begin the design, material acquisition and start construction of the 32-mile Covington-Maple Valley-Echo Lake fiber optic project; 4) Begin the design, material acquisition for 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 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.

  FY 2006: 1) Complete construction of the 32-mile Covington-Maple Valley-Echo Lake fiber optic project; 2) Start construction of the 45-mile Pearl-Troutdale fiber optic project; 3) Begin design and material acquisition for the 40-mile Pearl-Marion fiber optic project (pending the start of the Sempra generation project); 4) Begin design and material acquisition for the 68-mile Snohomish-Bellingham fiber optic project; 5) Continue construction of fiber related projects and digital radio system upgrades to improve the operational telecommunication system; 6) Continue replacement 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.

	(dollars in thousands)		
	FY 2004	FY 2005	FY 2006
System Replacements	**59,614**	**83,202**	**87,271**

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 systems; and 3) replacing all other existing high-risk equipment and facilities affecting the safety and reliability of the transmission system.

Non-Electric Replacements:

- FY 2004: 1) Completed various maintenance building and control house roof replacements; 2) Completed seismic upgrades to buildings; 3) Completed various HVAC (high-voltage alternating current) replacements; 4) Completed other non-electric replacements as necessary; 5) Continued the design, material acquisition, and construction for the Access Road Program; 6) Preliminary design activities for potential Dittmer Control Center expansion initiated.

- 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.

- FY 2006: 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.

Electric Replacements:

- FY 2004: 1) Completed 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) Completed the reconductor of approximately 22 miles of the John Day-Big Eddy 500-kV line; 3) Completed replacement of PCB-contaminated capacitors at various locations; 4) Completed 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) Completed replacement of under-rated and high-maintenance substation equipment; 6) Continued replacing spacer dampers on various 500-kV lines; 7) Completed replacement of certain critical, operational

tools and marketing business systems at the Dittmer and Munro Control Centers; 8) Continued replacing deteriorating wood pole transmission line structures.

- FY 2005: 1) Replace 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) Replace under-rated and high-maintenance substation equipment; 3) Replace spacer dampers on various 500-kV lines; 4) Replace critical, operational tools and marketing business systems at the Dittmer and Munro Control Centers; 5) Replace deteriorating wood pole transmission line structures.
- FY 2006: 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) Continue replacing spacer dampers on various 500-kV 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.

Projects Funded in Advance **41,317** **153,791** **147,359**

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 2004: 1) Continued study work to integrate new 1,300 MW generation capacity near Wallula into the BPA transmission grid per Transmission Service Request via the OATT (G5) (cancelled); 2) Placed on hold the design, material acquisition, and construction of the Southwest Washington-Northwest Oregon 500-kV line addition (G13); 3) Continued studies for the integration of new 290 MW generation capacity near Longview into the BPA transmission grid per Transmission Service Request via the OATT; 4) Started planning to integrate new 1,300 MW generation capacity near West of McNary pending generator interconnection decisions; 5) Continued to integrate various new wind generation projects into BPA transmission grid per Transmission Service Request via the OATT; 6) Started construction of the Schultz-Wautoma (G-2) 500-kV transmission line; 7) Performed studies to identify system impacts and needs regarding proposed new generation projects; 8) Performed environmental cleanup and other work necessary for the sale of BPA facilities; 9) Completed other projects as requested by customers.

- FY 2005: 1) Continue work to integrate new 1,300 MW generation capacity near Wallula into the BPA transmission grid per Transmission Service Request via the OATT (G5)

(dollars in thousands)

FY 2004	FY 2005	FY 2006

(cancelled); 2) Continue hold on the design, material acquisition, and construction of the Southwest Washington-Northwest Oregon 500-kV line addition (G13); 3) Complete design, order materials, start construction on the West of McNary (G3), pending generator interconnection decisions; 4) Continue to integrate various new wind generation projects into BPA transmission grid per Transmission Service Request via the OATT; 5) Continue construction of the Schultz-Wautoma (G-2) 500-kV transmission line; 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; 9) Complete engineering estimates and timelines for 37 microwave paths in the 1710-1755 Mhz frequency band to facilitate a frequency spectrum auction related to P.L. 108-494, the Commercial Spectrum Enhancement Act, signed on December 23, 2004. The costs to perform the engineering studies, as well as relocation costs, will be fully compensated by funds from the auction, expected to be held as early as June 2006.

- FY 2006: 1) Complete work to integrate new 1,300 MW generation capacity near Wallula into the BPA transmission grid per Transmission Service Request via the OATT (G5) (cancelled); 2) Resume design, material acquisition, and construction of the Southwest Washington-Northwest Oregon 500-kV line addition (G13); 3) Complete design, order materials, start construction on the West of McNary (G3), pending generator interconnection decisions; 4) Continue to integrate various new wind generation projects into BPA transmission grid per Transmission Service Request via the OATT; 5) Complete construction of the Schultz-Wautoma 500-kV transmission line; 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.

Total Transmission Business Line – Capital	**315,132**	**352,051**	**413,938**

Explanation of Funding Changes

	FY 2006 vs. FY 2005 ($000)
Main Grid	
▪ Reflects fiscal year shifts in material and construction costs associated with the infrastructure projects and to accommodate projects associated with updated power flow study results	+37,643
Area & Customer Services	
▪ Reflects greater emphasis on customer service projects.	+9,445

Upgrades & Additions

- Reflects increased emphasis on both systemwide communications upgrades and improvements and additions to other transmission facilities . . . . . +17,162

System Replacements

- Reflects greater emphasis on system replacements . . . . . +4,069

Projects Funded in Advance

- Reflects less emphasis on completion of large customer funded or third party funded projects related to generation integration . . . . . -6,432

Total Funding Change, Transmission Business Line - Capital . . . . . +61,887

Capital IT & Equipment/Capitalized Bond Premium

Funding Schedule by Activity

(Accrued Expenditures)

(dollars in thousands)

	FY 2004	FY 2005	FY 2006	$ Change	% Change
Capital Information Technologies & Equipment	28,081	35,022	36,491	+1,469	+4.2%
Capitalized Bond Premium	0	0	0	0	0.0%
Total, Capital Equipment/Capitalized Bond Premium	28,081	35,022	36,491	+1,469	+4.2%

Description

Capital Information Technologies and Equipment provides for the acquisition of general and some dedicated business line special purpose capital information technologies, and acquisition of special-use capital and IT equipment in support of Bonneville's strategic objectives.

