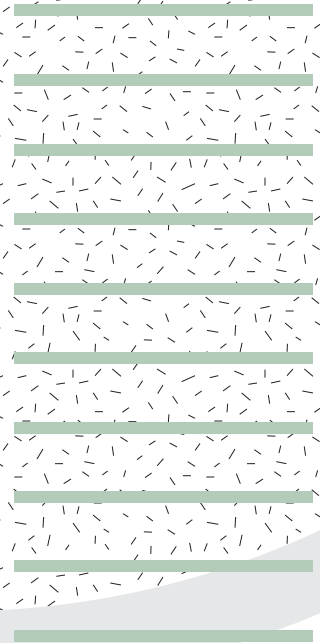


FY 2001 ANNUAL PERFORMANCE REPORT



Western's Vision and Mission

Power marketing and transmission stewardship are our core business functions. This vision statement encompasses our intention and philosophy to strive for excellence in core businesses and to deliver value to the public.

While the vision statement conveys the overall goal for Western's business environment, the mission statement focuses on activities that define the boundaries and opportunities faced every day.

Vision

Western will be a premier power marketing and transmission organization.

Mission

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

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I. Introduction

This is Western Area Power Administration's FY 2001 annual performance report prepared under the guidelines of the Government Performance and Results Act. Western is one of four power marketing administrations within the Department of Energy. The power marketing administrations deliver electrical power from Federal hydrogeneration dams in their service areas to a diverse set of customers. From a legislative standpoint, the Department of Energy is the primary entity required to comply with GPRA. However, as a principal power marketing administration, Western believes that the GPRA framework offers an opportunity to critically examine its goals and objectives; define strategies to achieve those goals and objectives; engage in long-term performance monitoring; and report on its goals and results to the public.

This performance report documents the actual versus planned results Western achieved in FY 2001. In many cases, Western has initiated performance measures designed to establish baseline information for future performance assessment.

II. Goals and Results

Western's FY 2001 performance plan, which can be found at <http://www.wapa.gov/media/pdf/perfplan.pdf>, provides a detailed discussion of strategic goals, objectives and measurements.

Table 1 provides a snapshot of Western's achievements for FY 2001. Section V offers a more detailed discussion of the results. Some measurements are in a "baseline" development status; and Western has developed a number of new objectives and measures that have no documented history.

Table 1: Strategic Goal Achievement

KEY: ✓ = Met Goal; ✗ = Missed Goal; B = Baseline being established; O = Mixed results (met some targets/missed others)

Products and Services Goal		People Goal		Industry Goal	
Rate targets	✓	Safety target	O	Sanction avoidance target	✓
Cost target	✗	Recruitment/retention target	✓	Control area performance targets	✓
Variance in repayment target	✗	Job match target	✓	Adverse 211 avoidance target	✓
Unpaid Federal investment target	✗	Training/tools target	✓	Renewable resource support target	B
Budget target	✓	Process improvement target	✓	Operational capacity protection target	B
Alternative financing target	✓	Union relationship target	✓	Generating agency financing target	B
Business system satisfaction target	B	Customer service target	✓	Transmission studies target	B
Maintenance target	B			Reliability organization involvement	
Project management target	B			Accountable outage target	✓
Environmental management target	B			Work program completion target	B
Security target	✗				

III. Context

Federal Context – Western has unique statutory authorities under a general body of law called the “Federal Reclamation Laws.” The pre-1977 laws defined and expanded the Federal Reclamation program administered by the Bureau of Reclamation, Department of the Interior. Under the Department of Energy Organization Act of 1977, Western assumed the power marketing and transmission system stewardship role from the Bureau of Reclamation. Since then, Western has had specific statutory authority conferred on it and annual appropriations enacted to further define and fund its mission.

Western must also repay the Federal Treasury for current and past appropriations necessary to execute its program. In addition, Western has repayment responsibility for certain irrigation investments undertaken by the Bureau of Reclamation that are beyond the irrigators’ ability to repay.

Customer Context – Western is a wholesale electric power supplier in the Western United States. It is in the middle of a supply chain that begins with power generation facilities primarily owned by the Bureau of Reclamation and U.S. Army Corps of Engineers, and ends with consumers ranging from individual families to large Federal installations.

In FY 2001, Western sold cost-based power to 688 wholesale customers including 291 municipalities; 61 cooperatives, 18 public utility and 44 irrigation districts; 41 Federal and 55 state agencies; 27 investor-owned utilities (only one of which purchases firm power from Western); 42 power marketers; and 77 Bureau of Reclamation customers that purchase project-use power. In turn, most of Westerns customers 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 operates and maintains an extensive, integrated and complex high-voltage power transmission system to deliver power to our customers. Using this 16,867-circuit-mile Federal transmission system, Western markets and delivers reliable electric power to most of the western half of the United States.

Western’s mandate is to “encourage the most widespread use [of power and energy] at the lowest possible rates to consumers consistent with sound business principles.” Western develops marketing plans and allocation criteria that define eligibility and the process for securing Western’s firm marketable resources. In most cases, Western provides only a portion of the electrical resources for a particular customer. Western’s challenges are to divide up a fixed (sometimes shrinking) resource among many existing and new customers, and still provide enough of that resource to represent a meaningful benefit to those customers.

Industry Context – Western has available approximately 9,597 MW of hydroelectric generation capability. In addition, Western markets the 547-MW Federal share of the Central Arizona Project’s Navajo Generating Station. However, Western does not have “utility responsibility.” In other words, Western is not required to construct or acquire new generation or transmission to meet the load (demand) growth of its customers.

Western is uniquely positioned as a major high-voltage transmission owner and operator in the Western United States. Western’s nearly 17,000 miles of transmission line provide delivery into 13 of the states in its service area. In addition, Western has long-term transmission service contracts with major transmission owners that provide delivery paths to Western customers.

IV. Western's Strategic Plan

Western developed three strategic goals and several objectives under each goal to define how we intend to accomplish our mission and achieve our vision. Specific strategies and measurements, as well as the annual performance plan support these goals.

A. PRODUCTS AND SERVICES GOAL – Use sound business practices to create and deliver high-value products and services to our customers.

Western is a wholesale power marketing organization with an array of products and services that customers purchase. Through a strong tradition of customer service, Western's first strategic goal is to remain customer-oriented. Western has listened to our customers and it is clear that they expect excellent service and low power rates to help them to remain competitive in the evolving electric utility industry. The objectives under this goal are to:

- meet or exceed their expectations.
- ensure adequate financial resources to meet those expectations.
- leverage business systems to improve productivity, product and service delivery.
- control costs and rates.
- meet repayment and cost recovery requirements.

The results of these objectives directly benefit Western's customers by providing them with affordable, reliable power. In turn, the U.S. Treasury benefits from the timely return of operating and investment costs.

B. PEOPLE GOAL – Recruit, develop and retain a safety-focused, highly productive, customer-oriented and diverse work force.

People are the foundation of our success. To sustain that success, Western provides a work environment that emphasizes safety, technical improvement, diversity and customer focus. Western expects a great deal from its people, and they deliver. In turn, Western must attract, retain and train people to perform those activities that create the greatest value for its customers, ensure their personal safety and protect the interests of the Federal government.

C. INDUSTRY GOAL – Promote competition and reliability in the evolving electric utility industry.

Western owns the third largest high-voltage transmission system in the country. Western's facilities stretch from the upper Midwest to the West Coast and the southwest corner of the United States. Western is a key player in maintaining the reliability and stability of the nation's electrical transmission system. Open access on Western's transmission system supports the transition to a competitive wholesale energy industry. System operation and maintenance are key to supporting customers. Because Western's high-voltage electrical facilities are interconnected to other systems, its activities can directly affect their stability. However, Western does not have the responsibility to meet load growth in our service territory, nor to procure long-term generation resources.

V. Western's FY 2001 Performance Results

In building our strategic plan, Western set objectives under the three main goals; established strategies to achieve those objectives; and identified performance measures and targets to track progress. In the following section, we document actual results in FY 2001 and evaluate our performance.

1. PRODUCTS AND SERVICES GOAL



Objective 1.1 – Continue to manage our costs.

Strategies: Establish and meet rate targets for each project that are responsive to customer needs and cost-recovery requirements. Establish specific annual cost management goals.

Measure 1.1.1: Actual rates relative to rate targets.

Measure 1.1.2: Actual costs relative to cost targets.

FY 2001 Performance Targets – We will have mixed results in meeting previously established rate targets. For the Central Valley Project and the Salt Lake City Area Integrated Projects, Western held public ratesetting processes. The rates target accomplishment is based on comparing the rates established for the specific hydropower project(s) by Western’s management and formal rate actions submitted to the Deputy Secretary for approval and the Federal Energy Regulatory Commission for review.

Rate Strategy

Western’s rates are designed to recover annual operating and amortization costs. Hence, the **desired results** are (1) rates that make Western’s products and services competitive while returning annual and investment costs to the Treasury and (2) expenditures at or below targeted program direction budget which, in turn, result in better managed rates.

In November 1997, Western established target firm power rates for its principal ratesetting projects. Those targets and the actual rates are listed in Table 2.

