

UPDATE

JULY - SEPTEMBER 2007

Hilltop Helps Ease Transmission Woes

The electricity is flowing a little easier in northern Arkansas these days, thanks to the August 2007 energization of an interconnection between Southwestern and Entergy Arkansas, Inc. (Entergy) near Silver Hill, Arkansas.

Planning for the tie has been underway for over five years, with the goal of easing potential undervoltage and overload conditions, thus allowing increasing electrical loads to be served more reliably in this rapidly growing area of northern Arkansas.

"We're glad to see the interconnection finally become a reality," says Southwestern Electrical Engineer Dave Sargent, who acted as Engineering Project Manager during the interconnection process. "I think Entergy and Southwestern worked well together on this because we had the common goal of increasing regional reliability."

Talks regarding the interconnection began in November 2001, when Entergy proposed tying its Harrison East to Quitman transmission line in with Southwestern's Bull Shoals to Dardanelle transmission line. The result was a new ring-bus configured substation named Hilltop.

During initial talks, Entergy presented results of contingency studies showing significant voltage drops and thermal overloads with the loss of certain transmission line segments in the area. According to Entergy, an interconnection with Southwestern's Bull Shoals to Dardanelle line would effectively solve such problems during contingencies by creating a parallel path on which power could flow south from Bull Shoals into the area surrounding the interconnection.

The flow of electricity from north to south in the area near the interconnection was identified as a congested path in the National Transmission Grid Study published by the Department of Energy in May 2002. According to Sargent, Southwestern was keenly aware of these transmission constraints and sought to help ease congestion by facilitating the interconnection with Entergy.



THE NEW HILLTOP INTERCONNECTION NEAR SILVER HILL, ARKANSAS, ADDRESSES REGIONAL TRANSMISSION CONCERNS.



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Regional Hydropower Conference Rolls Along the River

The Vicksburg District of the U.S. Army Corps of Engineers (Corps) hosted the 11th annual Southwestern Regional Hydropower Council and Conference on June 12-13, 2007, in Vicksburg, Mississippi.

The event is held every year to review and discuss customer funding of non-routine maintenance items at Corps projects within Southwestern's marketing area under the 1999 Memorandum of Agreement (MOA) among Southwestern, City Water & Light of the City of Jonesboro, Arkansas, and the Corps.

In addition to discussing funding items under the MOA, the conference also gives participants the opportunity to confer on other matters relating to



AFFECTIONATELY REFERRED TO AS THE "CONFERENCE BARGE," VICKSBURG'S INSPECTION VESSEL IS EQUIPPED WITH ALL THE NECESSARY AMENITIES FOR CONDUCTING BUSINESS MEETINGS.



DENNIS WRIGHT OF ASSOCIATED ELECTRIC COOPERATIVE, INC., AND MIKE DENNY, GEORGE ROBBINS, AND STAN MASON OF SOUTHWESTERN ENGAGE IN DISCUSSIONS ON THE TOP DECK.

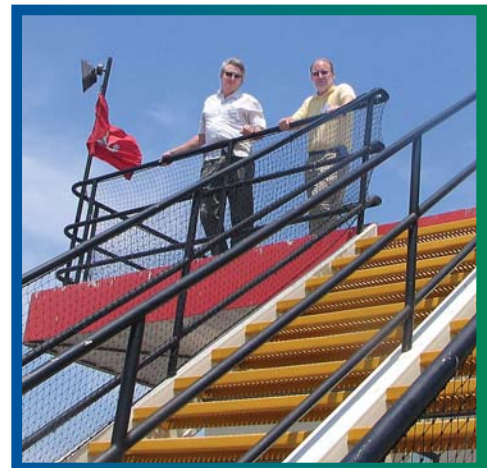
Federal hydropower. This year, presentations included customer perspectives of the 2005-2006 drought, impending reliability standards for electrical generator owners/operators, and findings of the working group studying oil containment at Corps projects.

One of the unique things about this year's conference was its location -- in the middle of the Mississippi River on the Vicksburg District's inspection barge, powered by the Motor Vessel *Benyaurd*, a 4300-horsepower towboat named for the District's first District Engineer.