As part of a major efficiency effort and in support of the President's Management Initiative on Expanded Electronic Government, BPA is consolidating its IT management. This FY 2006 budget incorporates the results of the consolidation efforts. BPA is seeking additional efficiencies as part of the consolidation of IT. The IT consolidation initiative is targeted to: eliminate redundancies in tools and applications; establish an agency wide IT architecture with standardized IT purchasing criteria; consolidate licensing processes and minimize agency liabilities through stronger contracts; improve IT project management; and formulate an agency IT portfolio cost management strategy. The consolidated IT budget in this FY 2006 budget, under Capital Information Technologies and Equipment, starting in FY 2005, includes all IT functions within the agency except TBL grid operations. See the Capital Program – Transmission Services Business Line section of this budget for additional discussion of transmission-related IT requirements acquisitions.

Bonneville incurs a bond premium whenever it repays a Treasury 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 Treasury, as was envisioned in the Transmission System Act of 1974.

Detailed Justification

	(dollars in thousands)		
	FY 2004	FY 2005	FY 2006
Capital Equipment	**28,081**	**35,022**	**36,491**

- Includes enhancements to Bonneville's information technology processes to provide cost effective efficiencies for secure, timely and accurate information. Continue enhancements to Bonneville's 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. Acquire capital office furniture and equipment, capital automatic data processing (ADP) -based administrative telecommunications equipment, ADP equipment (hardware), and support capital software development for certain Bonneville programs.

Capitalized Bond Premium	**0**	**0**	**0**

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

Total, Capital Equipment/Capitalized Bond Premium	**28,081**	**35,022**	**36,491**

Explanation of Funding Changes

	FY 2006 vs. FY 2005 ($000)
Capital Equipment	
■ Slight increase reflects continuing emphasis on IT improvements	+1,469
Capitalized Bond Premium	
■ No change	0
Total, Funding Change Capital Equipment/Capital Bond Premium	**+1,469**

Power Business Line - Operating Expense

Funding Schedule by Activity

(Accrued Expenditures)

(dollars in thousands)

	FY 2004	FY 2005	FY 2006	$ Change	% Change
Production	1,432,324	1,629,188	1,628,933	-255	0.0%
Associated Projects Costs.	230,873	242,636	249,999	+7,363	+3.0%
Fish & Wildlife	138,158	138,896	138,892	-4	0.0%
Residential Exchange . . .	125,915	144,418	144,435	+17	0.0%
NW Power & Conservation Council	7,480	8,700	8,700	0	0.0%
Conservation and Energy Efficiency.	60,521	62,208	63,472	+1,264	+2.0%
Total, Power Services - Operating Expense	1,995,271	2,226,046	2,234,431	+8,385	+0.4%

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, and 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, aluminum, and interest rate markets to hedge the price of electricity and reduce Bonneville's exposure to exposure to market fluctuations and certain index sales contract provisions. BPA has established controls to mitigate risk associated with its hedging activity including designing and documenting hedging strategies, analysis and testing of the strategies, financial reviews of parties prior to BPA conducting hedging transactions with them, and approval processes of transactions by the Transaction Risk Management Committee and appropriate BPA managers.

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 Council Fish and Wildlife Program. Bonneville is also mandated to implement measures called for under the ESA. These measures are part of the biological opinions issued in November 2004 by the NOAA Fisheries and in 2000 by the USFWS to address the effects of the operation of the FCRPS on threatened and endangered salmon and steelhead and ESA-listed Kootenai River – white sturgeon and bull trout. The biological opinions require the FCRPS Action Agencies to implement actions in the Columbia River Basin that impacts of the Federal hydrosystem on ESA-listed fish to ensure that operation of the FCRPS does not jeopardize the continued existence of listed species or adversely modify their designated critical habitat. The NOAA Fisheries 2000 Biological Opinion on the FCRPS was challenged in Federal District Court and found to be legally invalid. The Court remanded it to NOAA to issue an opinion consistent with the Court's holdings. The revised opinion was issued on November 30, 2004. In February 2005, the FCRPS Action Agencies will publish an implementation plan for their proposed action addressed in the NOAA Fisheries 2004 Biological Opinion.

The Implementation Plan, together with projects undertaken to address mitigation for non-listed species under the Northwest Power Act, and those to address requirements of the USFWS 2000 FCRPS Biological Opinion 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 2002 Power Rate Proposal, 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 FCRPS Biological Opinions with projects implemented under the Council's Fish and Wildlife Program. Recently completed Sub-basin Plans that include prioritized strategies for mitigation actions will serve as the template for project selection that meet both BPA's ESA and Northwest Power Act responsibilities. Discussion of a minimum cost-sharing requirement for fish and wildlife projects funded by BPA in 2007 and beyond is occurring in currently ongoing long-term funding discussions with the Council and the regional fish and wildlife managers and Tribes.

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 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' All-H Strategy, Bonneville is implementing much of the off-site mitigation actions required by the FCRPS 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 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 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 1,900 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 CRACs. All six regional IOUs signed contracts in the fall of 2000 implementing this settlement of the Residential Exchange. They originally were to receive 1,000 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, three 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 2,200 aMW. New contracts signed with all IOUs in May 2004 specified, among other provisions that the 2,200 aMW in benefits would be provided entirely as monetary benefits.

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 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; and 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 2004	FY 2005	FY 2006
Production	1,432,324	1,629,188	1,628,933

- Power Purchases: 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 2005 and FY 2006 expenses include $206 million and $2 million, respectively, in IOU and DSI load buy downs.