Table 2: Comparison of Actual Composite Rates to Rate Targets (mills/kWh)¹

<i>Project</i>	<i>5-Year Target</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>
Pick-Sloan MBP (Eastern Division)	14.54	14.23	14.23	14.23	14.23
Loveland Area Projects	21.7	21.7	21.7	21.7	21.70
Salt Lake City Integrated Projects	20.17	20.17	17.57	17.57	17.57
Parker-Davis Project	5.07 ²	5.04	5.16	7.63	5.45
Boulder Canyon Project	8.82	8.51	9.43	8.89	9.75
Central Valley Project	20.95	20.95	19.31	19.31	19.32

¹ All rates are as of Oct. 1 of the fiscal year

² Because the rate design for Parker-Davis is based upon the project annual expenses and revenues and not an average basis, the target rate was only for FY 1998 and FY 1999.

Rate Performance Analysis – For four projects, Western’s rates remained at or below the 5-year target. Parker-Davis and Boulder Canyon projects’ rates exceeded the 5-year targets by 7.49 percent and 11 percent, respectively.

The target rate set for the Parker-Davis Project has two components: a generation component and transmission component. The decrease in the generation portion of the rate is due to the increase in revenue from surplus sales that have offset the costs for rewinding the Bureau of Reclamation generator units at Davis Dam. Since the generator rewind program did not start until FY 2000, it was not included in the target rate.

The current Boulder Canyon Project electric service base charge and rates were developed from the FY 2000 Power Repayment Study. The BCP Base Charge is \$47,788,574, the forecasted energy rate is 5.04 mills/kWh, and the forecasted capacity rate is \$0.99/kWmonth. Under the BCP Implementation Agreement, Western conducts an annual rate process. The BCP base charge increased about 4 percent from FY 2000 to FY 2001.

Western resources often represent the least-cost power to its customers, and any increase in Western’s rates places financial pressure on them. Western’s studied conclusion is that its rates have a beneficial, but unquantifiable, effect on the viability of its customers’ competitive positions. This is reinforced by Western’s rate analysis that compares wholesale rates charged by other utilities in Western’s service area.

Virtually none of Western’s firm-power customers declared bankruptcy, went out of business, were bought out by investor-owned utilities, or otherwise became non-viable in FY 2001. In California, the Pacific Gas & Electric Company, with which Western has an integration contract, filed for bankruptcy in 2001 and some customers struggled due to the high cost of non-Western power.

Western will continue to support responsible cost management to keep firm-power prices competitive. There is still a concern about price volatility in the market and Western is aware that rate and cost management are extremely important to our customers. Rising market prices increased purchase power costs, putting upward pressure on Western’s rates. The volatile market in 2001 was reflected in the high index prices. However, markets dropped from more than 100 mills/kWh in January 2001 to the mid-20s by December 2001.

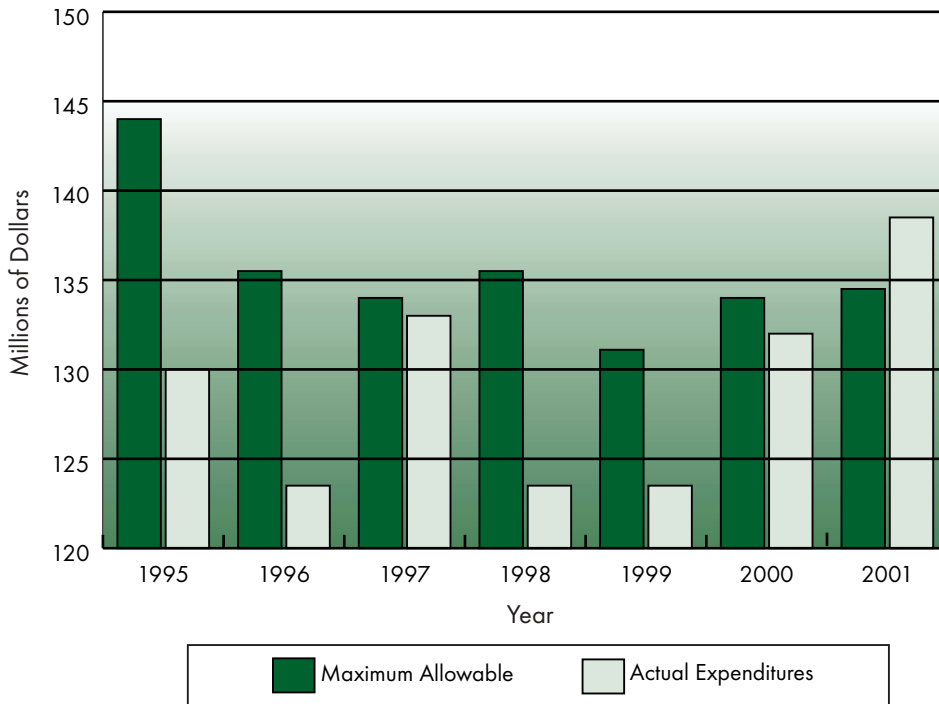
Table 3 shows actual costs relative to cost targets:

Table 3: FY 2000 Cost Management Results

	<i>FY 2001</i>
Cost Target	\$134,549,025
Actual Results	\$138,370,154
\$ under/over	+ 3.8 million

Figure 1 shows the long-term trend of Western cost management program.

Figure 1 – Cost Containment



Objective 1.2 – Continue to repay the Federal investment within the time frames established by law and regulations.

Strategy: Manage power delivery costs, establishing rates for each project sufficient to meet repayment/cost recovery requirements.

Measure 1.2.1: The variance of actual from planned principal payments to the U.S. Department of Treasury.

Measure 1.2.2: Unpaid Federal Investment vs. Allowable Unpaid Federal Investment.

FY 2001 Performance Target – Western’s power repayment studies establish the annual fiscal year performance target for repayment. For FY 2001, the power repayment target was \$136,731,000.

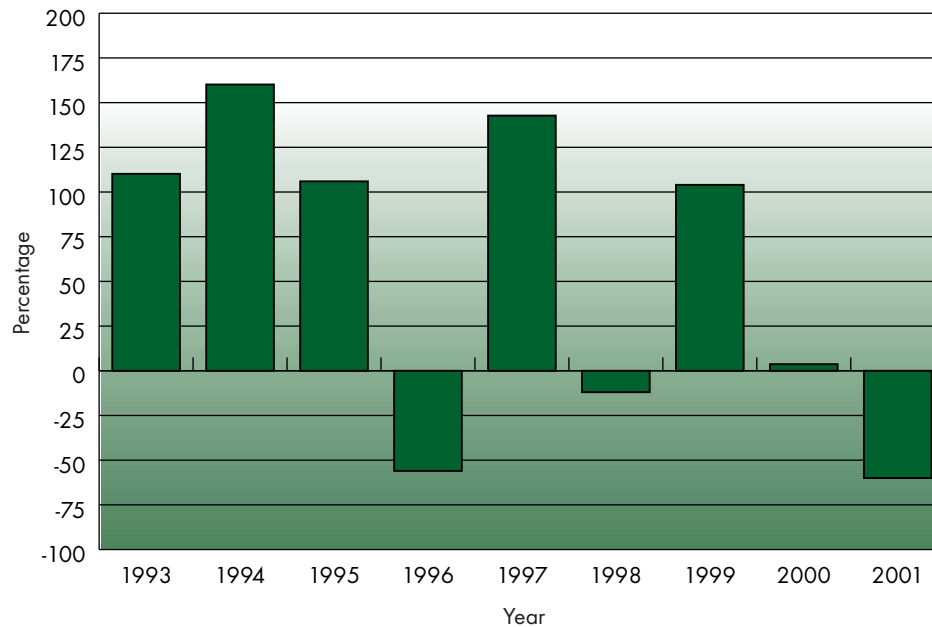
Western establishes its rates using standards set forth in Department of Energy Order RA6120.2. Each year, Western conducts a final power repayment study on every ratesetting project. That study compares anticipated revenues for the next five years with anticipated costs. The study estimates the principal payments to the Treasury to amortize power investment costs. The variance of the actual payment from the estimated payment is a key measure of whether Western is adequately meeting its repayment obligations to the Federal government. The **desired result** is a variance at zero or above; i.e., no underpayment. See table 4.

Table 4: Variance in Repayment for FY 2001

Planned principal repayment	\$136,731,000
Actual principal repayment	\$ 54,100,000
Actual minus planned principal repayment	\$ -82,631,000
Percentage variance	-60.43% ³

Figure 2 shows the history of variances over the last eight fiscal years.

Figure 2 – Variance in repayment to the Treasury



Because the measure cited above only provides a snapshot of annual revenue projections and performance, Western has developed a second measure. The power repayment studies include schedules of “Unpaid Federal Investment” and “Allowable Unpaid Federal Investment.” The Allowable Unpaid Federal Investment is an annual schedule of the remaining investment that can remain unpaid. The **desired result** is that Unpaid Federal Investment is always less than or equal to the Allowable Unpaid Federal Investment. Western’s actual return of investment is well ahead of the required level of investment repayment. Western is currently obligated to return approximately \$8.8 billion to the Treasury.

Repayment Performance Analysis – Western did not achieve its targeted repayment for FY 2001.

During FY 2001, both the Allowable Unpaid Federal Investment and the Unpaid Federal Investment remained constant relative to FY 2000.

