



# FY 2002 ANNUAL PERFORMANCE REPORT



# Western's Vision and Mission

**P**ower 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.*

# Contents

Introduction . . . . .	1
Goals and results . . . . .	1
FY 2002 performance results . . . . .	3
Products and Services Goal . . . . .	3
People Goal . . . . .	12
Industry Goal . . . . .	17
Linking long-term goals with day-to-day activities . . . . .	23
Strategic response to external challenges . . . . .	23
Strategic response to internal challenges . . . . .	24

## Introduction

This is Western Area Power Administration's 2002 Performance Report. It was developed under guidelines of the Government Performance and Results Act. The performance report documents the actual versus planned results Western achieved in FY 2002. Western delivers electric power from Federal hydrogeneration dams in its service area to a diverse set of customers. Western believes that the GPRA framework offers an opportunity to continuously examine its goals and objectives; define strategies and performance measurements; engage in long-term performance monitoring; and report its goals and results to the public.

## Goals and Results

Western's FY 2002 Performance Plan provided a detailed discussion of our strategic goals, objectives and measurements. Both this plan and Western's Strategic Plan are posted on Western's Web site at: <http://www.wapa.gov/geninfo/whatwho.htm>.

You can also find other performance planning documents at:  
<http://www.wapa.gov/media/pubs.htm>.

Western is striving to achieve five overarching results by implementing its strategic plan and annual performance plans.

**Power Delivery:** Uninterrupted delivery of power is a key result.

In 2002 Western marketed about 38 billion kilowatthours of Federal hydropower to nearly 688 utility customers. This power is clean, flexible and represents part of our customers' diverse resource mix. Many Western customers serve loads in rural settings or areas below the national average income level. This resource is an important, stable component of their energy mix. They rely on this power for residential, commercial, agricultural and municipal uses.

**Power Cost:** Continued affordability of Western's power is a key result.

Western markets power at the lowest possible rates consistent with sound business practices. Western's rates are generally below customers' alternative cost of power. Western provides a "yardstick" to other utilities in the area for comparing power rates. This comparison tends to motivate utilities to moderate power rates to remain competitive. Western's cost-based rates recover all costs of providing power service, including principal and interest owed the U.S. Treasury, while providing an efficient, cost-effective source of energy to a sizeable geographic portion of the nation.

**Delivery Reliability:** Delivering reliable service to its customers is a key result.

Western has more than 17,000 miles of high-voltage transmission lines spanning most of the western half of the United States. The vast majority of Western's physical, financial and human resources are focused on maintaining the reliability of this system in an environmentally responsible manner.

**Industry Support:** Supporting and maintaining a reliable transmission system in the western United States, responsibly operating its control and security centers and actively participating and providing leadership in electric reliability forums are the key results in the area of industry support.

Western also holds critical positions on industry reliability councils. Because the nation's high-voltage transmission system is highly interconnected, events or failures on a non-Western system can adversely affect Western's delivery and transmission operations. This is particularly important in the current climate of electric industry restructuring and the increased focus on competition.

**Treasury Repayment:** Meeting our Treasury repayment obligations is a key result.

Western must repay the U.S. Treasury approximately \$8.9 billion of investment costs, of which about \$3.6 billion are associated with non-power investment. About \$2.82 billion has been repaid to date. Western is well ahead of the requirement for investment repayment. This demonstrates that Western's rates are designed appropriately.

Table 1 summarizes Western's achievements for FY 2002.

**Table 1: Strategic Goal Achievement**

Products and Services Goal		People Goal		Industry Goal	
Rates	X	Safety	X	National operating criteria	✓
Annual cost	○	Recruitment	✓	Control area standards	✓
Repayment	✓	Job match	✓	Adverse 211 avoidance	✓
Secure funding	✓	Workforce development	X	Renewable resources	✓
Alternate financing	✓	Union relationships	X	Operational capacity	✓
Business systems	✓	Customer service	✓	Power generation	✓
Maintenance planning	X			Transmission studies	✓
Project management	✓			Accountable outages	✓
Environmental management	✓			Construction/rehabilitation	✓
Security	X				✓

KEY: ✓ = Met Goal; ○ = Missed Goal; X = Mixed results

# FY 2002 Performance Results

## PRODUCTS AND SERVICES GOAL

### Objective 1.1: Continue to manage our costs

**Strategy:** 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:** Actual rates relative to rate targets.

**Rate Management:** Western's rates are designed to recover annual operating and amortization costs. As a business service supplier, Western must control rates and costs. Western's desired results are:

- Rates that ensure Western's customers remain competitive while returning annual costs and repayment of investment to the Treasury
- Expenditures that are at or below the targeted program direction budget, that, in turn, result in better managed rates.

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

**Table 2: Comparison of Actual Rates to Rate Targets<sup>1</sup>**

<i>Project</i>	<i>5-Year Target</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>
Pick-Sloan Missouri Basin Program	14.54	14.54	14.54	14.54	14.54 <sup>6</sup>	14.54 <sup>6</sup>
Loveland Area Projects	21.07	21.07	21.07	21.07	21.07	21.07
Salt Lake City Integrated Projects	20.17	17.57	17.57	17.57	17.57	17.57
Parker-Davis Project	5.07 <sup>2</sup>	5.04	5.04	7.63	2.97 <sup>3</sup> /5.45 <sup>4</sup>	2.57 <sup>3</sup> /5.04 <sup>4</sup>
Boulder Canyon Project	8.82	8.51	9.43	8.89	9.75	10.32
Central Valley Project	20.95	20.95	19.31	19.31	20.085 <sup>5</sup>	23.83

1 All rates are quoted in mills/kilowatthour. All rates are as of Oct. 1 of the fiscal year.

2 Because the Parker-Davis Project rate design is based on projected yearly expenses and revenues on a year-by-year basis and not an average basis, a target rate was only established for FY 1998 and FY 1999.

3 Firm power rate without firm transmission.

4 Firm power rate with firm transmission.

5 CVP's rate adjustment became effective April 1, 2001.

6 The Pick-Sloan Program's composite rate is separated into two components to determine revenue recovery. The effective yield for the Program's Eastern Division is 14.23 mills/kWh. The Western Division's revenue requirement is combined with Fryingpan/Arkansas data to determine the rate design for Loveland Area Projects.

**FY 2002 Target:** The rates target is based on comparing the rates established for the specific hydropower projects by Western's management and formal rate actions submitted to the Deputy Secretary for interim approval and to the Federal Energy Regulatory Commission for confirmation.

**FY 2002 Results:** For four projects, Western's rates remained at or below the five-year target. Boulder Canyon and Central Valley projects' 2002 rates exceeded the five-year targets by 17 percent and 14 percent, respectively.

The Central Valley Project's ability to meet the established rate target has been impacted by drought conditions and high purchase power costs. The foundation of the CVP power resources is the generation from the hydroelectric facilities of the CVP. However, power generation from the CVP power plants is not always sufficient to support customer loads. CVP generation is supplemented by power purchased from other resources. CVP purchase power expenses also have increased from previous years' levels, due to an increase in firm power sales and higher market prices.