Southwestern staff and customers joined Corps personnel from the Fort Worth, Kansas City, Little Rock, St. Louis, Tulsa, and Vicksburg Districts and the Mississippi Valley Division as the *Benyaurd* and barge navigated downriver from Vicksburg to the Grand Gulf Nuclear Power Station water intake near Port Gibson and back, a round trip of approximately 60 miles. 💧



ROSALIE COLLEY, SUPERINTENDENT OF OZARK AND DARDANELLE POWERPLANTS, CATCHES SOME FRESH AIR WITH STEVE MILLS, SUPERINTENDENT OF R.S. KERR POWERPLANT.



STAN JONES, SUPERINTENDENT OF TABLE ROCK/BEAVER POWERHOUSE, AND JOHN ETZEL, PRODUCT COORDINATION BRANCH CHIEF OF THE HYDROELECTRIC DESIGN CENTER, MAKE OBSERVATIONS FROM THE OBSERVATION DECK.

HILLTOP, CONTINUED FROM PAGE 1

“The impacts to our transmission system were small,” he says of the results of his initial analysis of the interconnection, “and based on the studies, there was every reason to support the interconnection.”

Following the execution of an agreement in November 2002 allowing Southwestern to determine its general facilities and property requirements and to complete its environmental documentation requirements, Southwestern and Entergy began working in earnest on an interconnection agreement.

The first step was to present the proposed plan to the Southwest Power Pool Transmission Working Group (SPP TWG) so that it could determine the impacts of the interconnection to surrounding transmission. Entergy submitted the plan in November 2004, and it was approved by the SPP TWG in January 2005. In May 2005, the parties executed an interconnection agreement, and work on the new substation began.

As with any construction project, Hilltop faced inevitable delays due to circumstances beyond the control of Southwestern and Entergy, and in August and September 2005, the project faced a serious potential setback when Entergy personnel and contractors were pulled into the recovery efforts for Hurricanes Katrina and Rita.

“Entergy contacted Southwestern in late September and asked if our crews could perform some of the work installing a temporary structure in preparation for tying into Southwestern’s line,” explains Sargent. “All of Entergy’s resources were committed to restoring power in the hardest hit areas. Our crews were able to obtain the materials needed to install the temporary structure and complete the work to keep the interconnection on schedule.”

Construction was back on track by early 2006 and continued throughout the year and into the first half of 2007. In the summer of 2007, the parties worked through communications and equipment issues, and on August 21, 2007, the interconnection was closed permanently. 💧



OPEN SWITCHES STAND AT THE READY AS THE HILLTOP INTERCONNECTION NEARS COMPLETION. THE RED LINE SHOWS THE DEMARCATION BETWEEN ENTERGY’S EQUIPMENT (TO THE RIGHT OF THE LINE) AND SOUTHWESTERN’S (TO THE LEFT). SOUTHWESTERN’S BULL SHOALS TO DARDANELLE LINE APPEARS OVERHEAD.

Mason Lured Into Retirement

Stan Mason, Director of the Division of Scheduling & Operations for the past five years, will begin a new life as a retiree at the end of September 2007, after 37 years of Federal service.

Mason began his career at Southwestern in 2000 as a Supervisory Power System Dispatcher, but had already logged many years in the electric utility industry before then. He worked in steam plant operations at Tennessee Valley Authority, serving as a Student Operator, Assistant Unit Operator, Unit Operator, and Assistant Shift Engineer before moving to Western Power Administration (Western) as a Power System Dispatcher in Watertown, South Dakota, in 1982.

In 1987, he moved to Western’s office in Golden, Colorado, as a Power Operations Specialist for almost three years before returning to the Watertown office as the Operations Officer in 1990. His career experience spans power dispatch, powerplant operations, operations management, and training coordination. At Southwestern, Mason was promoted to Director in 2002.