However, Western continues to repay the Treasury ahead of schedule. The Allowable Unpaid Federal Investment was 29.5 percent higher than the Unpaid Federal Investment at the end of FY 2001. From this standpoint, Federal taxpayers continue to receive a return on their investment in advance of when it is legally due.

³ Below-average hydro generation due to a drought in the West, combined with high purchase power market prices, were the primary reasons for Western’s failure to make the planned repayments.

Objective 1.3 – Secure adequate funding to accomplish our mission, goals and objectives.

Strategy: Prepare a well-justified and documented annual budget request.

Strategy: Work with customers and resource agencies to maintain or enhance alternative financing methods.

Measure 1.3.1: Percentage of final congressionally approved program received as compared with Western’s original budget submittal to DOE.

Measure 1.3.2: Percentage of Western’s program financed through alternative financing.

Funding

Rising energy costs in FY 2001 presented a challenge for Western’s Purchase Power and Wheeling Program, especially in California. Prices started the year at high levels but moderated toward the end of the year due to several factors, including conservation measures and new generation. The average index price at the California-Oregon Border was \$133.41 per megawatthour in January 2001, but \$24.95 per megawatthour in December 2001. Western worked with the U.S. Bureau of Reclamation to maximize generation to support energy and capacity requirements for the Sierra Nevada region under an integration contract with Pacific Gas and Electric Company. Western also executed contracts with customers to advance purchase power and wheeling funds for energy exchanges with customers and other agencies to control costs. In the face of continued uncertainty in the power industry, Western will continue to work with suppliers and other agencies to maximize the value of the Federal power resource, support reliability and control costs.

Performance Target – Western must secure adequate budgetary resources (appropriations and spending authority) to carry out our mission. The desired results are to (1) secure sufficient budgetary resources, tied to GPRA goals, to deliver results to firm power customers, the Federal Treasury and the electric power industry; and (2) secure enough alternative financing to properly fund services not covered by appropriations or other funding authority (e.g., revolving funds). Table 5 shows the results of Western’s FY 2001 budget process.

Table 5: Results of Western’s FY 2000 Budget Request
(All figures in \$000s)

<i>Fund</i>	<i>FY 2001 Request</i>	<i>FY 2001 Enacted</i>
Program Direction	\$106,644	\$107,996
Operation & Maintenance	\$36,104	\$36,014
Construction & Rehabilitation	\$23,115	\$23,066
Purchase Power & Wheeling	\$53,417	\$65,224
Utah	\$5,941	\$5,950
Total	\$225,221	\$238,250
% Goal	0	106%

Alternative Financing

Performance Target for FY 2001 – Western’s FY 2001 alternative financing resources are primarily based on contractual agreements with customers and power suppliers. Alternative financing is a function of these contractual agreements, as well as system conditions of supply and demand. Western’s FY 2001 targeted alternative funding mix is displayed in Table 6.

Table 6: Alternative Financing

<i>Financing Mechanism</i>	<i>FY-2001</i>	<i>Target Actual</i>
Net billing, bill crediting and non-federal reimbursable ⁴	\$62,646,000	\$196,065,000
Reimbursable, federal contract loads	\$18,500,000	\$ 23,189,000
Off setting collections	\$17,917,000	\$64,899,000
Additional off-budget financing	\$35,500,000	\$24,126,000
Total alternative financing	\$134,563,000	\$308,279,000

Net billing is a two-way agreement between Western and a customer where both buy and sell power to each other. The sales are netted out monthly and the customer provided an invoice or a credit on the next power bill. Bill crediting involves a three-way arrangement among Western, a Western customer and a third-party supplier. Western may purchase power from the third-party supplier and deliver it to the customer. The customer pays the third-party supplier and receives a credit on its bill from Western. Reimbursable costs primarily involve power service to Federal installations such as Department of Energy laboratories. “Offsetting collections” involve the use of power revenues to offset the purchase power and wheeling costs of Western’s program. The amounts listed in Table 6 exclude energy banking and emergency fund appropriations used.

Alternative Financing Performance Analysis – Alternative financing use was significantly greater in FY 2001 compared to previous years. This is a function of hydrogeneration constraints and instability in the energy markets during FY 2001.

Objective 1.4 – Continuously improve our business systems and follow sound business practices. There are four distinctive strategies and measurements under this objective. Each is discussed separately.

Strategy: Leverage the capabilities of business systems to achieve functional efficiencies and process improvements.

Measure 1.4.1: Customer feedback on satisfaction with business systems and support.

Business Systems and Practices

The quality, accuracy and ease of use of Western’s business systems directly impact both the efficiency and effectiveness of Western’s day-to-day business operations. Western has been engaged in implementing an enterprise resource management system. A major part of this system is known as the Business Information Decision Support System, or BIDSS. The core of this system is a set of Oracle Federal Financial Applications.

⁴ Primarily involves contracts among and between Western, energy suppliers and firm customers

Another major part of the system is known as MAXIMO, a maintenance management system developed by the vendor MRO Inc. Together, BIDDS and MAXIMO are designated as the BMX (BIDSS/MAXIMO) system. These systems collect, track and report relevant financial maintenance data.

The **desired results** are systems that produce timely information for effective project management, financial reporting, transaction processing and maintenance planning, with employees well-trained and comfortable using them. This will allow Western to support its cost management strategy and produce accurate information for customers, the public and the Federal community.

FY 2001 Performance Target – The focus of the FY 2001 efforts was:

- Establishing a training curriculum for MAXIMO and Oracle.
An integral part of the successful MAXIMO 4.0.3 upgrade was the creation of a standard MAXIMO training curriculum. MAXIMO power users were trained on how to use the new version of the software and assisted with the development of the three standard classes taught throughout Western. The courses developed and presented were (1) MAXIMO Overview – all managers were the targeted community; (2) MAXIMO purchasing and (3) MAXIMO maintenance. Updated and standardized crib sheets and business rules augmented the training sessions and manuals. All training was done within a 4-week window on either side of the actual upgrade date of January 22, 2002.
- Developing the outline and necessary user manuals/guides.
Training manuals were developed in collaboration with the power users, and a consultant. Outlines were developed and reviewed by all trainers and the final manuals were provided to each student attending training. These manuals, in conjunction with crib sheets and business rules, provide ongoing reference materials for the MAXIMO user community. The upcoming BMX upgrade will include training, manuals and documentation for Oracle Federal Financials.
- Using an effective and structured project management approach to execute upgrade project implementation plans to ensure proper management and user involvement.
The MAXIMO 4.0.3 upgrade project was based on the five major phases defined by the Project Management Body of Knowledge: Initiation, planning, executing, controlling and closeout. Western rigorously followed project management principles during the MAXIMO software upgrade project. The upgrade stayed within scope, followed a planned schedule, maintained quality control and was successfully implemented.
The upcoming Oracle Federal Financials upgrade from 10.7 to 11i will use the same approach.
- Improving the quality and availability of system help by work with the CIO to establish an effective Call Center/Contact Center (Help Desk) for end-user support.
The effort to establish a Call Center/Contact Center encountered a number of challenges during FY 2001. However, major changes began during the last quarter of FY 2001. A consultant helped assess the existing Help Desk, establish guidelines for a revamped Call Center and determine an appropriate Call Center Tracking System. We anticipated that the pilot Call Center, which will include MAXIMO help, will be in place by May/June 2002.
- Researching and identifying Service Level Management tools to establish system performance metrics.
This effort has been put on hold while we address other upgrade and performance issues. Persistent system performance problems required the reconfiguration of the existing BMX setup rather than researching, purchasing and installing new management systems to provide metrics. The decision to take another path was based on information provided at Oracle's Apps World Conference in February 2001. Western decided to upgrade all existing Oracle databases to version 8i and to install the application layer on another system. These two initiatives greatly enhanced system performance and increased response time. The user

community is pleased with the new speed and the ability to get their work done faster than ever before.

Objective 1.4 – Continuously improve our business systems and follow sound business practices.

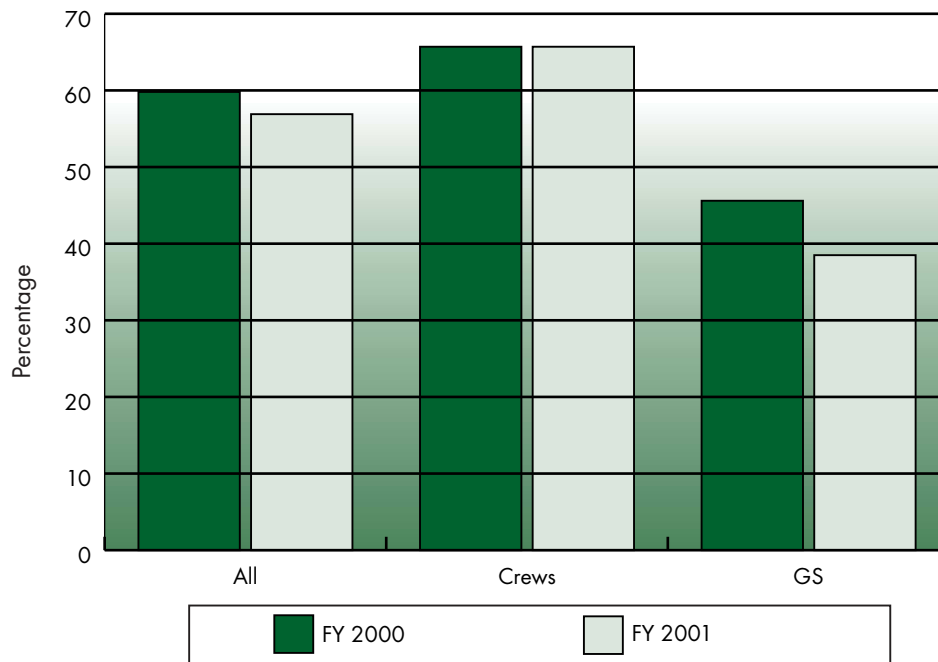
Strategy: Fully use MAXIMO for maintenance planning, inventory control and to establish a comprehensive maintenance database for preventive maintenance.