- 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 (formerly WNP-2): Continue to acquire full capability of Columbia Generating Station (Columbia). Columbia is on a 24-month fuel and outage cycle. A maintenance and refueling outage is planned for FY 2005.

- WNP-1/WNP-3: Continue to fulfill contractual obligations for WNP-1 and WNP-3.
- Long-Term Power Purchases and Wheeling: 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 90 MWs 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 and Oversight:

  FY 2004: Continued to provide oversight of all contracts signed to date.

  FY 2005: 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 ensure 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 2006: Continue to provide oversight of all contracts signed to date. Provide oversight of large thermal generating plants from which Bonneville purchases capability to ensure 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.

	(dollars in thousands)		
	FY 2004	FY 2005	FY 2006

Associated Project Costs 230,873 242,636 249,999

- 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 2004: Continued direct funding Bureau O&M power activities.
  FY 2005: Continue direct funding Bureau O&M power activities.
  FY 2006: Continue direct funding Bureau O&M power activities.

- Corps of Engineers:
  FY 2004: Continued direct funding Corps O&M power activities.
  FY 2005: Continue direct funding Corps O&M power activities.
  FY 2006: Continue direct funding Corps O&M power activities.

Fish and Wildlife 138,158 138,896 138,892

- In a manner consistent with the assumptions used for the 2002 Power Rate Proposal:

  Anadromous Fish: Continue implementing projects that support ESA-listed species and other measures called for under the NOAA Fisheries 2004 Biological Opinion and amended FCRPS Action Agency proposal. Identify and select activities for implementation. Implement and develop activities that protect and enhance tributary and estuary habitat, improve mainstream 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."

  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 USFWS 2000 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."

	(dollars in thousands)		
	FY 2004	FY 2005	FY 2006
Residential Exchange	125,915	144,418	144,435

- 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	7,480	8,700	8,700

- Continue support of the 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	60,521	62,208	63,472

- 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.

- 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-supporting; that is, payments from customers must cover all of the costs of performing the service.

(dollars in thousands)		
FY 2004	FY 2005	FY 2006

- 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 that was signed in 2000 and extended at the same funding level in 2004. 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-wires solutions 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.

Total, Power Business Line – Operating Expense. . .	1,995,271	2,226,046	2,234,431

Explanation of Funding Changes

	FY 2006 vs. FY 2005 ($000)
Production	
■ Small decrease reflects primarily a shift in Energy Northwest Project debt service	-255
Associated Project Costs	
■ Small increase due to security, biological opinion requirements, and improvements, replacements, and minor additions at the projects	+7,363
Fish and Wildlife	
■ Small decrease reflects funding associated with Biological Opinion activities	-4
Residential Exchange	

■ Minor change	+17
Northwest Power and Conservation Council	
■ No change	0
Conservation and Energy Efficiency	
■ Small increase reflects increased emphasis on conservation activities.	+1,264
Total Funding Change, Power Business Line - Operating Expense	**+8,385**

Transmission Business Line - Operating Expense

Funding Schedule by Activity

(Accrued Expenditures)

(dollars in thousands)

	FY 2004	FY 2005	FY 2006	$ Change	% Change
Engineering	36,902	72,042	76,709	+4,667	+6.5%
Operations	92,204	90,005	95,827	+5,822	+6.5%
Maintenance	108,857	119,073	125,523	+6,450	+5.4%
Total, Transmission Business Line - Operating Expense	237,963	281,120	298,059	+16,939	+6.0%

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; 2) increase the focus on customers; 3) optimize the transmission system; and 4) provide open and nondiscriminatory transmission access; and 5) improve Bonneville's cost effectiveness.

Detailed Justification

(dollars in thousands)

	FY 2004	FY 2005	FY 2006
Engineering	**36,902**	**72,042**	**76,709**

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 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 2004	FY 2005	FY 2006

- 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 and Other Costs: Includes leases and other costs of transmission, delivery and voltage support facilities when such arrangements are operationally feasible and cost effective to deliver power.

Operations	**92,204**	**90,005**	**95,827**

- FY 2004: 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 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 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 2006: 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 2004	FY 2005	FY 2006

- 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 and 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.

- Marketing, Sales, and 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. Involve customers and constituents in the process of product and rate development. Maintain accurate and complete historical records of current and past transmission agreements. Provide guidance for current and future transmission contract negotiations. Provide financial analysis of market strategies. Monitor and report on the financial health of the transmission business line. Support cost management by effective reporting and analysis of current expenditures. Ensure official budget submittals reflect current management financial strategies and adequately fund transmission programs.

- 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	**108,857**	**119,073**	**125,523**

In all aspects of maintenance, Bonneville is continuing 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 2004	FY 2005	FY 2006

- FY 2004: Continued to refine RCM practices at all of Bonneville's O&M regions. Continued to improve performance meeting 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 that illustrate variability in performance. Continued to improve availability performance in a deregulated market by utilizing more efficient and cost-effective maintenance 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 increase customer satisfaction. Continued high levels of vegetation management and increased access road work to provide reliable access to facilities and ensure environmental compliance.

- FY 2005: 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. Increase emphasis on non-electric facilities to compensate for years of deferral. Continue high levels of vegetation management, implementation of an aggressive access road management plan to maintain roads at a level that maximizes response time, increases reliability, and ensures environmental compliance.

- FY 2006: 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 ensure system reliability. Continue access road work to provide reliable access to facilities and ensure environmental compliance.

(dollars in thousands)		
FY 2004	FY 2005	FY 2006

- Transmission Line Maintenance: Maintain and repair nearly 15,000 circuit miles (24,135 km) 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. Adopt work practices that improve system availability and reliability.

- Substation Maintenance: Maintain and repair the transmission system power equipment located in Bonneville's 284 substations. Work includes inspections, diagnostic testing, and 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 and 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.