The Boulder Canyon Project conducts an annual rate process under the BCP Implementation agreement. The Project's base charge increased 18.6 percent from FY 2001 to FY 2002 partly due to revenue shortfalls resulting from the curtailment of Hoover Powerplant tours and the foregone revenue from those tours following the Sept. 11, 2001 terrorist attacks on America.

**Objective 1.1: Continue to manage our costs.**

**Strategy:** Establish specific annual cost measurement goals.

**Measure:** Actual costs relative to cost targets.

**FY 2002 Target:** The cost management performance target was \$141,889,968 or 5 percent under the budget set for program direction costs.

**FY 2002 Results:** Western did not meet its targeted goal in 2002 as the results in Table 3 show.

**Table 3: Cost Management Results and Target**

	2000	2001	2002 Target
Cost Target	\$ 134,070,300	\$ 134,549,025	\$141,889,968
Actual Results	\$ 132,043,421	\$138,370,154	\$146,514,707
% under/over	-1.5%	+2.8%	+3.25%

**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:** Variance of actual from planned principal payments to the U.S. Department of Treasury.

**Repayment of Federal Investment:** Western prepares an annual study on each rate-setting project to determine if estimated future revenues will be sufficient to meet all projected costs assigned to power. Given that power repayment studies establish rates using long-term projections, annual repayment amounts are subject to highly variable hydrology and other factors each year. The variance measure only provides a snapshot of annual revenue projections.

**FY 2002 Target:** Actual repayment depends on a number of factors, not the least of which is hydrology that is the “fuel” that drives generation. Table 4 shows actual and planned repayment for FY 2002.

**FY 2002 Results:** Western met this goal as shown in Table 4.

**Table 4: Variance in Repayment for FY2002**

Planned principal repayment	\$26,216,000
Actual principal repayment	\$28,300,000 <sup>1</sup>
Actual minus planned	\$2,084,000
Percentage variance	7.95%

1. An additional \$24.7 million was applied to repayment in the FY 2002 power repayment studies. This was the result of replacing estimated FY 2001 data with actual results.

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

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

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

**FY 2002 Target:** Desired results are to:

- Secure sufficient budgetary resources, tied to GPRA goals, to deliver results to firm power customers, the Federal government and the electric power industry
- Secure enough alternative financing to properly fund services that are not covered by appropriations or other funding authority (e.g., revolving funds).

The importance of this objective cannot be understated since financial resources, as well as human and physical resources, underpin Western’s ability to deliver results.

The actual outcome of Western’s appropriation request was realized in FY 2002 with the passage of the Energy and Water Appropriations Act of 2002. Because of the budget cycle, Western’s critical performance during FY 2002 includes preparation of a well justified request to be incorporated in the President’s FY 2003 budget and initial formulation of FY 2004 needs.

Western’s FY 2002 budget results and the performance target for FY 2003 budget request are outlined in table 5.



**Table 5: Results of Western's FY 2002 Budget and Target Budget Request for FY 2003 (all figures in \$000s)**

<i>Fund</i>	<i>FY 2002 Initial Request</i>	<i>FY 2002 Enacted</i>	<i>FY 2003 Initial Request</i>	<i>Lower of House or Senate Marks for FY 2003</i>
Program Direction	114,378	109,280	127,657	107,674
O&M	37,796	37,796	42,523	37,554
C&R	25,548	18,764	23,069	17,672
PP&W	84,784	186,124	215,185	186,124
Utah	6,092	6,000	0	6,060
<b>Total, Program</b>	<b>268,598</b>	<b>357,964</b>	<b>408,434</b>	<b>355,084</b>
Prior year balance use	0	0	-3,000	-1,200
Offsetting collections	-84,784	-186,124	-215,185	-186,124
<b>Net, Budget authority (BA)</b>	<b>183,814</b>	<b>171,840</b>	<b>190,249</b>	<b>167,760</b>
% of Total, Program enacted		133%		87%
% of BA request enacted		93%		88%

**FY 2002 Results:** The total program request for FY 2002 was enacted at 133 percent of that planned, reflecting increases in Purchase Power and Wheeling, offset by decreases in Program Direction and Construction and Rehabilitation accounts. Program Direction was reduced by \$5 million in the Senate, reflecting the desire to finance the Utah Mitigation, Reclamation, and Conservation Account within targets; staffing and other adjustments were necessary to accommodate the shortfall. While Utah funding of \$6.1 million was in the original request, it was not forwarded to Congress in the President's FY 2002 Budget because sufficient balances were in the Utah account to accomplish planned activities.

Western's C&R activity was reduced \$6.8 million, leading to deferral of planned rehabilitation work. PP&W authority to use receipts was increased substantially over Western's initial request, reflecting the volatility in the western energy markets, drought conditions and dam safety work in the Pick-Sloan Missouri Basin Program service area. Net budget authority enacted was 93 percent of the initial FY 2002 request.

**FY 2003 Results:** The total program request of \$408.4 million for FY 2003 was enacted at \$355.1 million, or 87 percent of that planned. This reduction reflects decreases of \$20 million in Program Direction, \$5 million in O&M, \$5.4 million in C&R and \$29.1 million in PP&W. These decreases were offset by the addition of \$6.1 million for Utah Mitigation activities. The Program Direction reduction will require additional cost-cutting efforts and potential initiation of direct customer funding methods. A reprogramming effort to realign PP&W funding to cover Program Direction shortfalls is being developed. O&M and C&R reductions will further delay planned maintenance and rehabilitation activities. Due to the softening of energy markets, the reduced PP&W program amount should be adequate to meet program needs.

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

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

**Measure:** Percentage of Western's program financed through alternative financing.

**FY 2002 Target:** We anticipate several categories of alternative financing. Western's FY 2002 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 targeted alternative funding mix for FY 2002 is displayed in Table 6.

**Table 6: Alternative Financing for FY 2002 (\$ 000s)**

<i>Financing Mechanism</i>	<i>Plan</i>	<i>Actual</i>
Net billing, bill crediting	91,251	88,978
Reimbursable, Federal	19,400	12,869
Reimbursable, non-Federal (customer advances)	82,229	40,074
Offsetting collections (PP&W)	186,124	136,303
Total alternative financing	379,004	278,224

**FY 2002 Results:** Alternative financing use in FY 2002 was 26.6 percent less than planned. This reflects a lower volume of energy purchases needed to firm Western's contractual power delivery obligations given lower overall sales and slightly higher generation, and a softening in the price of the firming energy bought on the market. While less than planned, the alternative financing methods did secure sufficient resources to finance Western's purchase power and wheeling activities. No appropriations or Continuing Fund resources were necessary.

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

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

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

**Business Systems and Practices:** Western has been engaged in implementing an enterprise resource management system. A major part of this system is known as BIDSS: the Business Information Decision Support System. The core of this system is a set of Oracle Federal Financial Applications. Another major part of the system is known as MAXIMO, a maintenance management system. Together, they are designated as the BMX system. These systems collect, track and report relevant financial and maintenance data.