CONTINUED ON PAGE 6



Southwestern Operations Get Leaner and Greener

A smaller environmental footprint is always a good thing. With this in mind, Southwestern has completed an agency-wide evaluation to identify ways in which it might further “green up” its operations to comply with the requirements of Executive Order 13423, “Strengthening Federal Environmental, Energy, and Transportation Management.” As of the end of Fiscal Year 2007, the agency had already reduced its energy intensity by 5% from the baseline established last year.



Signed by President George W. Bush on January 24th, 2007, E.O. 13423 establishes new and updated goals for all Federal agencies in the areas of energy efficiency, toxic substance reductions, recycling, renewable energy usage, acquisitions, electronics management, fleet fuel consumption, and water conservation. E.O. 13423 also requires more widespread use of Environmental Management Systems (EMS) as the framework for managing and improving sustainable practices.

Because Southwestern already maintains an EMS that includes an Environmental Protection Program, much of the new emphasis for the agency will be on measuring and improving energy efficiency, says Dallas Cooper, Assistant Administrator of the Office of Corporate Facilities.

“The order has prompted us to bring our existing activities under one management system, and it helps put the focus on measurable ways that we can improve,” Cooper says. As an example, he notes that although Southwestern has already been replacing inefficient air conditioning systems and lighting fixtures at its field offices and substations, these improvements must now be quantified to show that the new targets will be met. “The hardest part has been gathering the baseline data,” he says of the agency’s response to E.O. 13423. “The challenge for us going forward is not in doing these things, but in measuring them.”

Environmental Specialist Mistie Yost, with Southwestern support services contractor Wyandotte NetTel, works closely with members of the agency’s Environmental Management Team as they monitor progress on E.O. 13423 within their respective areas of responsibility. “We are in the process of updating our EMS now,” says Yost, who is spearheading that effort. “The targets from the Executive Order will be incorporated into this new version, which goes into effect in February 2008.”



HIGH-EFFICIENCY HVAC UNITS WITH DIGITAL CONTROLS ARE REPLACING WINDOW UNITS AT SUBSTATION AND MICROWAVE BUILDINGS TO PROVIDE THE SAME COOLING WITH LESS POWER.

Southwestern’s 5% reduction in energy intensity since last year (where intensity is measured as consumption per gross square footage of building space) exceeds the target of a 3% reduction per year through 2015 specified in E.O. 13423. Yost notes that the agency continues to improve on energy usage, and is also planning immediate and noticeable improvements in water conservation and fuel consumption. E.O. 13423 specifically calls for a 2% annual reduction in water intensity, and a 2% annual reduction in fleet petroleum usage, plus a 10% annual increase in alternative fuel (alt-fuel) use, through 2015.

The Environmental Management Team anticipates meeting the new goals in a variety of ways, says Yost. For example, motion-sensitive light switches will be installed in non-critical areas, and additional gains continue to be made with improved building insulation, upgraded windows, and high-efficiency Heating, Ventilation, and Air-Conditioning (HVAC) units with heat pumps. To make wiser use of water, Southwestern is considering the installation of water-saving faucets and toilets.

While improving energy efficiency is a process with which Southwestern is already familiar, switching to alt-fuel vehicles is something new. The Alternative Fuels Workgroup, another in-house team comprised of procurement, field, and administrative employees, has been meeting to address the new fuel requirements of E.O. 13423.

Sean Long, Contract Specialist in the Division of Acquisition & Facilities Services, says that bio-diesel will play a big role. "We're researching hybrids for some of Southwestern's vehicles, but about 60% of our fleet is made up of heavy and medium duty vehicles like boom trucks, which typically require more power than a hybrid engine can provide," he says. "So bio-diesel is the big thing we're going toward for those."

Technological improvements are anticipated to make progress easier. "We're beginning to see one- and two-ton hybrid vehicles on the market," says Dallas Cooper. "As alt-fuel vehicles that meet our performance standards start becoming available, we need to be proactive in acquiring them." In the meantime, light duty vehicles are readily available in hybrid models. Cooper notes that one five-year-old utility vehicle at the Jonesboro office is being replaced by Southwestern's first hybrid this fall.