Measure 1.4.2: Ratio of direct work hours to total work hours.

FY 2001 Performance Target – Since this is the first year we have gathered such data, Western did not set a target for FY 2001. However, we will use these and future data to evaluate the drivers behind these ratios and find opportunities to achieve a reasonable balance between direct⁵ and indirect work hours.⁶

Accomplishments Toward FY 2001 Performance Targets – Using the MAXIMO database, we have begun tracking statistics on direct and indirect work hours, as well as investigating other maintenance indicators. Figure 3 illustrates the actual direct-charged work hours reported in MAXIMO for FY's 2000 and 2001. We used these statistics to establish FY 2002 performance targets. We are currently developing other initiatives to ensure consistent data entry among Western's four regional offices, as well as development of other Maintenance efficiency tracking strategies. A Western team will address the use of Reliability Centered Maintenance throughout Western. Representatives from the MAXIMO community will be included on this team to support effective use of MAXIMO in implementing RCM.

Figure 3 – FY 2000 and 2001 Direct Work for crews and GS Personnel



⁵ Direct work hours are costs charged to specific projects.

⁶ Indirect work hours are costs charged to administrative and support functions.



Objective 1.4 – Continuously improve our business systems and follow sound business practices.
Strategy: Rigorously use project management principles and practices throughout Western.
Measure 1.4.3: Planned vs. actual cost, schedule and performance.

FY 2001 Performance Targets – Western’s strategy is to “rigorously use project management principles and practices throughout Western.” Western has a long history of project management, particularly in the construction and rehabilitation of transmission facilities. However, comprehensive documentation of performance – in terms of cost, time and intended results – has just begun. Western will compile an annual report with a rollup of all Western projects. The rollup will include project name, percent budget execution (total project cost/project budget), percent over or under scheduled completion (actual duration/planned duration) and whether the project was successful. For those rated not successful, a short explanation will be included.

Project Management FY 2001 Results

Table 7 shows appropriated and trust funded C&R projects over \$500k that were completed in FY 2001.

Table 7: Project Evaluation Report for FY 2001

<i>Region</i>	<i>Project</i>	<i>Percent Budget Execution</i>	<i>Percent Over/Under Schedule</i>	<i>Performance Rating</i>	<i>Comments</i>
RMR	Casper Service Center Expansion and Upgrade	147.8%	131%	Successful	Scope changes impacted original budget and schedule.
RMR	Shiprock-NTUA 115-kV Interconnection Line	138.4%	295%	Successful	Equipment failures and customer delays impacted original budget and schedule.
SNR	Sutter Power Plant	92.9%	98%	Successful	None
UGPR	Rapid City Storage Building	100.2%	106%	Successful	Completion extended due to contract modification.
UGPR	Pierre Storage Building	125.9%	106%	Successful	Completion extended due to contract modification.
UGPR	Sioux City Substation	69.5%	106%	Successful	None
UGPR	Woonsocket Substation	61.2%	95%	Successful	None
UGPR	Bismarck-Garrison Fiber Installation	103.7%	100%	Successful	None
UGPR	Rugby Substation	72.4%	48%	Successful	None
UGPR	Jamestown Substation	92.8%	56%	Successful	None

Objective 1.4 – Continuously improve our business systems and follow sound business practices.

Strategy: Develop and implement a formal, written environmental management system.

Measure 1.4.4: Percentage of Environmental Management System developed and high-priority corrective actions completed.

FY 2001 Performance Target – Western will complete its environmental self-assessments and will complete 30 percent of all corrective actions identified through these audits. We will establish a comprehensive set of goals and performance measures and measure baseline performance.

Accomplishment – All self-assessments were completed, except for the Planning Program self-assessment, which was completed in draft. We postponed a contracted assessment of the Hazardous Materials and Transportation program, to be undertaken as a quality check of Western’s completed self-assessment, until FY 2002 because of an unresponsive contractor. Western completed less than 10 percent of corrective actions due to the heavy Environmental Planning workload created by merchant plant interconnection applications and transmission improvements. All performance measures were established, with the exception of protection of the generation resource from environmental restrictions.

Objective 1.4 – Continuously improve our business systems and follow sound business practices.

Strategy: Develop and implement security plans.

Measure 1.4.5: Number of security-related incidents and offenses.

FY 2001 Performance Target – Western will maintain or lower the number of incidents and dollar losses during FY 2001.

Table 8 outlines FY 1999 through FY 2001 costs and losses resulting from theft, vandalism, malicious mischief, destruction and sabotage of Western’s property.

Table 8: Security Costs/Losses

	<i>FY 1999</i>	<i>FY 2000</i>	<i>FY 2001</i>
Thefts	12	4	10
Break-ins	2	3	2
Other*	16	27	16
Total losses	\$47,192	\$39,098	\$52,897
Shot out insulators	9	25	43
Labor to repair insulators	\$36,722	\$61,648	\$95,145
Equipment replacements	\$4,023	\$7,535	\$29,786
Total	\$40,745	\$69,183	\$124,931
Grand total	\$87,937	\$108,281	\$177,828

* Other: Offenses and incidents in this category include vandalism, trespass and personnel issues.

2. PEOPLE GOAL



Objective 2.1 – Ensure everyone at Western is aware of, committed to, and has the tools to work safely.

Strategies:

- Establish specific annual safety goals.
- Continuously update and implement Western’s Safety Action Plan to effectively integrate safety throughout the organization.
- Keep employees continuously aware of safety goals and practices.

Measure 2.1.1: Annual safety goals’ accomplishment.

FY 2001 Performance Targets – The safety targets for FY 2001 are shown in Table 9.

Western tracks recordable injuries, lost or restricted workdays, and recordable motor vehicle accidents. In FY 2001, Western met its safety target for motor accidents but failed to meet targets for recordable injuries and lost of restricted workdays.

Table 9: Year 2001 Safety Results

	<i>Targets</i>	<i>Actual</i>
Recordable Injuries	16 or fewer	20
Lost or Restricted Workdays	225 or fewer	300
Motor Vehicle Accidents	8 or fewer	8

Western also tracks the recordable injury rate, which is a measure published by the Bureau of Labor Statistics (Standard Industry Code 491 - Electric Services). Table 10 shows the rates for 1997 through 2001. Western’s injury rates are well below the industry standard.

Table 10: Recordable Injury Rates

<i>Year</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>
Industry rate	5.7	5.1	4.9	4.8	N/A
Western rate	1.9	1.7	2.4	1.9	1.9

Objective 2.2 – Attract a diverse, well-qualified pool of applicants.

Strategy: Use creative and innovative recruitment approaches that will enable us to attract highly skilled candidates, especially those that add diversity to the workforce.

Measure 2.2.1: Annual statistical results on hiring.

FY 2001 Performance Target – Western’s target is to maintain or increase its diversity employment profile during FY 2001.

FY 2001 Performance Target Achievement – Western’s efforts to improve workforce diversity, by broadening recruitment sources and increasing the amount of time an announcement is open, has resulted in maintaining Western’s diversity representation over the last five years. See Figure 4 and Figure 5. Although fewer employees were hired overall, the percentage of those hires who were minorities and women remained constant. Minority males and females constituted 13.2 percent of total separations, while they constituted 13.5 percent and 7.8 percent respectively (21.3 percent) of total accessions for the fiscal year. The net result was a 0.9 percent increase in total minority representation. The disabled still represent the smallest applicant pool, followed by Blacks and Hispanics. It is clear that Western will need to continue to expand its recruitment sources. As evidence of Western’s efforts, the Craft Affirmative Employment Plan has been developed to assist in the recruitment of diverse applicants for craft positions.