**FY 2002 Target:** Training for all MAXIMO users will be delivered during FY 2002. All training sessions will center on the upgraded MAXIMO application. During FY 2002, training on Oracle Federal Financials 11i will be developed and delivered. Both the BIDSS and MAXIMO upgrade

efforts in FY 2002 will incorporate more automated configuration management tools. This starts with the implementation of a version control system in the first quarter of FY 2002. This effort begins the establishment of a baseline for Service Level Management tools.

**FY 2002 Results:** The training efforts for the MAXIMO 4.0.3 upgrade were completed during FY 2002. The train-the-trainer concept was presented to the MAXIMO power users, who then provided the user training for the upgrade. These power users now have training manuals and experience. New and refresher training will be provided as needed.

Audit efforts continued during FY 2002. Additionally, a Receipts Financing Initiative became the other main financial focus during FY 2002 rather than the 11i upgrade. As a result, no Oracle Federal Financials 11i training was initiated or provided during FY 2002.

The implementation of more automated configuration management tools, including a version control system, was completed during FY 2002 and is working well.

**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:** Ratio of direct work hours to total work hours and repair work percentage.

**Maintenance Effectiveness:** One desired result of Western's maintenance program is maximizing the direct (hands-on) work on power system equipment by maintenance staff while controlling administrative and indirect time (e.g., training, meetings, shop time, tool and vehicle maintenance, clerical and supervision) to a ratio that optimizes the use of maintenance staff. A second desired result is minimizing unanticipated repair work. Repair work is defined as any labor devoted to emergency work or any other unanticipated equipment failures. Although some emergency work is weather-related and beyond our control, unanticipated repair work is something we strive to minimize by keeping equipment in good repair.

**FY 2002 Targets:** The Direct Work target for 2002 was 67 percent. No optimal ratio has been determined yet, but we will use these results and future data to evaluate the drivers behind these ratios and find opportunities to achieve a reasonable balance between direct and indirect work hours. The percentage of repair work has decreased over the last two years. We anticipate further reductions as Western fully implements its Reliability Centered Maintenance program. The target for 2002 was 16 percent.

**FY 2002 Results:** As shown in Table 7, the actual ratio for crew direct work was 66.0. This was an increase from FY 2001 but was below the FY 2002 target. Part of the reason Western did not meet the 2002 target was the craft man hours needed to perform Reliability Centered Maintenance program studies. The percentage of repair work has decreased over the last two years. The repair work ratio was 14.9 percent, meeting the target of keeping this ratio at less than or equal to 16 percent. Further reductions are anticipated as Western fully implements its Reliability Centered Maintenance program.

**Table 7: Direct Work Ratios**

<i>Year</i>	<i>2000</i>	<i>2001</i>	<i>2002 Target</i>	<i>2002 Actual</i>
Crew Direct Work	65.5	65.7	67	66.0
Repair Work	20.0	18.2	16	14.9

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

**FY 2002 Target:** The FY 2002 performance target was to ensure projects come in on time, within budget and meet the expectations of the internal or external customers.

**FY 2002 Results:** Western collected individual project statistics for appropriated and trust-funded construction and rehabilitation projects with estimated costs of more than \$500,000. Table 8 on the next page shows those projects completed in FY 2002. Of 11 completed projects, costs averaged 6 percent under budget. This demonstrates good initial cost estimating. The same projects averaged 11 percent over schedule. If projects are considered on-time when completed within one month of the estimated schedule, then the completed projects averaged 3 percent over schedule.

For all projects that exceeded estimated scheduled completion dates, extensions were used to accommodate external customers or the scheduled completion date was not a critical success factor for the project. While these results are within accepted ranges for construction, Western will work to improve schedule estimates.

Western approved an agencywide policy and manual on project management in FY 2002 and nears completion on the implementation of standard project management processes. In future years, Western will include results not only the construction program, but for all formal projects.

**Table 8: Project Evaluation Report for FY 2002**

<i>Region</i>	<i>Project</i>	<i>Percent Budget Execution</i>	<i>Percent Schedule Execution</i>	<i>Performance Rating</i>	<i>Comments</i>
RMR	Big Horn Area Modifications	101%	98%	Successful	
DSWR	Sundance Interconnection	69%	102%	Successful	Western work was completed ahead of schedule but needed to await other construction to commission.
DSWR	Basic Tie Lines	101%	289%	Successful	In-service date slipped to customer's construction completion schedule.
DSWR	Lone Butte-Maricopa T-Line Upgrade	95%	98%	Successful	Scope change when appropriations were reduced.

**Table 8: Project Evaluation Report for FY 2002 (cont.)**

<i>Region</i>	<i>Project</i>	<i>Percent Budget Execution</i>	<i>Percent Schedule Execution</i>	<i>Performance Rating</i>	<i>Comments</i>
UGPR	Grand Island Air Core Reactor Replacement	93%	100%	Successful	Two separate projects were combined.
UGPR	Ft. Thompson- Ft. Thompson 2 Stage 8 Replacements & Modifications	103%	95%	Successful	Minor scope change when contractor found and welded cracks in 345-kv bus.
UGPR	Bismarck Maintenance Building & Yard	118%	125%	Successful	Cost & schedule overruns due to additional site work, building changes, and communication equipment not initially identified.
UGPR	Glendive Substation Stage 03	98%	99%	Successful	
UGPR	Carrington Substation	114%	101%	Successful	Budget overrun due to initial low estimate for planning, design, project management, and inspection.
UGPR	Fargo Substation	91%	108%	Successful	No critical in-service date identified.
UGPR	Brookings Substation	88%	106%	Successful	Project delayed when materials were diverted for critical voltage support at another substation.

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

**Strategy:** Develop written Environmental Management System documentation.

**Measure:** Percentage of Environmental Management System documentation completed.

**FY 2002 Targets:** Western environmental staff, in cooperation with other affected and contributing offices, will complete no less than 25 percent (26 of 105) of all corrective actions identified during self assessments.

Additionally, comprehensive goals for implementation, adequacy and effectiveness of Western's environmental program are built into its performance measures phase. Western will develop a baseline in FY 2002 for its accomplishments in four target areas:

- Protect the environment
- Achieve and maintain compliance
- Protect the generation resource
- Use sound business practices

**FY 2002 Results:** Western completed 27 percent of the corrective actions identified during self assessments during FY 2002. Additionally, Table 9 lists baseline performance measures that have been developed in four target areas for future tracking purposes.