Total, Transmission Business Line - Operating Expense	**237,963**	**281,120**	**298,059**

Explanation of Funding Changes

	FY 2006 vs. FY 2005 ($000)
Engineering	
■ Minor increase reflects changes in program activities.	+4,667
Operations	
■ Increase primarily due to deferred program costs offset by near-term cost efficiencies.	+5,822
Maintenance	
■ Increase primarily due to deferred program costs offset by near-term cost efficiencies	+6,450
Total Funding Change, Transmission Business Line – Operating Expense.	**+16,939**

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

Funding Schedule by Activity

(Accrued Expenditures)

(dollars in thousands)

	FY 2004	FY 2005	FY 2006	$ Change	%Change
BPA Bond Interest (Net)	104,454	158,468	175,445	+16,977	+10.7%
BPA Appropriation Interest	61,778	45,125	44,062	-1,063	-2.4%
Corps of Engineers Appropriation Interest	152,863	150,717	142,714	-8,003	-5.3%
Lower Snake River Comp Plan Interest	16,450	16,453	16,453	0	0.0%
Bureau of Reclamation Appropriation Interest	42,396	42,341	42,341	0	0.0%
Subtotal, Interest – Operating Expense	377,941	413,104	421,015	+7,911	+1.9%
Pension and Post-retirement Benefits . . .	30,900	26,500	23,150	-3,350	-12.6%
Total, Interest, Pension and Post-retirement Benefits	408,841	439,604	444,165	+4,561	+1.0%

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 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 that 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 Treasury for these obligations in the absence of the legislation, plus $100M. 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 Civil Service Retirement System (CSRS) and post-retirement benefits into the General Fund of the 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 $31 million in FY 2004 and the following amounts are assumed to be recovered by Bonneville through rates and paid into the General Fund of the Treasury: $26.5 million in FY 2005, $23.2 million in FY 2006, and $21.1 million in FY 2007. BPA expects to satisfy its prior year commitments for under funded CSRS and post-retirement benefits by FY 2007. Cost estimates include Pension and Post-retirement Benefits for Bonneville and the power-related portion of the Corps, Bureau, and USFWS.

Capital Transfers

Funding Schedule by Activity

(Accrued Expenditures)

(dollars in thousands)

	FY 2004	FY 2005	FY 2006	$ Change	% Change
Bonneville Bond Amortization	277,454	200,000	230,100	+30,100	+15.1%
Bureau Appropriation Amortization	758	0	7	+7	NA
Bonneville Appropriation Amortization .	206,356	15,001	48,546	+33,545	+223.6%
Corps Appropriation Amortization	113,894	88,097	92,907	+4,810	+5.5%
Total, Capital Transfers	598,462	303,098	371,560	+68,462	+22.6%

Description

This activity conveys funds to the 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. The total FY 2004 Capital Transfers amount includes $346 million of advanced amortization or prepayment of Treasury debt consistent with BPA's capital strategy plan and debt optimization plan. The cumulative amount of advance amortization payments as of the end of FY 2004 is about $1,146 million.

BONNEVILLE POWER ADMINISTRATION

TOTAL OBLIGATIONS/OUTLAYS

(in millions of dollars) KFF 26-Jan-05

FISCAL YEAR

BP-1 SUMMARY	2004		2005		2006		2007	2008	2009	2010
1,3/	Oblig.	Outlays	Oblig.	Outlays	Oblig.	Outlays	Oblig.	Oblig.	Oblig.	Oblig.
1 Residential Exchange	126	126	144	144	144	144	180	180	180	180
2 Power Business Line 2/	1,663	1,663	1,872	1,872	1,880	1,880	1,566	1,444	1,521	1,499
3 Transmission Business Line	512	512	479	479	565	565	651	595	577	656
4 Conservation & Energy Efficiency	78	78	95	95	92	92	96	95	94	94
5 Fish & Wildlife	147	147	175	175	175	175	175	175	175	175
6 Interest/ Pension 4/	409	409	440	440	444	444	482	514	549	571
7 Associated Project Cost - Capital	111	111	131	131	119	119	133	145	137	123
8 Capital Equipment	28	28	35	35	36	36	37	33	35	36
9 Planning Council	7	7	9	9	9	9	9	9	9	10
10 Misc. Accounting Adjs.	1,233	0	0	0	0	0	0	0	0	0
11 Projects Funded in Advance	41	41	154	154	147	147	118	20	20	20
12 Capitalized Bond Premiums	0	0	0	0	0	0	0	5	3	3
TOTAL OBLIGATIONS/ OUTLAYS 3/	**4,355**	**3,122**	**3,534**	**3,534**	**3,611**	**3,611**	**3,447**	**3,215**	**3,300**	**3,367**

REVENUES AND REIMBURSEMENTS

(in millions of dollars)

FISCAL YEAR

BP-1 SUMMARY	2004		2005		2006		2007	2008	2009	2010
	Oblig.	Outlays	Oblig.	Outlays	Oblig.	Outlays	Oblig.	Oblig.	Oblig.	Oblig.
13 Revenues 5/	3,369	3,369	3,346	3,346	3,429	3,429	3,290	3,164	3,244	3,293
14 Project Funded in Advance	41	41	154	154	147	147	118	20	20	20
15 **TOTAL**	**3,410**	**3,410**	**3,500**	**3,500**	**3,576**	**3,576**	**3,408**	**3,184**	**3,264**	**3,313**
BUDGET AUTHORITY (NET)	**1,403**		**(10)**		**(10)**		**(9)**	**(10)**	**(10)**	**(10)**
16 **OUTLAYS (NET) 6/**		**(61)**		**(10)**		**(10)**	**(9)**	**(10)**	**(10)**	**(10)**

The accompanying notes are an integral part of this table.

1/ This FY 2006 budget includes capital and expense estimates for the Power Business Line (PBL) based on updated estimates since the 2005 SN CRAC rate proposal. The outyear power estimates included in this budget were the basis for development of the Power Function Review (PFR) Public Process on program levels, initiated in January 2005. The Transmission Business Line (TBL) capital and expense estimates are based on initial TBL PIR funding estimates and were the basis for development of the FYs 2006-2007 initial transmission rates proposal. This data is consistent with BPA's full-cycle financial management approach to budgeting that links strategic direction and implementation through targets and performance measures.