Figure 4 – Hiring Trends

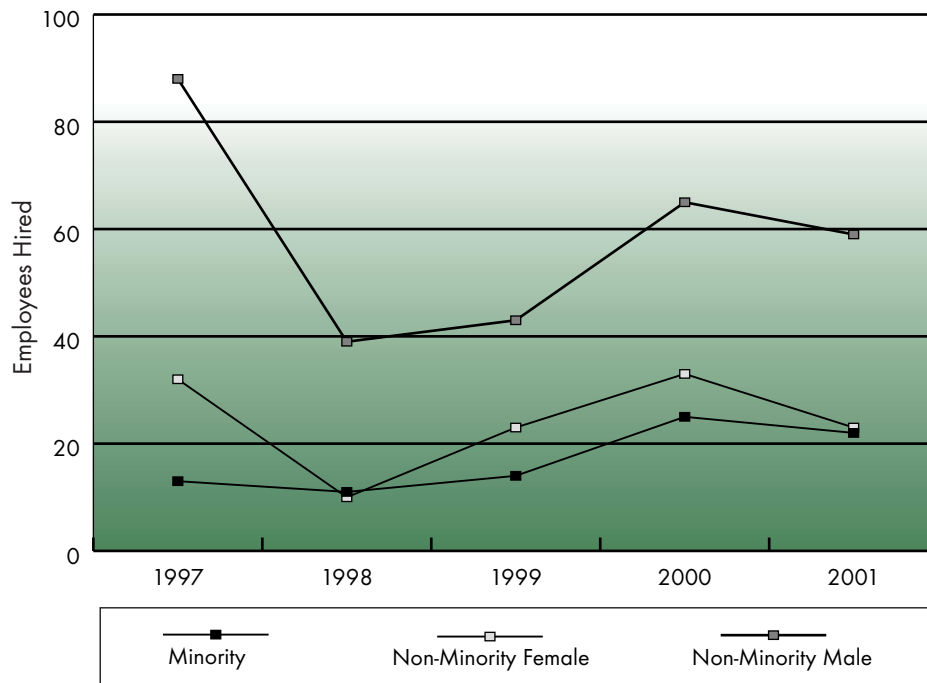
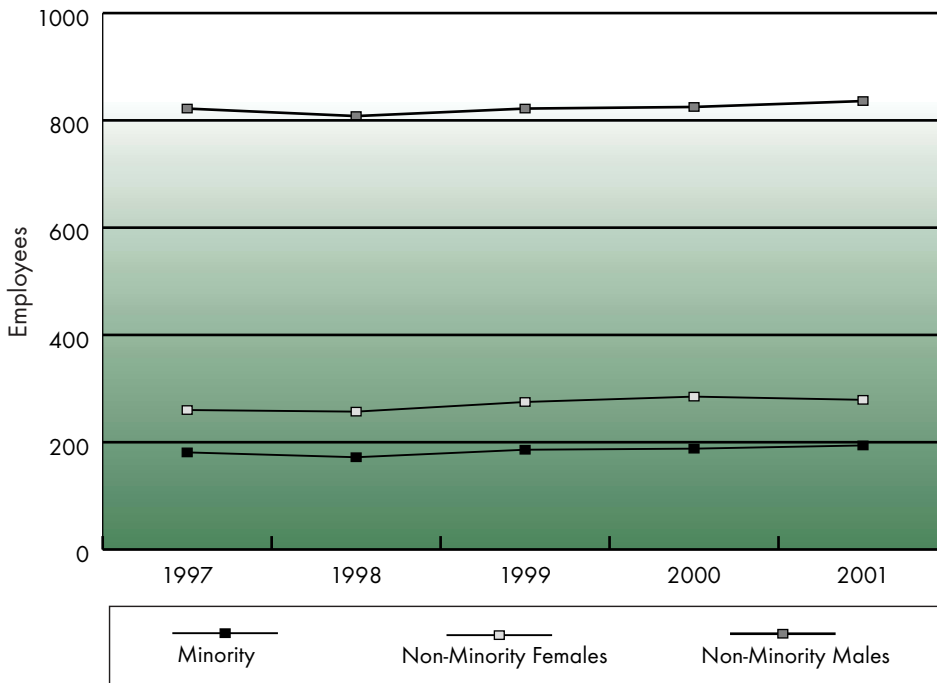


Figure 5 – Workforce Composition



Objective 2.3 – Select individuals whose technical abilities, competencies and personal goals best match the job and organizational objectives.

Strategy: Selecting officials use such tools as panel interviews, background checks and other effective hiring techniques.

Measurement 2.3.1: One-year satisfaction checks from employee and supervisor.

FY 2001 Performance Target – Tables 12 and 13 show the results of the job-match survey. A specific performance target will be established once a baseline is developed.

Once a hiring decision has been made, there needs to be a follow-up check to see if the employee and supervisor are satisfied with their decisions. The **desired result** is a good match between employee and position that maximizes employee productivity, satisfaction and retention. Tables 11 and 12 show survey results for FY 2000 and FY 2001.

Table 11: FY 2000 New Employee Job Satisfaction Survey Results

(Average score of respondents on a 1 (worst) to 5 (best) scale)

<i>Question</i>	<i>FY 2000</i>	<i>FY 2001</i>
Employee has sufficient information, tools and direction to adequately assume his/her duties.	4.4	4.5
Employee's position description accurately describes his/her duties.	4.3	4.6
Employee's supervisor has discussed the elements and standards of the position and has given the employee a copy of the performance plan.	4.5	4.6
Employee feels personal qualifications (i.e., technical abilities, competencies, skills, and education) match well with the knowledge, skills, and abilities that are required to perform the job.	4.6	4.5
Developmental activities and knowledge enhancements outlined in employee's Individual Development Plan adequately address needs.	4.4	4.1
Employee has been able to participate in formal training and developmental activities to enhance job performance.	4.7	4.8
Employee believes actual experience on the job compares favorably with his/her expectations before entering into the position with Western.	4.4	4.8
Employee is satisfied with position at Western and would choose to accept the position again if given the opportunity.	4.6	4.7

Table 12: FY 2000 Supervisor Satisfaction with New Employee Survey Results

(Average score of respondents on 1 (worst) to 5 (best) scale)

<i>Question</i>	<i>FY 2000</i>	<i>FY 2001</i>
When I hired this employee, I felt that I had a good selection of candidates for the position.	3.9	4.2
The employee's job performance compares favorably with my expectations.	4.8	4.5
The employee's personal qualifications (i.e., technical abilities, competencies, skills, and education) match up well with the knowledge, skills, and abilities, required to perform his/her job.	4.5	4.6
I have included developmental activities and/or knowledge enhancements in the employee's Individual Development Plan.	4.3	4.4
The employee has been able to participate in formal training and developmental activities since assuming the duties of his/her position to enhance his/her job performance.	4.7	4.7
In general, I am satisfied with the employee's performance and would still choose to hire the employee if I had it to do over again.	4.6	4.7

Job Match Performance Analysis – Generally, the survey results demonstrate that Western is doing a good job in matching employees with vacant positions. Coupled with a continuous emphasis on attracting qualified candidates, Western expects to remain successful in this area.



Objective 2.4 – Develop and retain a highly skilled, motivated, customer-focused workforce.

Strategy: Execute Individual Development Plans that focus on developing appropriate skills and increasing knowledge of all employees.

Measurement 2.4.1: Annual feedback from employees as to whether they have the tools and training to do their work.

FY 2001 Performance Target – Western will not set a specific performance target until history and trend information are established.

FY 2001 Performance Accomplishment – During FY 2001, DOE developed a corporate, Web-based Individual Development Plan for use by Federal employees throughout the Department. Western’s Training Officer was a member of DOE team that developed and implemented the online IDP. The online IDP allows employees to set short and long range goals and identify developmental activities to accomplish those goals (i.e., training, details, rotational assignments, site visits, discussions with subject matter experts, etc.). The IDP is linked with the DOE Corporate Human Resources Information System Training Catalog and can transfer course information directly onto the IDP. Additional DOE organization training catalogs will be available in the future to provide convenience in selecting and tracking internal training. External courses with local colleges and vendors can also be included on the IDP. Once completed, employees can electronically forward IDPs for supervisory approval.

Western employees complete and discuss their IDPs during the mid-year performance review, which occurred in April. Employees will begin using the online version during the FY 2002 mid-year review in April 2002. We expect that the features and convenience of the online IDP will encourage discussion between employees and supervisors and result in greater participation in the IDP process.

At the end of FY 2000, Western conducted the first annual employee development survey to determine whether Federal employees have the training and tools to do their work. The second annual survey was due at the end of FY 2001. However, we postponed that survey because Western’s senior management planned to conduct an organizational survey that would include human resources functions such as training.

Objective 2.4 – Develop and retain a highly skilled, motivated, customer-focused workforce.

Strategy: Provide incentives to employees for evaluating and improving their work processes.

Measurement 2.4.2: Number of and total value of monetary achievement/suggestion awards for process improvement activities.

FY 2001 Performance Target – As this is a new measurement, Western has not yet established a performance target.

FY 2001 Performance Accomplishment – During FY 2001, 111 employees were recognized for their contributions to improve Western’s work processes. Those employees received monetary awards totaling \$78,200, an average of \$705 per award.

Process Improvement – Improved work processes are key to cost containment and progressive efficiency in delivering services to our customers. The ideal measurement would be cost savings or delivery improvements resulting from these ideas. However, measuring these results would be time intensive and not cost effective. Therefore, to measure the number of awards for process improvement ideas. We'll also track the monetary value, which can serve as a surrogate for some measure of value from the process improvement idea. The **desired result** is to encourage employees to submit process improvement initiatives that increase our cost competitiveness and delivery of services.

Objective 2.4 – Develop and retain a highly skilled, motivated, customer-focused workforce.

Strategy: Enhance partnership relationships with Western unions.

Measurement 2.4.3: The strategic plan calls for periodic labor-management surveys. However, the American Federation of Government Employees-Western Partnership Council decided that it did not want to conduct another survey. Therefore, the revised measurement is to document a qualitative assessment of the end-of-year relationships between the unions and Western.