**Table 9: Environmental Performance Measures**

Category	Indicator	Metric	Target
Protect the environment	Mitigation actions	Percentage of actions completed on schedule.	100%
Achieve and maintain compliance	Notice of violations and audit findings	Percent of items resolved on schedule.	100%
Protect the generation resource	Environment provides information and reports this performance measure under Objective 3.3, Strategy 3.3.2: Participate in decision-making processes with natural resource agencies and others whose decisions affect hydropower generation.		
Use sound business practices	Self assessment Corrective Actions	Percent of action items completed by deadline.	100%

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

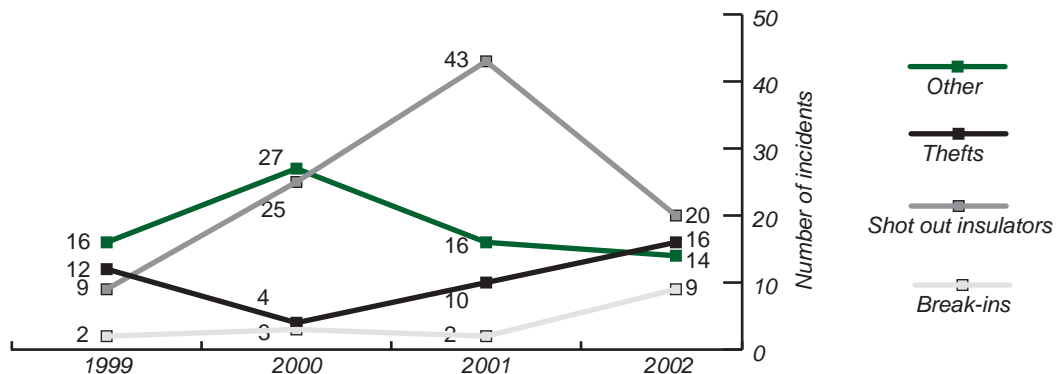
**Strategy:** Develop and implement security plans.

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

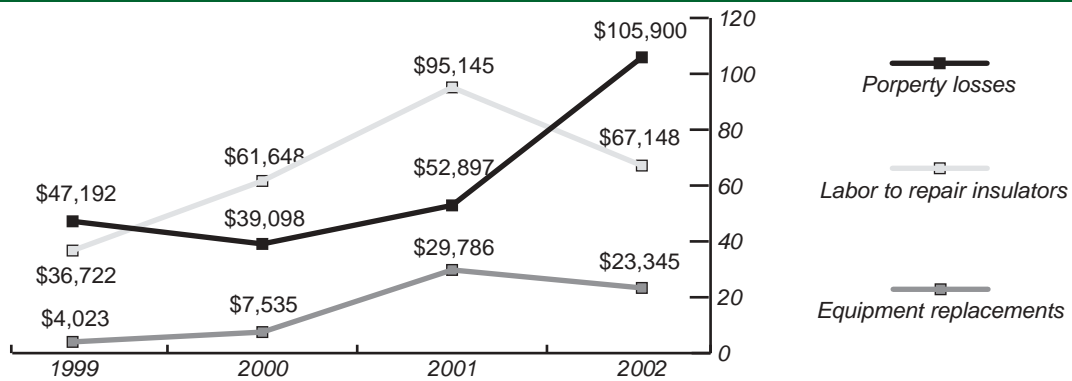
**FY 2002 Target:** Desired results are maximum protection of our employees from threats and violence, and preservation of the integrity of our physical assets. Primary security violations are theft, breaking and entering and vandalism, particularly the use of transmission line insulators for “target practice.” Western’s goal is to maintain or reduce the number of incidents and dollar losses during FY 2002.

**FY 2002 Result:** As shown in figures 1 and 2 on next page, Western was able to maintain or reduce the number of incidents and dollar losses in FY 2002 in all categories except number of vandalism incidents.

**Figure 1 – Security Incidents**



**Figure 2 – Dollar Losses**



**FY 2002 Target:** Western will implement a Cyber Security and Network Infrastructure Architecture and update its Cyber Security Program Plan to improve cyber security and increase network reliability and performance. Western will increase the security of its mission critical SCADA/AGC systems by completing both internal and peer reviews of the systems and correcting vulnerabilities identified.

**FY 2002 Results:** During FY 2002, Western developed an Information Technology Architecture for Cyber Security and Network Infrastructure. The final document was issued on August 8, 2002. The Cyber Security Program Plan was also updated in the fall of 2002.

During FY 2002, peer reviews—using the processes established in the prototype—were performed at Desert Southwest, Sierra Nevada and Upper Great Plains regions. CSO was included in the Rocky Mountain Region's review. Each region and the CSO perform self assessments in advance of the peer reviews as well. Corrective Action Plans were developed for each location. Any high vulnerability was corrected within one month of review completion. Mid- and low-level vulnerabilities are addressed as resources are available, and progress is reported through quarterly reviews of the CAP. Periodic internal scans are used to validate that the corrective action has fully addressed the vulnerability.

## 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:** Annual safety goal accomplishment.

**FY 2002 Targets:** The safety targets are shown in Tables 10 and 11. Western measures the total number of recordable injuries, number of lost workdays, and number of recordable motor

vehicle accidents. Western also measures itself against the Bureau of Labor Statistics (Standard Industry Code ((SIC)) 491-Electric Services of the Transportation and Utilities). Western's injury rates are well below the industry standard.

**FY 2002 Results:** In FY 2002, Western met its safety target for lost or restricted work days and motor vehicles accidents but failed to meet its target for recordable injuries.

**Table 10: Year 2002 Safety Targets**

<i>Category</i>	<i>FY 2002 Target</i>	<i>Actual</i>
Recordable Injuries	16 or fewer	21
Lost Workdays	160 or fewer	128
Motor Vehicle Accidents	8 or fewer	6

**Table 11: Industry Recordable Injury Rates**

<i>Year</i>	<i>FY 1998</i>	<i>FY 1999</i>	<i>FY 2000</i>	<i>FY 2001</i>	<i>FY 2002</i>
Industry Rate	5.4	4.9	4.8	5.0	N/A
Western Rate	1.7	2.4	1.9	1.9	1.7

**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.

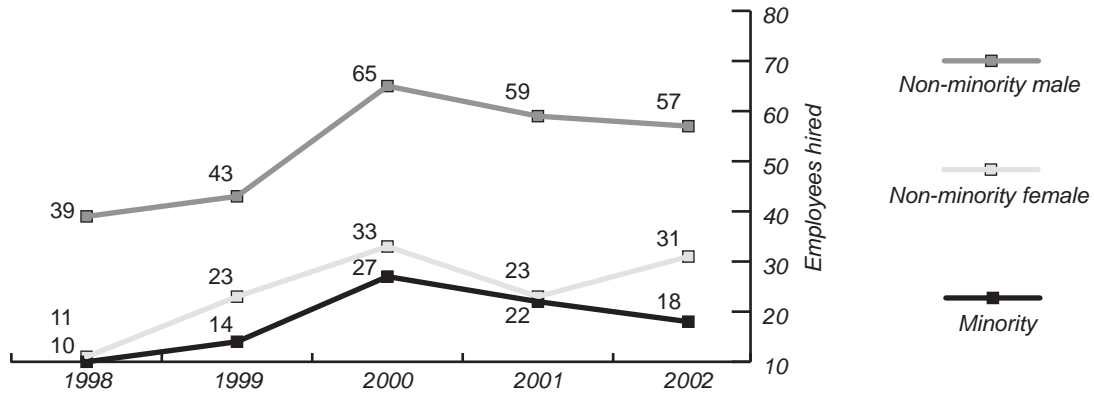
**Measure:** Annual statistical results on hiring.