Capital investment levels also reflect management decisions from BPA's cross-agency Business Operations Board review process. Estimates included in this budget 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 2004 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.

4/ See Interest Expense, Pension and Post-retirement Benefits and Capital Transfers section of this budget for a complete discussion of Pension and 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, hydrological conditions, and continuing restructuring of the electric industry.

Misc. Acct Adjs for FY 2004 audited actual obligations consists primarily of long-term IOU exchange benefits obligations ($1,008 million) and other long-term obligation requirements, consistent with BPA's FY 2004 Combined Schedules of Budgetary Resources.

BP-2

EXPENSED OBLIGATIONS/OUTLAYS 1,4/
Current Services
(in millions of dollars)
FISCAL YEAR

	2004		2005		2006		2007	2008	2009	2010
	Oblig.	Outlays	Oblig.	Outlays	Oblig.	Outlays	Oblig.	Oblig.	Oblig.	Oblig.
1 Residential Exchange	126	126	144	144	144	144	180	180	180	180
2 Power Business Line 2/	1,663	1,663	1,872	1,872	1,880	1,880	1,566	1,444	1,521	1,499
3 Transmission Business Line	238	238	281	281	298	298	305	312	316	324
4 Conservation & Energy Efficiency	61	61	62	62	63	63	64	63	62	62
5 Fish & Wildlife	138	138	139	139	139	139	139	139	139	139
6 Interest/ Pension 3/	409	409	440	440	444	444	482	514	549	571
7 Planning Council	7	7	9	9	9	9	9	9	9	10
8 TOTAL EXPENSE										
9 Misc. Accounting Adjs.	1,233									
10 Projects Funded in Advance	41	41	154	154	147	147	118	20	20	20

CAPITAL OBLIGATIONS/OUTLAYS

(in millions of dollars)

FISCAL YEAR

	BP-2 continued	2004		2005		2006		2007	2008	2009	2010
		Oblig.	Outlays	Oblig.	Outlays	Oblig.	Outlays	Oblig.	Oblig.	Oblig.	Oblig.
	Conservation & Energy Efficiency	17	17	33	33	29	29	32	32	32	32
11	Transmission Business Line	274	274	198	198	267	267	346	283	261	332
12	Associated Project Cost	111	111	131	131	119	119	133	145	137	123
13	Fish & Wildlife	9	9	36	36	36	36	36	36	36	36
14	Capital Equipment	28	28	35	35	36	36	37	33	35	36
15	Capitalized Bond Premiums	0	0	0	0	0	0	0	5	3	3
16	**TOTAL CAPITAL INVESTMENTS \5**	**439**	**439**	**433**	**433**	**487**	**487**	**584**	**534**	**504**	**562**
17	**TREASURY BORROWING AUTHORITY TO FINANCE CAPITAL OBLIGATIONS 4,5/**	**439**		**433**		**487**		**584**	**534**	**504**	**562**
18	**TREASURY BORROWING AUTHORITY TO FINANCE OTHER OBLIGATIONS**	**(20)**		**(138)**		**(192)**		**(204)**	**(70)**	**(19)**	**(215)**
19	**TOTAL TREASURY BORROWING AUTHORITY :**	**480**		**295**		**295**		**380**	**464**	**527**	**347**

The accompanying notes are an integral part of this table.

1/ This FY 2006 budget includes capital and expense estimates for the Power Business Line (PBL) based on updated estimates since the 2005 SN CRAC rate proposal. The outyear power estimates included in this budget were the basis for development of the Power Function Review (PFR) Public Process on program levels, initiated in January 2005. The Transmission Business Line (TBL) capital and expense estimates are based on initial TBL PIR funding estimates and were the basis for development of the FYs 2006-2007 initial transmission rates proposal. This data is consistent with BPA's full-cycle financial management approach to budgeting that links strategic direction and implementation through targets and performance measures.

Capital investment levels also reflect management decisions from BPA's cross-agency Business Operations Board review process. Estimates included in this budget 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 2004 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 and Post-retirement Benefits and Capital Transfers section of this budget for a complete discussion of Pension and 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.

Misc. Acct Adjs for FY 2004 audited actual obligations consists primarily of long-term IOU exchange benefits obligations ($1,008 million) and other long-term obligation requirements, consistent with BPA's FY 2004 Combined Schedules of Budgetary Resources.

CURRENT SERVICES
(in millions of dollars)

	CAPITAL TRANSFERS	FISCAL YEAR						
	Amortization:	2004 Pymts	2005 Pymts	2006 Pymts	2007 Pymts	2008 Pymts	2009 Pymts	2010 Pymts
20	BPA Bonds	277	200	230	219	245	210	261
21	Bureau Bonds	1	0	0	0	0	1	0
22	BPA Appropriations	206	15	49	71	64	40	98
23	Corps Appropriations	114	88	93	85	64	101	0
24	**TOTAL CAPITAL TRANSFERS**	**598**	**303**	**372**	**375**	**373**	**352**	**359**
		STAFFING						
25	**FULL-TIME EQUIVALENT (FTE)**	**3,136**	**3,166**	**3,166**	**3,204**	**3,204**	**3,204**	**3,204**

PROGRAM & FINANCING SUMMARY

Current Services

(in millions of dollars)