FY 2001 Performance Target – In a Nov 2, 2000, memo, the Secretary of Energy set the tone for the DOE wide management-union partnership council and for bargaining over numbers, types and grades. Based on the Secretarial directive, Western will enhance our working relationship with AFGE and International Brotherhood of Electrical Workers by:

- Developing bargaining procedures over 5 U.S.C. 7106(b)(1) issues (numbers, types and grades) and informally or formally negotiating them with AFGE.
- Holding joint Administrative Dispute Resolution training with AFGE.
- Designating three Western management representatives for the DOE wide Partnership Council.
- Consulting with IBEW on the same topics.

FY 2001 Performance Accomplishment – Through Executive Order 13203, signed Feb 17, 2001, President Bush revoked Executive Order 12871 of Oct 10, 1993 (Labor-Management Partnerships). Section 1 of E.O. 13203 abolished the requirement previously imposed on agencies to form labor-management partnership councils and mandate to bargain on matters covered by 5 USC Section 7106(b)(1), i.e., numbers, types and grades. However, agencies have the discretion to adopt a labor-relations strategy best suited to its needs. Western is retaining its partnership relationship with AFGE although the development of formal bargaining procedures over 7106(b)(1) issues is no longer an issue. Western did not conduct joint alternative dispute resolution training with AFGE in FY 2001 due to continued review of available courses as well as personnel turnover in the Federal Mediation and Conciliation Service which was to provide the training. We plan to conduct training in FY 2002. Western has designated three management representatives to the DOE wide Partnership Council that has been renamed the DOE Labor-Management Committee. The collaborative relationship between Western and IBEW continues, with the parties meeting bi-annually to discuss issues of mutual concern.

Objective 2.5 – Provide exemplary customer service.

Strategy: Establish and meet customer service standards appropriate to functions.

Measurement 2.5.1: Customer feedback on products and services.

FY 2001 Performance Target – None established.

Western’s mission is to deliver reliable, cost-effective hydroelectric power to our customers. The **desired result** is to understand and meet our customers’ needs and to search for opportunities to improve our service.

A tri-annual customer survey was completed in FY 2001. Letters were sent to approximately 1,700 customer points of contact requesting participation in the survey. Ninety-nine customers returned the survey and provided written comments. Final returns from customers ranged from 3 percent in the Desert Southwest Region to 30 percent in the Colorado River Storage Project Management Office. Survey results will be published in FY 2002.

3. INDUSTRY GOAL

Objective 3.1 – Support industry reliability.

Strategy: Meet or exceed national and regional operating criteria.

Measurement 3.1.1: Number and total dollar value of Western System Coordinating Council and Mid-Continent Area Power Pool compliance sanctions.

FY 2001 Performance Target – The FY 2001 performance target is for sanctions, both number and dollar value, to be less than the average number and value for the 10 largest WSCC control areas.

- MAPP does not have a sanction program in place to date, so this goal is based only on the WSCC Reliability Management System program. MAPP levies sanctions against members who are signatory to the RMS agreement and who violate operating criteria as defined by the agreement.
- Twenty-nine WSCC members, including Western, have signed the RMS agreement. However, many others now participate through the California Independent System Operator tariffs and the ESBI Alberta, Ltd., tariffs. This results in about 112 participating entities.
- From October 2000 through September 2001, the signatory members were assessed 328 sanctions with a total value of \$2,293,554. Western had one sanction totaling \$2,000. Western sanctions were approximately 0.087 percent of the total of the signatory member sanctions. Due to WSCC confidentiality issues, it is not possible to get the sanctions broken out by member, but it is obvious from the totals that we met our FY 2001 goal.

Note: Some of the sanctions levied against members are in dispute and have been appealed to the Reliability Compliance Committee for adjudication. Should the appeals be upheld, the total number and value of the sanctions for FY 2001 may be revised downward. Western has not disputed its sanction.

Objective 3.1 – Support industry reliability.

Strategy: Meet all national and regional reporting requirements for operations within allotted time.

Measurement 3.1.2: Control area performance standards.

FY 2001 Performance Target – The FY 2001 performance standards are to meet or exceed the North American Electric Reliability Council control area averages, or a 100-percent level of compliance for CPS1 and 90 percent level of compliance for CPS2, whichever is greater.

Control Area Performance Standards

- North American Electric Reliability Council has established two control area performance standards, CPS1 and CPS2, to measure the ability of control areas to match generation to load. These standards are used throughout North America.
- CPS1 is a statistical measure of ACE (Area Control Error) variability and its relationship to frequency error. The minimum level of compliance is 100 percent and the maximum is 200 percent, although, under certain circumstances, a score of more than 200 percent is possible.
- CPS2 is a statistical measure designed to limit unacceptably large unscheduled power flows. The minimum level of compliance is 90 percent and the maximum is 100 percent.

FY 2001 Results

	<i>CPS1</i>	<i>CPS2</i>
North America Industry wide average	168.57	95.65
Western Control Areas average	186.93	98.48

- Western achieved its FY 2001 goal, which was to meet or exceed the North American control area averages for CPS1 and CPS2.

Objective 3.2 – Support industry competitiveness.

Strategy: Provide open access to Western’s transmission system.

Measurement 3.2.1: Number of adverse Section 211 decisions from the Federal Energy Regulatory Commission.

FY 2001 Performance Target – The performance target for FY 2001 is zero Section 211 adverse rulings.

Under the Federal Power Act, as amended, the Federal Energy Regulatory Commission has authority to order the provision of non-discriminatory transmission access by utilities engaged in interstate commerce. Western is a transmitting utility subject to Section 211 of the Federal Power Act as amended by the Energy Policy Act of 1992. The Department of Energy issued a Power Marketing Administration Open Access Transmission Policy that reflects that rulemaking. Western issued an Open Access Transmission System Tariff that complies with the spirit and intent of the DOE policy and the tariff required by FERC. If Western refuses its request for access to our transmission system, a requesting entity can

file a complaint with FERC seeking access under Section 211. The **desired result** is to support industry competitiveness and open access as evidenced by no adverse Section 211 rulings by FERC. An adverse ruling (against Western) by FERC would indicate that Western is perhaps not adequately supporting industry competitiveness and open access to its transmission system.

FY 2001 Performance Results – Western met its goal. We received no adverse Section 211 rulings.

Objective 3.2 – Support industry competitiveness.

Strategy: Encourage voluntary use of renewable resources and energy efficiency measures by our customers.

Measurement 3.2.2: Number of energy services partnerships, workshops and other activities with public power organizations that Western organizes, sponsors or facilitates.

FY 2001 Performance Target – This measurement is in a baseline development mode. Performance targets have not been established.

Western’s Energy Services program offers technical assistance and related services that enable our customers to perform integrated resource planning and remain competitive in the changing utility industry. This also supports the Department of Energy’s strategic goals and objectives in the area of energy security for the nation. The **desired result** is adoption of effective energy strategies by Western’s customers to conserve or optimize the use of limited energy supplies.

FY 2001 Results – Western’s strategy is to “encourage the voluntary use of renewable resources and energy efficiency measures by our customers.” Table 13 lists the results for FY 2001.

Table 13: Energy Services Results

<i>Energy Services</i>	<i>Results</i>
Develop and sustain partnership activities that include meetings, consultations and other direct communication with firm power customers related to energy services/renewables.	494 partnership activities
Sponsor and/or participate in workshops. This includes full and partial financial or other sponsorship of workshops, conferences, seminars, etc., that are attended by or benefit firm power customers.	106 workshops
Support and maintain Western’s “Power Line” telephone service to answer customer questions on energy services	262 Power Line calls
Support and maintain Western’s Energy Services Web site	243,417 site hits
Support and maintain Western’s Equipment Loan Program	3,086 loan-weeks

Energy Services Performance Analysis:

Western continued a number of activities to encourage the voluntary use of renewable resources and energy efficiency measures. These included loaning technical equipment such as infrared cameras, power quality monitors, and anemometer kits. Direct and indirect technical assistance and information services were provided through the Regional Energy Services Programs enabling customers to evaluate and implement renewable resources

through Western's Non-Hydro Renewable Resources Program. Western also promoted customer workshops, which were "partnership actions," where Western provided some or all of the funding for speakers and trainers, while customers provided meeting space, audio/visual support and refreshments.

As a result of these activities and Western's active promotion of the benefits of renewable energy, Western's customers are becoming more interested in renewable resources, particularly wind power generation. Other renewable resources of interest include ethanol, biogas, geothermal and solar. During 2001, the number of partnership activities and workshops increased again over past years. The Web site experienced a 232 percent increase in use and the loan of technical equipment increased by 261 percent.

Objective 3.3 – Work to protect and maximize the value of the Federal resource.

Strategy: Participate in decision-making processes with natural resource agencies and others whose decisions affect hydropower generation.

Measurement 3.3.1: Operational capacity available each year.

FY 2001 Performance Target – No goal was established for FY 2001.


Operational Capacity – Environmental reviews are taking place at each of the larger power units in the Colorado River Storage Project: Flaming Gorge, Aspinall and Glen Canyon Dam. Proposed operation changes will reduce power facility operational flexibility, restrict operation or redirect the monthly pattern of water releases away from peak power months.