**FY 2002 Target:** Minorities make up almost 15 percent of the workforce. Western anticipates increased opportunities to recruit and select applicants from a more diverse pool of candidates. The goal is to increase the representation of the diversity employment profile for underrepresented groups.

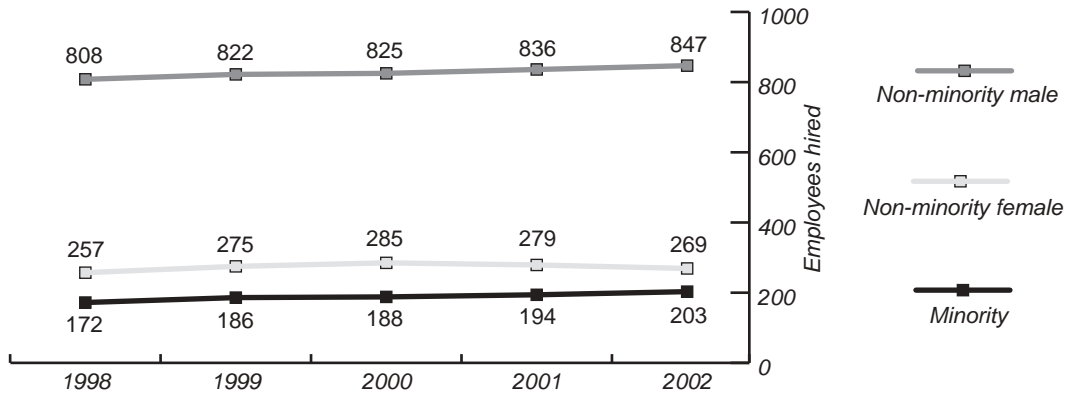
**FY 2002 Results:** Western's efforts to improve workforce diversity by broadening recruitment sources, retaining employees, recognizing employees through awards and promotions, providing challenging work assignments, and increasing the amount of time a job announcement is open, has resulted in increasing Western's diversity during the last five years by 18 percent. See figures 3 and 4. In FY 2002, Western's permanent and temporary workforce statistics reflect that minorities are 15.4 percent of Western's total workforce, while non-minority females and males constituted 20.4 percent and 64.2 percent respectively. Minority males and females constituted 13.8 percent of total separations, while they constituted 17 percent of new hires contributing to the overall success of minority representation in the workforce for the fiscal year. Although there was a significant increase in non-minority females accounting for 29.2 percent of total new hires, non-minority females made up 38.3 percent of total separations. In comparison, non-minority males achieved a balance with 53.8 percent of total hires and 47.9 percent of total separations.



**Figure 3 – Hiring trend**



**Figure 4 – 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.

**Measure:** Annual satisfaction checks from employee and supervisor.

**FY 2002 Target:** Western will assess and improve the effectiveness of the hiring/selection process presently used in Western.

**FY 2002 Results:** Survey results continue to demonstrate that Western is doing a good job in matching employees with vacant positions. While employee satisfaction remained the same in two categories rated, it increased in four and went down slightly in two since last year. Supervisory satisfaction increased this year over last year in four of the six categories. See Tables 12 and 13.

**Table 12: 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>	<i>FY 2002</i>
Employee has sufficient information, tools and direction to adequately assume his/her duties.	4.4	4.5	4.5
Employee's position description accurately describes his/her duties	4.3	4.6	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	4.7
Employee feels personal qualifications (i.e., technical abilities, competencies, skills, and education) match well with the knowledge, skills, and abilities required to perform the job.	4.6	4.5	4.8
Developmental activities and knowledge enhancements outlined in employee's Individual Development Plan adequately address needs.	4.4	4.1	4.5
Employee has been able to participate in formal training and developmental activities to enhance job performance.	4.7	4.8	4.6
Employee believes actual experience on the job compares favorably with his/her expectations before entering into the position with Western.	4.4	4.8	4.6
Employee is satisfied with position at Western and would choose to accept the position again if given the opportunity.	4.6	4.7	4.8

**Table 13: 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>	<i>FY 2002</i>
When I hired this employee, I felt that I had a good selection of candidates for the position.	3.9	4.2	4.2
The employee's job performance compares favorably with my expectations.	4.8	4.5	4.7
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	4.6
I have included developmental activities and/or knowledge enhancements in the employee's Individual Development Plan.	4.3	4.4	4.6
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 performance.	4.7	4.7	4.8
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	4.8

**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.

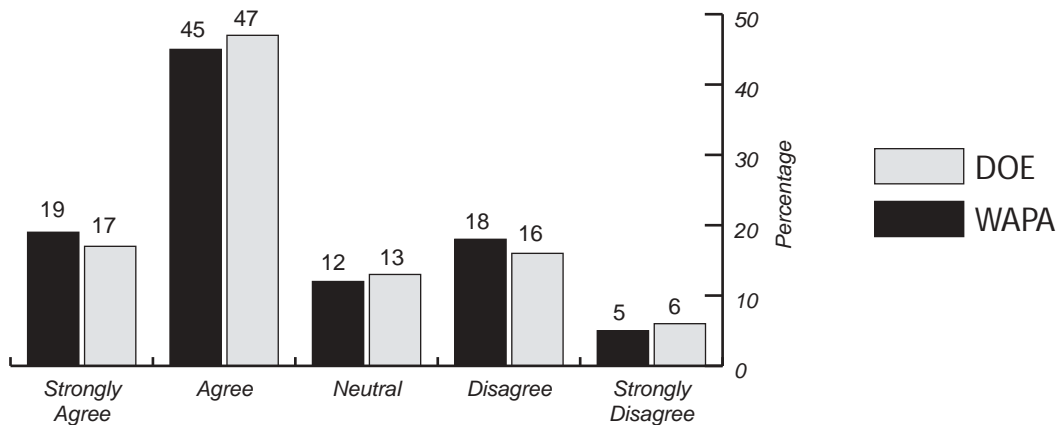
**Measure:** Annual feedback from employees as to whether they have the tools and training to do their work.

**FY 2002 Target:** Conduct a Westernwide employee survey that will include questions on opportunities to grow and learn in Western.

**FY 2002 Results:** During FY 2002, Western employees participated in the Office of Personnel Management's Organizational Assessment Survey conducted by the Department of Energy. Employees were asked to respond to the survey question listed below. Figure 5 on the next page indicates how closely aligned Western's scores were to the scores received across DOE. Western will continue to promote the use of Individual Development Plans and look for ways to provide training and tools that meet employee needs.

**Survey Question:** Employees receive the training they need to perform their jobs (for example, on-the-job training, conferences, and workshops).