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

		2004	2005	est. 2006	2007	2008	2009	2010
Program by activities:								
	Operating expenses:							
0.01	Power Business Line	1,432	1,629	1,629	1,304	1,175	1,243	1,213
0.02	Residential Exchange	126	144	144	180	180	180	180
	Associated Project Costs:							
0.05	Bureau of Reclamation	60	63	65	67	69	71	74
0.06	Corps of Engineers	137	145	149	159	163	168	172
0.07	Colville Settlement	17	17	18	17	17	18	18
0.19	U.S. Fish & Wildlife Service	17	18	19	19	20	21	22
0.20	Planning Council	7	9	9	9	9	9	10
0.21	Fish & Wildlife	138	139	139	139	139	139	139
0.23	Transmission Business Line	238	281	298	305	312	316	324
0.24	Conservation & Energy Efficiency	61	62	63	64	63	62	62
0.25	Interest	378	413	421	461	496	518	540
0.26	Pension and Health Benefits 1/	31	27	23	21	18	31	31
0.91	**Total operating expenses 2/**	**2,642**	**2,947**	**2,977**	**2,745**	**2,661**	**2,776**	**2,785**
	Capital investment:							
1.01	Power Business Line	111	131	119	133	145	137	123
1.02	Transmission Line	274	198	267	346	283	261	332
1.03	Conservation & Energy Efficiency	17	33	29	32	32	32	32
1.04	Fish & Wildlife	9	36	36	36	36	36	36
1.05	Capital Equipment	28	35	36	37	33	35	36
1.06	Capitalized Bond Premiums	0	0	0	0	5	3	3
1.07	**Total Capital Investment 3/**	**439**	**433**	**487**	**584**	**534**	**504**	**562**
1.08	Misc. Accounting Adjustments	1,233						
2.01	Projects Funded in Advanced	41	154	147	118	20	20	20
10.00	**Total obligations 4/**	**4,355**	**3,534**	**3,611**	**3,447**	**3,215**	**3,300**	**3,367**

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 Pension & 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 2006 budget includes capital and expense estimates for the Power Business Line (PBL) based on updated estimates since the 2005 SN CRAC rate proposal. The outyear power estimates included in this budget were the basis for development of the Power Function Review (PFR) Public Process on program levels, initiated in January 2005. The Transmission Business Line (TBL) capital and expense estimates are based on initial TBL PIR funding estimates and were the basis for development of the FYs 2006-2007 initial transmission rates proposal. This data is consistent with BPA's full-cycle financial management approach to budgeting that links strategic direction and implementation through targets and performance measures.

Capital investment levels also reflect management decisions from BPA's cross-agency Business Operations Board review process. Estimates included in this budget 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 2004 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.

Misc. Acct Adjs for FY 2004 audited actual obligations consists primarily of long-term IOU exchange benefits obligations ($1,008 million) and other long-term obligation requirements, consistent with BPA's FY 2004 Combined Schedules of Budgetary Resources.

Program and Financing (continued)

Current Services

(in millions of dollars)

		2004	2005 est.	2006	2007	2008	2009	2010
Financing:								
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/	0	(240)	(240)	(240)	(240)	(240)	(240)
25.00	Unobligated balance lapsing	0	0	0	0	0	0	0
39.00	**Budget authority (gross)**	**4,631**	**3,727**	**3,727**	**3,560**	**3,627**	**3,692**	**3,802**
Budget Authority:								
61.00	Transfer to other accounts	(75)						
66.10	Contract Authority	1,202						
67.10	Permanent Authority: Authority to borrow from Treasury (indefinite) 4/	480	295	295	380	464	527	347
69.00	Spending authority from off-setting collections	3,317	3,737	3,737	3,408	3,184	3,264	3,313
69.47	Portion applied to debt reduction 5/	(277)	(305)	(305)	(443)	(309)	(312)	(261)
69.90	**Spending authority from offsetting collections (adjusted)**	**3,025**	**3,432**	**3,432**	**3,180**	**3,163**	**3,165**	**3,455**
Relation of obligations to outlays:								
71.00	Total obligations	4,355	3,534	3,611	3,447	3,215	3,300	3,367
Obligated balance, start of year:								
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)	3,256	3,727	3,727	3,560	3,627	3,692	3,802
Adjustments to budget authority and outlays:								
	Deductions for offsetting collections:							
88.00	Federal funds	(38)	(90)	(90)	(90)	(90)	(90)	(90)
88.40	Non-Federal sources	(3,279)	(3,647)	(3,647)	(3,479)	(3,547)	(3,612)	(3,722)
88.90	Total, offsetting collections	(3,317)	(3,737)	(3,737)	(3,569)	(3,637)	(3,702)	(3,812)
89.00	**Budget authority (net)**	**1,403**	**(10)**	**(10)**	**(9)**	**(10)**	**(10)**	**(10)**
90.00	**Outlays (net) 6/**	**(61)**	**(10)**	**(10)**	**(9)**	**(10)**	**(10)**	**(10)**

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 in 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 67.10 above as follows:

	FISCAL YEAR						
Treasury Borrowing Authority:	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
to finance capital obligations	500	433	487	584	534	546	562
to finance other obligations	(20)	(138)	(192)	(204)	(70)	(19)	(215)
Total Treasury Borrowing Authority (67.10)	**480**	**295**	**295**	**380**	**464**	**527**	**347**

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, hydrological 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 SERVICES
(in millions of dollars)

BP-4A

	Fiscal Year 2004				Fiscal Year 2005			
	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
Start-of-Year: Total	3,069	3,069	2,755	2,697	1,837	3,231	162	2,900
Plus: Annual Increase 1/								
Cum.-Annual Treasury Borrowing	439	439	439		433	433	433	
Treasury Borrowing (Cash)				480				433
Less:								
Total BPA Bond Amortization	277	277	277	277	200	200	200	200
Net Increase/(Decrease):								
Total	162	162	162	203	233	233	233	233
Cum.-End-of-Year: Total	1,837	3,231	2,917	2,900	3,089	3,464	395	3,133
Total Remaining Treasury Borrowing Amount				1,550				1,317
Total Legislated Treasury Borrowing Amount				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.

Notes concerning FY 2004: BPA Bond Amortization includes a portion of future planned amortization consistent with BPA's capital strategy plan and debt optimization plan.

BPA Revenue financing of $15 million as part of TBL capital-PFIA is included for FYs 2004 and 2005.

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

BP-4B

	Fiscal Year							
	2006				2007			
	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
Start-of-Year: Total	1,667	3,464	395	3,133	1,925	3,722	653	3,391
Plus: Annual Increase 1/								
Cum.-Annual Treasury Borrowing	488	488	488		584	584	584	
Treasury Borrowing (Cash)				488				584
Less:								
Total BPA Bond Amortization	230	230	230	230	219	219	219	219
Net Increase/(Decrease):								
Total	258	258	258	258	365	365	365	365
Cum.-End-of-Year: Total	1,925	3,722	653	3,391	2,290	4,087	1,018	3,756
Total Remaining Treasury Borrowing Amount				1,059				694
Total Legislated Treasury Borrowing Amount				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.