Western staff served on a team that wrote the flow recommendations for the recovery of endangered fish species below Flaming Gorge Dam. The proposed recommendations form the basis of an Environmental Impact Statement on the river operations, to protect endangered species of the dam. Western is a cooperating agency in this EIS and a joint consultant with Reclamation for Endangered Species Act consultation. Some form of the flow recommendation will be implemented as a result of this EIS process. Western believes the outcome may be greater flexibility in the power operations at Flaming Gorge Dam. Western's participation in the EIS and in ESA consultation will help assure that the flow recommendations are implemented in a manner that minimizes the impact on power production.

At the Aspinall units, the Fish and Wildlife Service has developed draft flow recommendations for endangered fish species in the Gunnison River. Western is working with its partners in the Upper Colorado River Basin Endangered Fish Recovery Program to reduce the severity of any impact resulting from implementing these endangered fish flow recommendations.

Also, at the Aspinall units, the National Park Service claims water rights for a park directly below these facilities. Western has developed a proposed settlement agreement for the water rights claim for consideration by Interior Department agencies. Western's proposal significantly reduces the impact on power generation facilities.

The Grand Canyon Protection Act of 1992 established an Adaptive Management Working Group to advise the Secretary of the Interior on Glen Canyon Dam operations. Several members of this group and their constituencies would like to see further limitations on operations of this power facility. Other interest groups, such as the Sierra Club, advocate draining the lake and decommissioning the powerplant. Western is a member of the adaptive management working group and is active in formulating ways to preserve the power operation of the Glen Canyon Powerplant while addressing environmental concerns.



For the past three years the Rocky Mountain Region has worked with the Bureau of Reclamation on a Programmatic Environmental Impact Statement for the Platte River Endangered Species Recovery Program. A draft EIS is scheduled to be released in November 2002. RMR is also participating with the Upper Great Plains Region in the Yellowtail Dam Afterbay Fisheries Studies. However, this process will not generate a National Environmental Policy Act document. These studies are designed to look at ways of minimizing the effects of dissolved gases on fish below the dam on the Bighorn River.

Operational Capacity Performance Analysis – Western supports application of the international standard for environmental preferability to electric power generation. ISO 14042 requires comprehensive life-cycle environmental impact assessment to support claims of environmental preferability for products and services. Western expects this scientific method to demonstrate that the environmental benefits of hydropower, compared to all other forms of replacement power, makes a strong case to preserve and recover hydrogeneration capacity. Such an assessment is already in progress for the power generated at Glen Canyon Dam.

Objective 3.3 – Work to protect and maximize the value of the Federal resource.

Strategy: Help Reclamation and the Corps secure alternative funding for power facility Operations and Maintenance and rehabilitation.

Measurement 3.3.2: Total dollar value of alternative financing furnished to Reclamation and the Corps, annually, compared with their total power program financial requirements.

FY 2001 Performance Target – Western will actively work with the generation agencies and firm-power customers to ensure adequate funding of operation and maintenance activities. These activities are normally project-specific, with particular project rehabilitation or additional work targeted for customer financing.

As with most Federal agencies, the Bureau of Reclamation and the Army Corps of Engineers have challenges in securing funding to maintain and rehabilitate generation facilities. As a strategy, in particular by Reclamation, power customers are being asked to contribute up-front funding for needed work. Also, power customers are increasingly willing to fund work they believe is necessary to ensure the reliability of Reclamation and Corps generation facilities. Since Western's mission is to market and deliver such power, the **desired result** is adequate maintenance and rehabilitation of Reclamation and Corps facilities to maximize generation and minimize forced outages. The concern about generation maintenance waxes and wanes over time. However, with the increasing volatility in energy prices, the opportunity cost for equipment failures is becoming increasingly high. In past years, equipment failures that affected power operations seemed frequent, and Western was concerned about the maintenance of Reclamation facilities. Even though there haven't been any significant failures recently, and Reclamation is much more open to allowing work program review, adequate funding is still a concern and Western intends to lend support when warranted. Western has developed a surrogate measure to represent a level of effort by Western to promote and realize adequate maintenance and rehabilitation funding for the generating agencies.

Alternative Financing for Generation Performance Results – Western's Desert Southwest Regional Office, in partnership with the Bureau of Reclamation's Lower Colorado Region and project-use customers of the Parker-Davis Project, entered an agreement Oct. 18, 1996, with two power customers to advance-fund a proportionate share of Western's and Reclamation's generation-related expenses. The customers advanced Reclamation and Western \$816,560

and \$159,058 respectively, for generation-related expenses in FY 2001 and are on schedule to advance \$739,702 (Reclamation) and \$185,482 (Western) in FY 2002. Each year, the parties determine the total amount to be advanced by these customers, along with the customers' proportionate share of the total funding requirement.

P-DP firm electric service customers have an agreement with Reclamation and Western to provide advanced funding. Reclamation and Western received \$6,078,881 and \$935,177 respectively, in FY 2001. Each year, the parties determine the total amount to be advanced by these customers, as well as the customers' proportionate share of the total funding requirement. The scheduled advances for FY 2002 are \$4,348,235 for Reclamation and \$1,090,334 for Western.

Western's Sierra Nevada Regional Office, in partnership with the Bureau of Reclamation and a group of 28 Central Valley Project customers, developed an agreement in 1997 to advance fund a portion of the annual O&M cost for Reclamation and Western. Customers funded \$1.7 million in FY 2001 and are expected to provide \$3.5 million for FY 2002. Participation is voluntary and there is no fixed allocation to either Western or Reclamation.

In June 2001, RM executed a contract with Western States Power Corp. to provide a total of \$2,495,000 for Reclamation Operation and Maintenance expenses for use during FY 2001.

Objective 3.4 – Ensure long-term transmission system reliability and availability.

Strategy: Participate in national and regional reliability/transmission organizations and transmission studies.

Measurement 3.4.1: Self evaluation of the impact Western has (1) on decisions by national and regional reliability organizations and (2) in those industry forums that are organizing and administering regional transmission organizations, independent system operators or like organizations.

FY 2001 Performance Target – A target performance level was not established for FY 2001.

Power-related incidents happening thousands of miles away can and do affect Western's system due to the interconnected nature of the utility transmission system in the Western United States. As the industry becomes more profit-driven, system reliability and profit targets will come into conflict more often than in the past. The existing national and regional reliability councils are attempting to reinforce the reliability requirements of the systems, without the need for legislative and regulatory intervention by the Congress, FERC, or State public utility commissions. The **desired results** are (1) consistent, voluntary self-regulation of transmission system reliability standards; and (2) system additions or modifications (be it Western's or someone else's) in a manner that does not adversely impact the reliability or delivery capability of Western's system. It is critical that Western participate in the regional and national reliability councils and in transmission studies to protect its interests and use its expertise to benefit the whole industry (Table 14). Since these are processes with many participants, it is rarely possible to ascertain quantitatively to what degree Western's direct participation brought about the desired result. However, Western will make a qualitative self-assessment on its impact.

Table 14 – Transmission System Studies with Western Participation as of October 1, 2001

<i>Study Focus</i>	<i>Western Participation Level</i>		
	<i>High</i>	<i>Medium</i>	<i>Low</i>
System Impact	11	1	
Regional	26	5	2
Local	3		1
Local/Regional	1		1
Interconnection	18	3	
Generator Interconnection	19		
Capacity Upgrade	1		
Capacity Determination	1		
Power Quality	1		
WSCC Support	8		
Transmission Upgrade	3		
Transmission Sales	1		
Transmission Maintenance	Numerous		
Transmission Needs	2		
Transmission Planning	1		
Project Support	4		
Reliability	3		

Reliability Organizations and Transmission Studies Performance Analysis – Western planning staff in all regional offices carried out assigned study plans in FY 2001. Most interconnection-related studies resulted in some type of addition to the transmission system. The workload on system planning personnel continues to increase with the number of new study requests and additional operational responsibilities.

Western is very active in reliability councils (e.g., NERC, WSCC, MAPP) and a variety of Regional Transmission Organization formation initiatives. Western has staff working on nearly every level and initiative to maintain and improve reliability. Western’s input and expertise within NERC, MAPP and WSCC continue to be respected.

Objective 3.4 – Ensure long-term transmission system reliability and availability.