**Figure 5 – Annual employee feedback**



**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.

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

**FY 2002 Target:** Increase by 10 percent over 2001 awards, the number and total amount of awards to employees for process improvement.

**FY 2002 Results:** We did not meet this goal. During FY 2002, 98 employees were recognized for their contributions to improve work processes. Those employees received monetary awards totaling \$63,225—an average of \$645 per award. This represented 13 fewer employees receiving awards for process improvements than in FY 2001. Of the 98 awards given, the average award during FY 2002 was \$60 less than the average in FY 2001.

## **Objective 2. 4: Develop and retain a highly skilled, motivated, customer-focused workforce.**

**Strategy:** Enhance partnership relationships with Western unions.

**Measure:** Qualitative assessment indicates an increase in issues resolved informally through partnership or other informal processes.

**FY 2002 Target:** Achieve a 20 percent decrease in the use of third-party processes, such as institutional grievances or unfair labor practices charges.

**FY 2002 Results:** No baseline number for FY 2001 could be located on which to assess a 20 percent reduction. The American Federation of Government Employees union filed 14 Unfair Labor Practice complaints between March 2002 and the end of FY 2002. Of the 14 cases tracked in FY 2002, all were withdrawn by the union. Grievance activity tracked since June 2002 shows one case filed by AFGE went to arbitration. However, the arbitrator denied the union's claim of a violation. There were four other grievances filed either by IBEW or AFGE, with two of those cases resolved. Partnership meetings were held with the AFGE. Regional meetings and Westernwide meetings with IBEW representatives were held on a regular basis. Analysis shows there appears to be cooperation between management and Western's labor unions, with pre-decisional input from both unions and better Impact and Implementation notification and resolution. The AFGE contract is before the impasses panel pending review and a decision.

## **Objective 2.5: Provide Exemplary Customer Service**

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

**Measure:** Customer feedback on products and services.

**FY 2002 Target:** Implement changes in service based on results of 2001 customer satisfaction survey.

**FY2002 Results:** During FY2002, Western managers continued their commitment to make improvements in service and customer relations based on the results of the FY 2001 customer survey. Regional offices implemented various follow-up action including posting results on our Web site for customers to review; sending out letters to customers who participated to let them know of the results and corrective actions; and holding one-on-one meetings with customers to strategize on ways to improve service.

## INDUSTRY GOAL

### **Objective 3.1: Support industry reliability.**

**Strategy:** Meet or exceed national and regional operating criteria.

**Measure:** Number and total dollar value of Western Electricity Coordinating Council and Mid-Continent Area Power Pool compliance sanctions.

**Operating Criteria Compliance:** This goal is based only on the WECC Reliability Management System program that levies sanctions against members who are signatory to the RMS agreement and who violate operating criteria as defined by the agreement. Forty-four WECC members,

including Western, have signed the RMS agreement. However, many others now participate through the California Independent System Operator's tariffs and the Electrical Standards Board of Alberta, Ltd.'s tariffs. This results in about 144 entities participating.

**FY 2002 Target:** The FY 2002 performance target is for sanctions—both number and dollar value—to be less than the average number and value for the signatory participants of the WSCC Reliability Management System.

**FY 2002 Results:** This goal was met. For the period September 2001 through August 2002 (RMS accounting year), the signatory members were assessed 45 sanctions with a total value of \$124,500. During this period Western was assessed no sanctions.

**Objective 3.1: Support industry reliability.**  
**Strategy:** Meet all national and regional reporting requirements for operations within allotted time.  
**Measure:** Control area performance standards.

**Control Area Compliance:** The North American Electric Reliability Council has two control area performance standards to measure the ability of control areas to match generation load. These standards are used throughout North America.

- Control Performance Standard 1 is a statistical measure of Area Control Error variability and its relationship to frequency error. The minimum compliance level is 100 percent and the maximum is 200 percent.
- Control Performance Standard 2 is a statistical measure designed to limit unacceptably large net unscheduled power flows. The minimum compliance level is 90 percent and the maximum is 100 percent.

**FY 2002 Target:** The FY 2002 performance standards are to meet or exceed the North American control area averages, or a 100-percent level of compliance for CPS1 and 90 percent level of compliance for CPS2, whichever is greater.

**FY 2002 Results:** As shown in Table 14, Western achieved this goal.

**Table 14: Control Area Compliance**

<i>Control Performance Standard</i>	<i>CPS1</i>	<i>CPS2</i>
North America Industry Average	172.95	96.29
Western Control Area Average	185.66	98.51

**Objective 3.2: Support industry competitiveness.**  
**Strategy:** Provide open access to Western's transmission system.  
**Measure:** Number of adverse Section 211 decisions from the Federal Energy Regulatory Commission.

**Open Access Transmission:** Under the Federal Power Act, as amended, the FERC has authority to order utilities to provide non-discriminatory transmission access. Western is a transmitting utility subject to Section 211 of the Federal Power Act as amended by the Energy Policy Act of

1992. Western issued an Open Access Transmission System Tariff that complies with the spirit and intent of the Tariff required by FERC. In Western's tariff, a requesting entity can ultimately file for access to Western's system under Section 211 of the Federal Power Act. 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 2002 Target:** The performance target for FY 2002 was zero Section 211 adverse rulings.

**FY 2002 Results:** This goal was met. In FY 2002, FERC issued no adverse Section 211 rulings against Western.

**Objective 3.2: Support industry competitiveness**

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

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

**Energy Services:** Western's Energy Services program initiated several changes in FY 2002 in response to industry changes and customer requests. The Energy Services Bulletin became an on-line publication, instead of a printed one. Several news pieces of equipment were added to the equipment loan program inventory, including wind anemometer, fuel cell and photovoltaic demonstration kits, neighborhood power kits, and Schools Going Solar kits.

**FY 2002 Target:** Western targets customer service each year and measures performance by the number of activities conducted. The types and number of activities fluctuate yearly depending upon customer requests. Compared to FY 2001, Energy Services Website activity increased 813 percent and Equipment Loan Program activity increased 149 percent. The decrease in workshops is attributed to decreases in customer travel budgets. The decrease in Powerline calls indicates Web-based information services is fast becoming the resource tool of choice.

**FY 2002 Results:** Western's energy services program was very active in FY 2002 as shown in Table 15. These numbers will be used as a baseline against which future performance can be measured.

**Table 15: Energy Services Accomplishments**

<i>Activity</i>	<i>Number of occurrence</i>
Partnership activities	548
Workshops	51
Power Line calls	225
Web site hits	1,979,514
Loan weeks	4,620

**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.

**Measure:** Operational capacity available each year.

**Operational Capacity:** Western's fundamental mission is to "market and deliver reliable, cost-based hydroelectric power and related services." The availability of operational capacity from Bureau of Reclamation, U.S. Army Corps of Engineers and International Boundary and Water Commission hydrogeneration facilities is critical to Western's mission. Increasingly, there are conflicting demands on these facilities. Environmental, recreational, flood control and other project purposes can restrict the availability of electrical capacity.