BPA Revenue financing of $15 million as part of TBL capital-PFIA is included for FYs 2004 and 2005.

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

BP-4C

	Fiscal Year							
	2008				2009			
	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
Start-of-Year: Total	2,290	4,087	1,018	3,756	2,581	4,378	1,309	4,047
Plus: Annual Increase 1/								
Cum.-Annual Treasury Borrowing	535	535	535		504	504	504	
Treasury Borrowing (Cash)				535				504
Less:								
Total BPA Bond Amortization	244	244	244	244	211	211	211	211
Net Increase/(Decrease):								
Total	291	291	291	291	293	293	293	293
Cum.-End-of-Year: Total	2,581	4,378	1,309	4,047	2,874	4,671	1,602	4,340
Total Remaining Treasury Borrowing Amount				403				110
Total Legislated Treasury Borrowing Amount				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.

BPA Revenue financing of $15 million as part of TBL capital-PFIA is included for FYs 2004 and 2005.

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

BP-4D

	Fiscal Year 2010			
	Net Capital Obs	Net Capital Obs Subject to BA	Net Capital Expend.	Bonds Out-Standing
Start-of-Year: Total	2,874	4,671	1,602	4,340
Plus: Annual Increase 1/				
Cum.-Annual Treasury Borrowing	561	561	561	
Treasury Borrowing (Cash)				561
Less:				
Total BPA Bond Amortization	261	261	261	261
Net Increase/(Decrease):				
Total	300	300	300	300
Cum.-End-of-Year: Total	3,174	4,971	1,902	4,640
Total Remaining Treasury Borrowing Amount				(190)
Total Legislated Treasury Borrowing Amount				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.

BPA Revenue financing of $15 million as part of TBL capital-PFIA is included for FYs 2004 and 2005.

OBJECT CLASSIFICATION STATEMENT
(in millions of dollars) 1/

IDENTIFICATION CODE: 89-4045-0-3-271
DIRECT OBLIGATIONS

ESTIMATES

		2004	2005	2006
11.1	Full-time permanent	232	262	268
11.3	Other than full-time permanent			
11.5	Other personnel compensation	8	9	10
11.9	**Total personnel compensation**	**240**	**271**	**278**
12.1	Civilian personnel benefits	63	72	73
21.0	Travel and transportation of persons	11	12	12
22.0	Transportation of things	2	2	2
23.1	Rental payments to GSA			
23.2	Rents, other	23	26	26
23.3	Communication, utilities & misc. charges	6	6	6
24.0	Printing and reproduction			
25.1	Consulting Services			
25.2	Other Services	3,250	2,285	2,335
25.3	Purchases from Government Accounts			
25.4	O&M of Facilities			
25.5	R & D Contracts	2	2	2
26.0	Supplies and materials	46	52	53
31.0	Equipment			
32.0	Lands and structures	80	91	93
41.0	Grants, subsidies, contributions	53	60	61
43.0	Interest and dividends	579	655	670
99.0	**Total obligations**	**4,355**	**3,534**	**3,611**

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.

Other Services includes:
Misc. Acct Adjs for FY 2004 audited actual obligations consists primarily of long-term IOU exchange benefits obligations ($1,008 million) and other long-term obligation requirements, consistent with BPA's FY 2004 Combined Schedules of Budgetary Resources.

Estimate of Proprietary Receipts
(in millions of dollars)

	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
Bureau Interest	42	42	42	42	42	42	42
Bureau Amortization	1	0	0	0	0	1	0
Bureau O&M	1	0	0	0	0	0	0
Bureau Irrig. Assist.	1	0	0	0	3	7	0
Revenues Collected by Bureau	-10						
Distributed in Treasury Account (credit)		-7	-7	-7	-7	-7	-7
Colville Settlement (credit)	-5	-5	-5	-5	-5	-5	-5
Total 1/ Reclamation Fund	**30**	**30**	**30**	**30**	**33**	**38**	**30**
Corps O&M	2						
CSRS	31	27	23	21	18	31	31
Total 2/ Repayments on misc.costs	**33**	**27**	**23**	**21**	**18**	**31**	**31**

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)

	2004	2005	2006	2007	2008	2009	2010
Bureau of Reclamation	60	63	65	67	69	71	74
Corps of Engineers	137	145	149	159	163	168	172
Lower Snake River Comp Plan	17	18	19	19	20	21	22

Bureau O&M budget estimates do not reflect approximately $10 million in Bureau cost savings of which $3 million can be spent in a single fiscal year. Corps O&M budget estimates do not reflect approximately $1.5 million in Corps cost savings.

Starting in FY 2005 all Corps O&M direct funding 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 all Corps direct funded expenditures.

Bonneville, through FY 2006, also directly funds the Corps $9.7 million annually and the Bureau $2 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.