According to Jane Thomas, Property & Administrative Services Technician in the Division of Acquisition & Facilities Services, Southwestern plans to replace all of its vehicles through attrition, in keeping with the agency's existing replacement schedule, although specific bio-diesel models will have to wait. "Until the General Services Department approves a grade of bio-diesel for government vehicles, we can't switch them over," Thomas says. When that time comes, however, Southwestern employees will be ready. Craft Superintendents from the Division of Maintenance are already set to attend the Green Industry and Equipment Expo in Louisville, Kentucky, this October to visit with vendors regarding new technologies and equipment.

Other functional areas of Southwestern have also reviewed their practices in response to E.O. 13423. The Division of Information Technology has completed an inventory assessment, establishing a baseline for compliance with electronic stewardship targets. The Property, Real Estate, & Administrative Services Team has conducted a preliminary review of Southwestern's leased property for compliance with the "Guiding Principles for Federal Leadership in High Performance and Sustainable Buildings," a document developed in 2006 and underscored in E.O. 13423. Other leases, too, are under new scrutiny for compliance, including those for office copiers and even rental cars.

Some of Southwestern's current practices already measure up to the goals of E.O. 13423. For example, the agency already purchases printer paper that contains at least 30% post-consumer fiber; 100% of the flat panel computer monitors in use throughout Southwestern are rated "Silver" or higher by the Electronic Product Environmental Assessment Tool (EPEAT); waste diversion targets comparable to those in E.O. 13423 are already part of Southwestern's EMS; and a formal toxic and hazardous materials reduction plan has been in place since November 2005.

And Southwestern continues to look at additional strategies to increase day-to-day sustainable practices, such as recycling programs and expanding purchases of environmentally-sound goods and services.

"The Nation is really on the cusp of getting traction on environmental responsibility and energy efficiency," says Dallas Cooper. "The move away from energy intensive practices to conservation is an important area that we can take a lead in. Where feasible, we must always be proactive." 💧



SOUTHWESTERN'S SPRINGFIELD OPERATIONS CENTER BUILDING, CONSTRUCTED IN 1996, AND THE REMODELED MAINTENANCE BUILDING BEHIND IT, INCORPORATE MANY OF THE ENERGY EFFICIENT STANDARDS AND SUSTAINABLE PRACTICES REQUIRED FOR GOVERNMENT FACILITIES BY EXECUTIVE ORDER 13423.

Robbins Leads Resources & Rates Division, Other Divisions Streamlined



George Robbins, former Lead Hydraulic Engineer of the Division of Scheduling & Operations, assumed the role of Director of the newly-formed Division of Resources & Rates on July 22, 2007. Robbins, who began his career at Southwestern in 1987, had been serving as Acting Director of the Division of Resources & Rates since its provisional formation in early 2007.

Robbins has worked in the hydropower industry since 1975, when he joined the Tulsa District of the U.S. Army Corps of Engineers (Corps) after earning a Bachelor of Science in Civil Engineering from the University of Oklahoma. While with the Corps, he served as Chief of the Red River Regulation Unit, where he was responsible for the regulation of both power and non-power lakes for multiple purposes, including flood control, on the Tulsa District's portion of the Red River. He joined Southwestern in 1987 as a Hydraulic Engineer, in what was then called the Branch of Power Resources Production in the Division of Power Marketing. He was promoted to Lead Hydraulic Engineer in early 2006.

When Southwestern reorganized in 2007 to streamline its operations in response to industry changes, such as mandatory compliance with new initiatives of the North American Electric Reliability Corporation (NERC), the hydrology and billing functions of the Division of Scheduling & Operations were merged into the Division of Rates & Repayment, which became the new Division of Resources & Rates. Robbins took on the additional responsibilities of Acting Director for the new division pending its final approval at Department of Energy headquarters.