**FY 2002 Target:** Western's intent is to ensure tradeoffs to power generation are well understood and supported by scientific and economic analyses before hydrogeneration capacity is curtailed. The desired result is to preserve operational capacity to benefit Western's customers and the environment.

**FY 2002 Results:** Actual Operating Capability systemwide in FY 2002 was 9,348 megawatts. There were no operational gains or losses due to environmental issues.

**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 O&M and rehabilitation.

**Measure:** Number of project-specific alternative financing requests by the generating agencies that receive support, as compared to the total number of generating agency requests for funding support.

**Note:** *This measure has been revised. Western's FY 2002 Performance Plan called for aiming at targeting alternative financing dollars secured for Reclamation and the Corps as a percentage of their total power program financial requirements. Since Western's objective wasn't to totally finance the generating agencies' programs through customer advances, the measure was revised to indicate Western's ability to secure funding for priority needs when appropriated funds weren't available.*

**FY 2002 Target:** Support the existing arrangements between Western, Reclamation, and the customers to finance routine operation and maintenance requirements. In addition, to the extent that efforts to obtain appropriations are attempted and are unsuccessful, Western's goal is to secure customer funding for prudent project-specific requests.

**FY 2002 Results:** Western has successfully continued to maintain and expand a number of agreements between customers and generating agencies for both routine annual operation and maintenance as well as project specific needs.

Western's Desert Southwest Region, in partnership with the Bureau of Reclamation's Lower Colorado Region maintains two agreements with Parker Davis Project project-use and firm electric service customers. The agreements provided nearly \$5 million in FY 2002 for Reclamation's generation-related expenses.

The Sierra Nevada Region, in partnership with the Bureau of Reclamation and Central Valley Project customers, maintains an agreement to provide customer funding of Reclamation's routine annual operation and maintenance needs, as well as a portion of its replacements, additions and extraordinary maintenance (RAX) activities. In FY 2002, more than \$5 million was secured for Reclamation's O&M and RAX projects. This included more than \$2 million in additional support for upgrading three generating units at Shasta Dam, a 10-year project which began in 1995 with a total cost expected at nearly \$22 million.

Western's Rocky Mountain Region, in partnership with the Bureau of Reclamation, continues to maintain an agreement Western States Power Corporation for advanced funding of Reclamation activities when priority needs arise. Western was able to secure more than \$2 million in funding for Reclamation's Operations and Maintenance program needs in FY 2002. The Upper Great Plains



Region has expanded efforts for advanced funding from WSPC by establishing an additional agreement which provides for Reclamation activities within the UGP service area. UGP and WSPC are working on a similar agreement to provide for priority Corps activities.

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

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

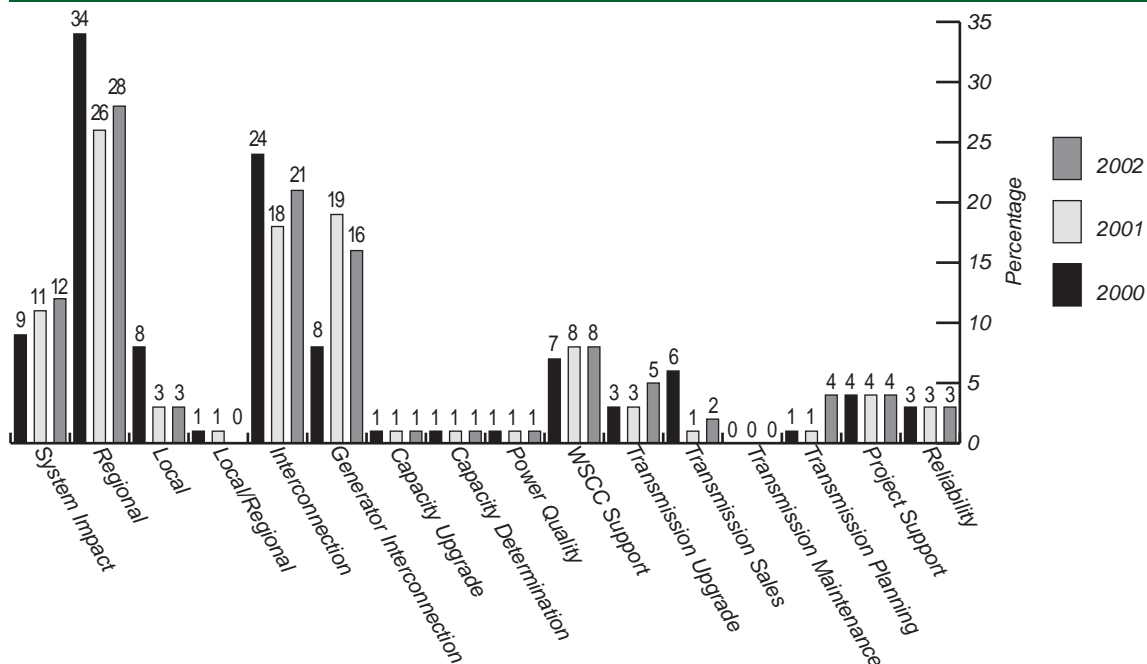
**Measure:** Self evaluation of the impact Western has (1) on decisions by national and regional reliability organizations and (2) in those industry forums that are organizing and administering regional transmission organizations, independent system operators or like organizations.

**Reliability Organizations and Transmission Studies:** Due to the interconnected nature of utility transmission systems, power-related incidents happening thousands of miles away can and do affect Western’s system. Existing national and regional reliability councils are attempting to reinforce the reliability requirements of the systems and preclude the possibility of legislative and regulatory intervention by the Congress, FERC or state public utility commissions. Western must participate in regional and national reliability councils and in transmission studies to protect its interests and use its expertise to benefit the whole industry. Since these processes have many participants, it is rarely possible to quantify Western’s role in bringing about the desired result. However, Western will make a qualitative self-assessment on its impact.

**FY 2002 Target:** Maintain or exceed the FY 2001 level of participation in transmission studies.

**FY 2002 Results:** Figure 6 outlines Western’s participation in transmission system studies from FY 2000 to 2002. Western achieved its overall target of participation in transmission expansion and generation interconnection studies that potentially impact its system. We expect that as transmission systems age and pressure builds to bring new transmission and generation on-line, Western’s participation rate on study committees will increase.

**Figure 6 – Transmission system studies**





**Objective 3.4: Ensure long-term transmission system reliability and availability**

**Strategy:** Reduce accountable outages.

**Measure:** Annual reliability goal accomplishment.

**Accountable Outages:** Reliable power delivery is the cornerstone of Western's mission. Customers depend on uninterrupted power supply. Accountable outages occur because Western failed to install or maintain equipment with known problems, or Western staff failed to operate equipment properly.