BONNEVILLE POWER ADMINISTRATION

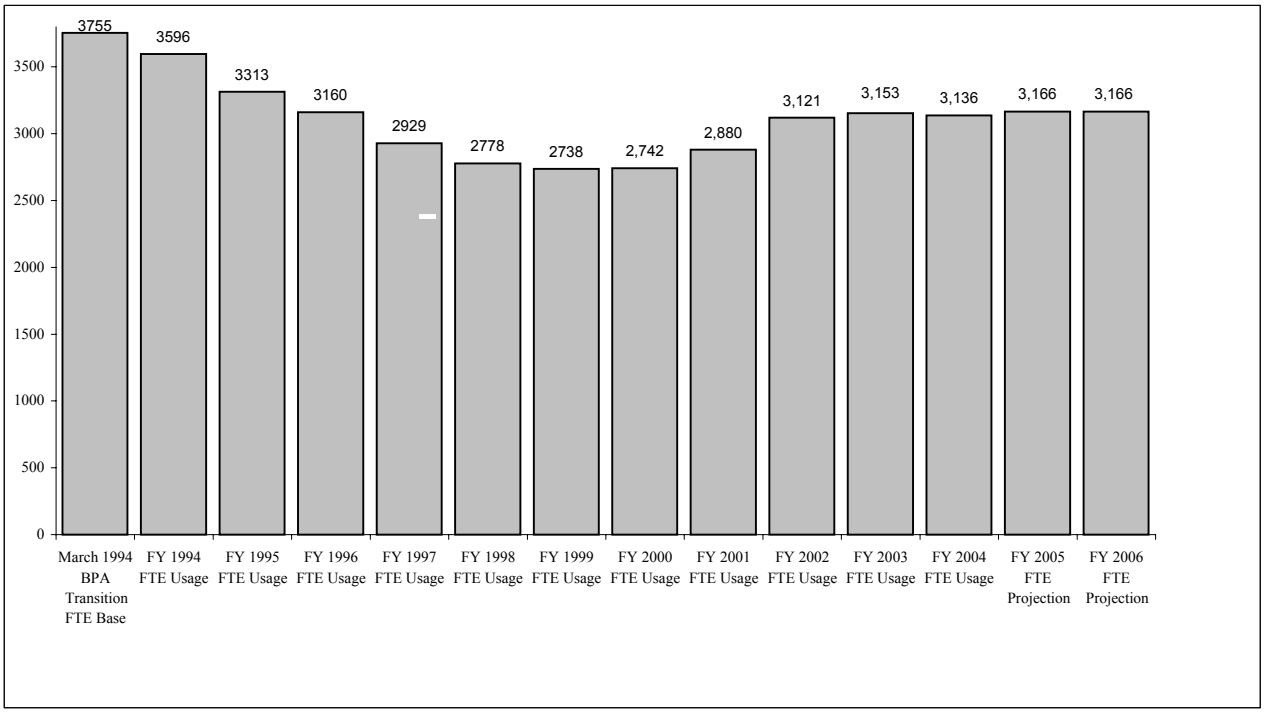
FISH AND WILDLIFE COSTS [1/ 2/]

COST ELEMENT	1996	1997	1998	1999	2000	2001	2002	2003
PROGRAM EXPENSES								
BPA DIRECT FISH AND WILDLIFE PROGRAM	68.5	82.2	104.9	108.2	108.2	101.1	137.1	140.7
HIGH PRIORITY/ACTION PLAN EXPENSES						2.9	7.1	6.5
REIMBURSABLE (ASSOC. PROJECTS - FEDERAL HYDRO)								
O & M LOWER SNAKE RIVER HATCHERIES	11.5	11.8	11.4	13.0	12.4	12.7	15.1	15.1
O & M CORPS	18.2	18.9	18.5	19.9	19.7	23.1	28.2	30.3
O & M BUREAU	1.5	1.5	2.7	2.6	1.8	3.0	3.8	3.1
OTHER (NW POWER AND CONSERVATION COUNCIL)	4.2	3.7	3.7	3.4	3.7	3.7	4.0	4.0
SUBTOTAL (REIMB)	35.4	35.9	36.3	38.9	37.6	42.5	51.1	52.5
TOTAL OPERATING EXPENSES	**103.9**	**118.1**	**141.2**	**147.1**	**145.8**	**146.5**	**195.3**	**199.7**
PROGRAM RELATED FIXED EXPENSES								
INTEREST EXPENSE	51.1	52.4	48.9	49.4	49.5	48.7	30.0	28.0
AMORTIZATION EXPENSE	10.6	12.4	14.1	15.3	16.1	16.8	18.3	17.5
DEPRECIATION EXPENSE	11.4	11.5	11.1	11.4	11.6	11.6	8.3	11.2
TOTAL FIXED EXPENSES	**73.1**	**76.3**	**74.1**	**76.1**	**77.2**	**77.1**	**56.6**	**56.7**
GRAND TOTAL PROGRAM EXPENSES	**177.0**	**194.4**	**215.3**	**223.2**	**223.0**	**223.6**	**251.9**	**256.4**
FOREGONE REVENUES AND POWER PURCHASES								
FOREGONE REVENUES	81.7	107.8	116.5	197.8	193.1	115.9	12.6	79.2
BPA POWER PURCH. FOR FISH ENHANCEMENT (NET)	-	-	5.4	47.6	64.8	1,389.6	147.8	171.1
TOTAL FOREGONE REVENUES AND POWER PURCHASES	**81.7**	**107.8**	**121.9**	**245.4**	**257.9**	**1,505.5**	**160.4**	**250.3**
TOTAL PROGRAM EXPENSES, FOREGONE REVENUES, & POWER PURCHASES	**258.7**	**302.2**	**337.2**	**468.6**	**480.9**	**1,729.1**	**412.3**	**506.7**
CREDITS								
4(h)(10)(C) CREDITS	(25.5)	(29.7)	(35.7)	(46.0)	(50.4)	(336.6)	(66.4)	(35.4)
FISH COST CONTINGENCY FUND					(246.5)	(246.5)	-	(78.7)
TOTAL CREDITS	**(25.5)**	**(29.7)**	**(35.7)**	**(46.0)**	**(296.9)**	**(583.1)**	**(66.4)**	**(114.1)**

1/ These are audited actual costs reported on an accrual basis

2/ For purposes of this presentation, this financial information has been made publicly available by BPA in February 2005 and is consistent with the financial system of record used in preparation of the audited financial statements for the respective period reported.

BONNEVILLE FTE
(Revised January 2005)



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, 80 in FY 2003, and 0 in FY 2004.

BPA is currently in the process of seeking authority to offer a voluntary separation incentive (VSI) and voluntary early retirement authority (VERA) in FY 2005.

Due to cost management initiatives, BPA is currently assessing its FTE estimates and expects reductions in actual FTE levels that are planned to occur through attrition and as part of efforts to reduce costs to assure Bonneville's continued financial health.

Actual FTE data is consistent with DOE personnel reports.