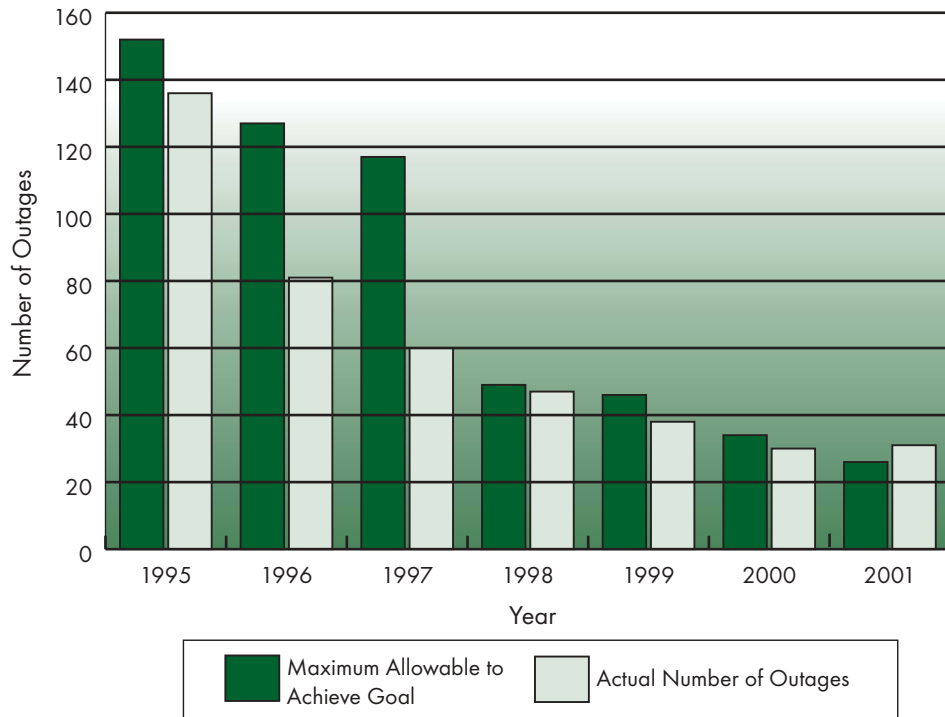
Strategy: Reduce accountable outages.

Measurement 3.4.2: Annual reliability goal accomplishment.

FY 2001 Performance Target – The FY 2001 target was 26 or fewer accountable outages.

- Accountable outages are outages of customer load or transmission elements that Western could have avoided if we had not committed errors or had used better procedures or practices.
- Thirty-one accountable outages were recorded in FY 2001 so our goal was not met.
- Western has revised the goal for accountable outages downward each year since 1995. We may have reached a plateau beyond which substantial improvement will be difficult Figure 5.

Figure 6 – Reliability



Objective 3.4 – Ensure long-term transmission system reliability and availability.

Strategy: Accomplish all scheduled construction and rehabilitation work for the year, after responding to unscheduled events that impact system reliability or require compliance with industry-driven orders, such as those established by FERC.

Measurement 3.4.3: All deviation in the scheduled construction and rehabilitation work listed in the MDCC Annual Review Team Plan result from unscheduled events that impact system reliability or require compliance with industry-driven orders, such as those established by FERC.

FY 2001 Performance Target – Western’s target is to accomplish 95 percent of all scheduled construction and rehabilitation work for the year, after responding to unscheduled events that impact system, reliability or require compliance with industry driven-orders such as those established by FERC.

During the past decade, Western moved away from large-dollar transmission and substation construction projects toward concentrating on reliability-based replacement and rehabilitation of its existing system. Scheduled replacements of aging equipment, such as power transformers, circuit breakers and disconnecting switches, require careful planning of limited resources (equipment and personnel). Every budget cycle, and before the beginning of the fiscal year, Western assesses its most critical needs and subsequently executes its construction and rehabilitation program to meet those needs. The desired result is to reduce the risk of equipment failure and/or safety-related incidents, which is also reflected in the performance measures for accountable outages and safety.

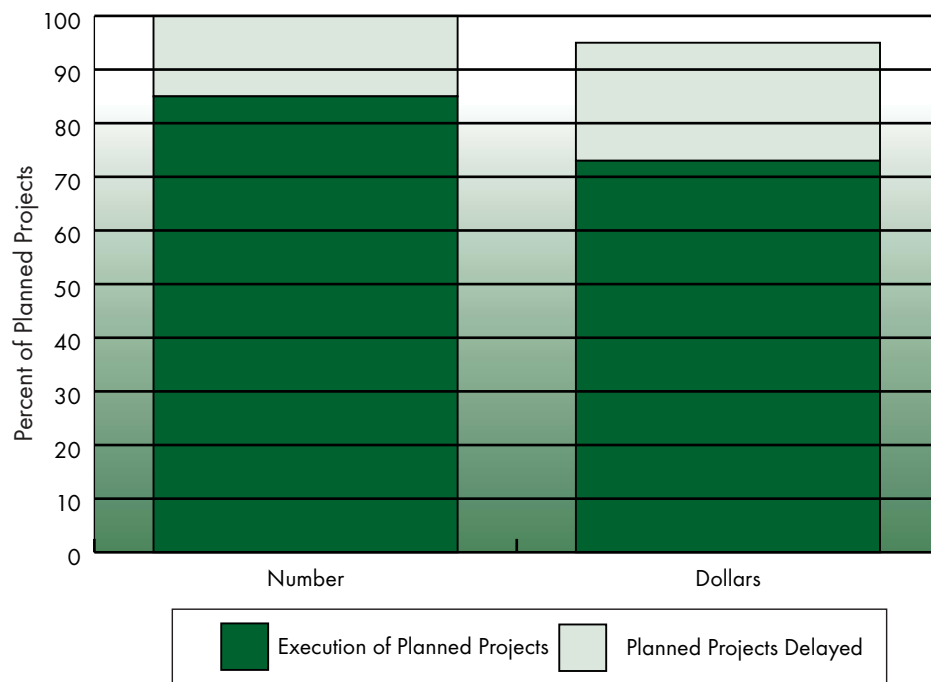
Examples include upgrade and replacement work at Western's Fort Thompson and Watertown substations in South Dakota, Jamestown Substation in North Dakota, Parker and Gila substations in Arizona, Prospect Valley Substation in Colorado, and Grand Island Substation in Nebraska. Western's wood pole replacement and communication upgrade programs also enhanced our aging and obsolete transmission system.

Construction and Rehabilitation Performance Analysis – Western's goal is to accomplish 95 percent of all scheduled construction and rehabilitation work for the year, after responding to unscheduled events that impact system reliability or require compliance with industry-driven orders, such as those established by FERC.

Western's Construction and Rehabilitation staff achieved this goal, with only 4 percent of the dollars going toward unscheduled events.

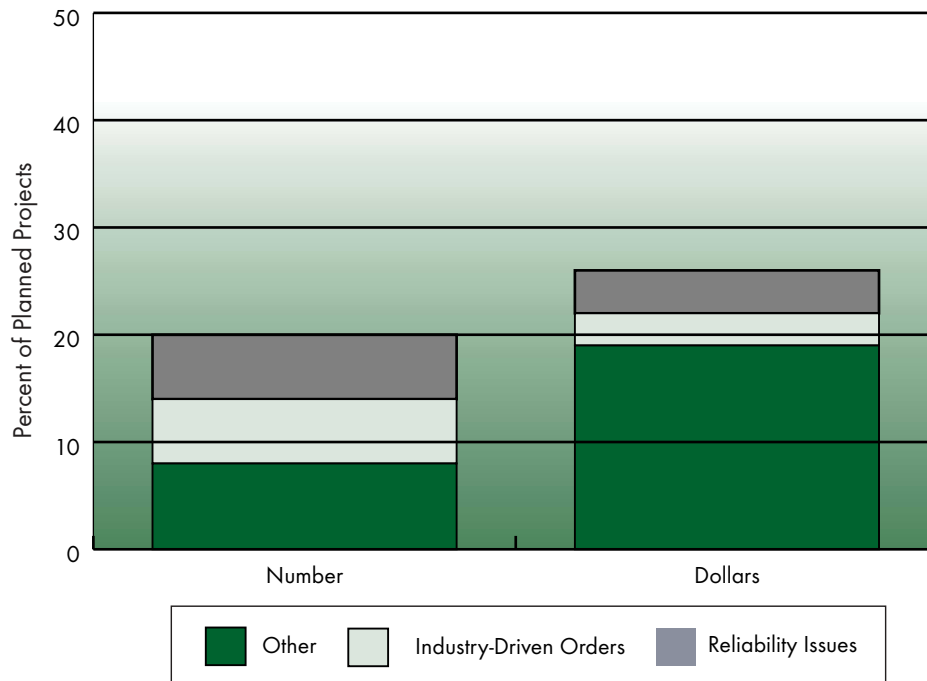
During fiscal year 2001, Western executed 85 percent of its 48 major planned projects (those exceeding \$100,000) and 73 percent of its planned program of \$33.7 million (includes both Program Direction and Other). Only two percent of the C&R program was executed on projects costing less than \$100,000. The remaining 15 percent of scheduled work was reprioritized primarily to accommodate unscheduled work Figure 7.

Figure 7 – FY 2001 Execution of Planned Projects (Projects exceeding \$100,000)



Ten unscheduled projects were funded for a total of \$8.6 million. Of this, \$6.3 million was due to reliability issues and \$1.1 million was industry-driven. The remaining \$1.2 million, or 4 percent, was a result of unplanned late expenditures on projects ending in FY 2000 Figure 8.

Figure 8 – FY 2001 Unscheduled Projects (Projects exceeding \$100,000)



- 1 All rates are as of Oct. 1 of the fiscal year
- 2 Because the rate design for Parker-Davis is based upon the project annual expenses and revenues and not an average basis, the target rate was only for FY 1998 and FY 1999.
- 3 Below-average hydro generation due to a drought in the West, combined with high purchase power market prices, were the primary reasons for Western's failure to make the planned repayments.
- 4 Primarily involves contracts among and between Western, energy suppliers and firm power customers.
- 5 Direct work hours are costs charged to specific projects.
- 6 Indirect work hours are costs charged to administrative and support functions.
- 7 Not available yet.