**FY 2002 Target:** The FY 2002 target was 26 or fewer accountable outages.

**FY 2002 Result:** This goal was met. Seventeen accountable outages were recorded in FY 2002.

**Objective 3.4: Ensure long-term transmission system reliability and availability**

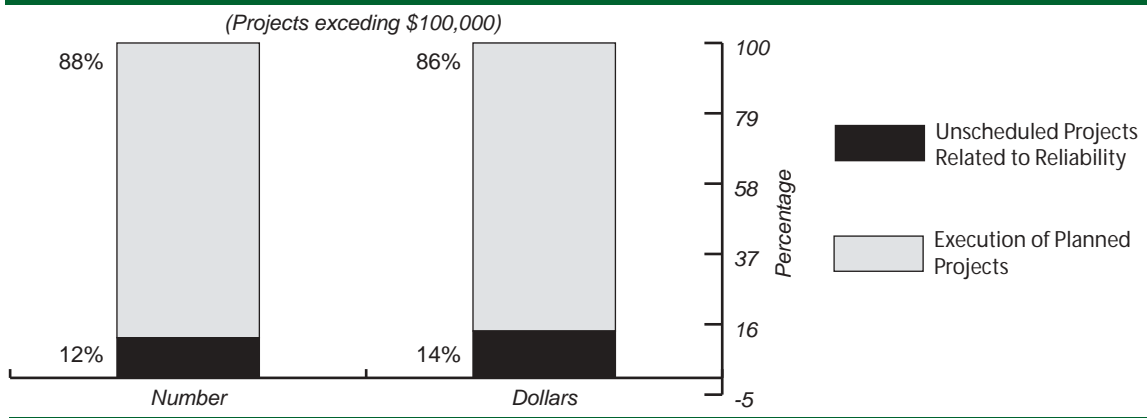
**Strategy:** Accomplish all scheduled construction and rehabilitation work for the year, after responding to unscheduled events that impact system reliability or require compliance with industry-driven orders, such as those established by FERC.

**Measure:** All deviations in the scheduled construction and rehabilitation work listed in the Maintenance Design Construction Council 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.

**FY2002 Target:** 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.

**FY 2002 Results:** In FY 2002, Western executed 100 percent of its C&R budget on either planned or unscheduled projects for which maintaining or improving system reliability was the key project criteria. This exceeded the planned goal. Fourteen percent of Western's C&R plan was reprioritized to accommodate unscheduled projects impacting system reliability. Funding of \$3 million for these nine critical projects was achieved by delaying three major projects and reducing the scope of several others. The remaining 86 percent of C&R budget dollars was executed on the planned program, representing 88 percent of the 40 major planned projects (those costing more than \$100,000).

**Figure 7 – FY 2002 execution of planned projects**



## Linking Long-Term Goals with Day-to-Day Activities

Western's approach to linking long-term goals with day-to-day activities is accomplished through two internal strategies:

- Several years ago, Western established a Bonus Goal program tied to three of Western's critical performance goals. This approach was a success, as the organization has met most of each year's Bonus Goals targets in safety, operations and cost control. FY 2002 results are shown in Table 9.

**Table 16: FY 2002 Bonus Goals Results**

<i>Status as of July 31, 2002</i>	<i>FY 2002 Goal</i>	<i>FY 2002 Payout*</i>	<i>Year-end results</i>	<i>On Target for 100% Payout?</i>
<b>Safety</b>				
Recordable injuries	16 or fewer	\$166.66	21	No
Lost work days	160 or fewer	\$166.66	128	Yes
Recordable motor vehicle accidents	8 or fewer		6	Yes
<b>Cost Containment</b>				
Program costs	\$141.9 million		\$146.5 million	No
<b>Reliability</b>				
Program costs	26 or fewer	\$350	17	Yes
<b>TOTAL GOAL PAYOUT</b>		<b>\$683</b>		

- The Administrator has performance agreements with each senior manager. These agreements set forth generically and specifically the actions and results the senior manager is accountable for each year. In turn, senior managers have performance agreements with their direct reports. This process cascades through all levels of management in Western.

## STRATEGIC RESPONSE TO EXTERNAL CHALLENGES

Restructuring of the electric utility industry is presenting the greatest external opportunities and challenges for utilities and transmission operators, including Western. FERC initiatives, uncertainty about pending Federal legislation, unbundling and asset sales, soaring energy costs, market limitations and difficult issues with the formation of regional transmission organizations and independent transmission organizations are a few of the issues affecting the industry and, in turn, Western's position within it.

As the owner and operator of the nation's third largest high voltage transmission system, Western is a significant player in the West's electric energy grid. Through our three control areas, we influence not only transmission but also power scheduling and marketing. Our ability to work with our customers to reduce or reschedule their loads during peak periods is of critical importance.

## STRATEGIC RESPONSE TO INTERNAL CHALLENGES

Western, like many other Federal agencies, will face significant and challenging human capital issues in the next decade. The Federal workforce is aging. Baby boomers, with their valuable skills and experience, are drawing nearer to retirement and new employees joining the Federal workforce today have different career expectations from the generation that preceded them.

The average age of Western's employees is approaching 48. Almost a third of the workforce is between 50 and 54. Most of those employees will be eligible to retire in five years. Western has almost twice as many employees who are 55 and older than who are 35 and younger. As the workforce ages, the proportion of younger workers is shrinking. The U.S. Census Bureau says to expect these developments for the next 20 years. The 45-65 age work group will grow by 54 percent but the 18-44 population will rise by only 4 percent. According to the Bureau of Labor Statistics, workers age 25-44 will decline by 3 million, dropping from 51 percent of the labor force in 1998 to 44 percent in 2008.

Western employees who will be retiring include highly skilled workers in fields such as information technology, engineering and the craft occupations. Electric utility industry restructuring and the establishment of regional transmission organizations and independent system operators are also bringing a demand for new and different skill mixes than those currently available in Western.

Changes in the demographics of its workforce, in the education and skills that will be required in the future, and an increasingly competitive job market, will require flexible and responsive human capital tools to attract and retain talented employees in a competitive job market. These trends were the impetus for a comprehensive review of Western's human capital programs to determine our readiness for the future.

In July 2001, a team of managers conducted a comprehensive assessment of Western's human capital needs. The assessment was used to draft a framework that would address the most critical human capital challenges in Western. Comments on the draft plan were then solicited from Western's Diversity committees and managers and supervisors. The framework outlined seven initiatives for implementation:

- 1) Develop a human capital plan linked to Western's strategic goals.
- 2) Develop and implement a Westernwide workforce planning program.
- 3) Establish a succession planning program.
- 4) Create and foster a workplace environment that will attract and retain talented employees.
- 5) Establish a Westernwide recruitment program.
- 6) Develop a training program on human capital management for managers and supervisors.
- 7) Develop pay options for improving the link between pay and performance.

Western then developed a plan to identify strategies, approaches and tools to tackle the other six initiatives. Work on each of those will begin in FY 2003. Our goal in developing this plan is to help Western achieve its vision to be a premier power marketing and transmission organization. It serves as a first step in addressing Western's human capital issues in the next decade.