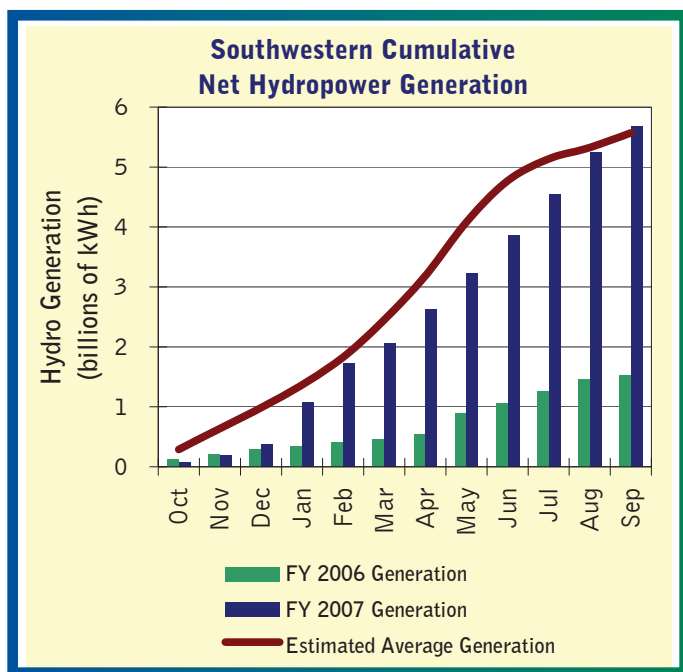
Other organizational changes that became effective in July 2007 included establishing a NERC compliance position at Southwestern's Springfield Operations Center, renaming the Division of Jonesboro/Gore Transmission Maintenance to the Division of Maintenance, with separate Jonesboro, Gore, and Springfield Maintenance Units, and abolishing the Division of Springfield Transmission Maintenance.

Additionally, three separate Sections were established under the Division of Engineering & Planning: Communications Engineering, with Electronics Engineer Danny Johnson as Section Chief; Substation and Transmission Engineering, with General Engineer Carlos Valencia as Section Chief; and System Meter and Relay Maintenance, with Electrical Engineer Doug Johnson as Section Chief. 💧

MASON, CONTINUED FROM PAGE 3

His co-workers and friends celebrated his retirement at a reception held in his honor on September 20, 2007, at which his wife and youngest son were present. During the festivities, Mason received a Career Service Award from Southwestern, an award medallion from the Tulsa District of the U.S. Corps of Engineers, and many gifts and remembrances from employees who honored him for his breadth of industry knowledge and his professionalism, as well as his fondness for practical jokes, fishing, and hunting.

Mason has already scheduled trips this fall to Minnesota and South Dakota to bag some ruffed grouse and pheasant, and to Iowa to go deer hunting with his sons. In addition to endangering Midwestern game and fowl, he plans to "decompress" for a few weeks before contemplating any future endeavors. "Maybe I'll do something down the line, but I don't know if it will be industry-related or not," he says of his retirement plans. 💧



SPARKS OF INTEREST



COLONEL (P) KENDALL P. COX ASSUMED COMMAND OF THE SOUTHWESTERN DIVISION of the U.S. Army Corps of Engineers (Corps) on August 20, 2007. Colonel Cox most recently served as an assistant to the Senior Military Assistant in the Office of the Secretary of Defense at the Pentagon in Washington, D.C. He previously served as Commander of the 1st Cavalry Engineer Brigade in Fort Hood, Texas, Director of the Office of the Chief of Engineers at the Pentagon, and as the Reconstruction Advisor to the Commander, Multi-National Corps-Iraq.

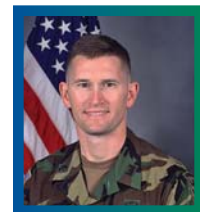
COLONEL CHRISTOPHER W. MARTIN ASSUMED COMMAND OF THE FORT WORTH DISTRICT of the Corps on July 27, 2006. His past assignments include serving as Chief of Construction for Task Force Eagle in Bosnia, as operations officer for the 1st Infantry Division's Engineer Brigade, and as the Brigade Engineer and deputy commander in charge of Operations for the SETAF Infantry Brigade in Italy. Martin most recently served as commander of the 91st Engineer Battalion, including deployment to Operation Iraqi Freedom II.



COLONEL ROGER A. WILSON, JR., ASSUMED COMMAND OF THE KANSAS CITY DISTRICT of the Corps on July 9, 2007. Colonel Wilson's combat and operational experience includes serving as Battalion Commander and Division Engineer with the 10th Mountain Division during Operation Enduring Freedom - Afghanistan, and as an Executive Officer for Task Force Eagle during Operation Joint Endeavor - Bosnia Herzegovina. He most recently served as the Engineer Assignment Officer in Washington, D.C.



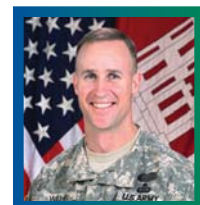
COLONEL DONALD E. "ED" JACKSON, JR., ASSUMED COMMAND OF THE LITTLE ROCK DISTRICT of the Corps on June 28, 2007. Colonel Jackson, whose past troop assignments include a year-long deployment in Iraq as the Wartime Commander of the 54th Engineer Battalion (Corps) (Mechanized) during Operation Iraqi Freedom, is currently attending the U.S. Army War College in Carlisle Barracks, Pennsylvania. He most recently served as Chief of the Program Integration Branch of the Office of the Chief of Engineers at the Pentagon.



COLONEL ANTHONY C. FUNKHOUSER ASSUMED COMMAND OF THE TULSA DISTRICT of the Corps on June 29, 2007. Colonel Funkhouser's past assignments include serving as Assistant Division Engineer with the 1st Cavalry Division during Desert Shield/Desert Storm, and as Commander of the 5th Engineer Battalion (Corps) during Operation Iraqi Freedom I. He has previously served as Chief of Doctrine and most recently as Chief of Staff for the Army Engineer School at Fort Leonard Wood, Missouri.



COLONEL MICHAEL C. WEHR ASSUMED COMMAND OF THE VICKSBURG DISTRICT of the Corps on June 29, 2007. Colonel Wehr has served in battalion assignments at Fort Ord, California, in the 14th (Corps Wheeled), at Fort Bragg, North Carolina, in the 307th (Airborne), and at Fort Stewart, Georgia, in both the 92nd (Heavy) and the 11th (Mechanized). He commanded the 307th Engineer Battalion (Airborne) in Operation Iraqi Freedom. Other engineer assignments have included the Japan Engineer District, the U.S. Pacific Command including Saudi Arabia and Iraq, and several stateside posts.



SOUTHWESTERN'S LOCKBOX ACCOUNT AT P.O. Box 880900, DALLAS, TEXAS, TERMINATED ON OCTOBER 1, 2007.

Customers who wish to continue making payments by mail must submit their payments to Southwestern at the following address: Southwestern Power Administration, One West Third, Tulsa, OK 74103-3502. As an alternative to mailing payments, Southwestern encourages its customers to submit payments electronically through direct wire transfer or through the ACH System. Submission instructions for all payment methods have been attached to customer invoices. For additional information, contact Shirley Shumate at 918-595-6686, e-mail shirley.shumate@swpa.gov, or Veronica Carson at 918-595-6679, e-mail veronica.carson@swpa.gov.



NEW EMPLOYEES

JOHN RIBAR, POWER SYSTEM DISPATCHER
DIVISION OF SCHEDULING & OPERATIONS

ERIC SWARTZ, POWER SYSTEM DISPATCHER
DIVISION OF SCHEDULING & OPERATIONS

KENNETH THORNTON, ELECTRONICS TECHNICIAN
DIVISION OF SCHEDULING & OPERATIONS

BETH WHITAKER, ADMINISTRATIVE OFFICER
DIVISION OF MAINTENANCE, SPRINGFIELD

RETIREMENTS

STAN MASON, DIRECTOR
DIVISION OF SCHEDULING & OPERATIONS

PERCY BUTLER, SENIOR ACCOUNTANT
DIVISION OF FINANCIAL MANAGEMENT

SCOTT BURNS, SECURITY OFFICER
OFFICE OF CORPORATE FACILITIES

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