

WESTERN AREA POWER ADMINISTRATION

ANNUAL REPORT
1996

TABLE OF CONTENTS

Administrator's Letter 2

Operations and Financial Highlights 3

Accomplishments 4

System Data 6

Profile 7

Sales Data 9

Energy Data 11

Power Plant Data 12

Performance Indicators 14

Financial Statements 15

Western's Office Addresses 17

Click on chapter heading to go directly there.





ADMINISTRATOR'S LETTER

The Honorable Federico Peña
Secretary of Energy
Washington, D.C. 20585



Dear Mr. Secretary:

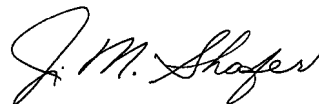
Western's FY 96 Annual Report highlights our efforts to transform this agency into a more business-like organization that is committed to its customers.

We sharpened our strategic plan to emphasize customer service, cultural change and leadership and developed nine new goals focusing on people, partnerships, resources, costs and industry change. These goals are directly related to our vision for Western.

While we've made significant strides in increasing our efficiency and improving our service, we are not done implementing all the changes we've planned. We are in the midst of a significant downsizing in which we are reducing our staff by 25 percent. We are also cutting costs and estimate annual savings from our Transformation efforts will be \$25 million. Highlights of our operational and financial accomplishments this year are found on page 5.

By the end of FY 98, we will have finished implementing our Transformation process to reorganize, restructure and reengineer Western. This Transformation is critical for Western to meet the competitive challenges of today's electric utility industry. Changing our organizational culture is a major part of implementation.

As we become a more collaborative organization, we will continue our efforts to partner with our customers to provide the best in reliable, high-quality, low-cost electric power. We look forward to new relationships and stronger partnerships with our customers and suppliers. We're excited about the challenges of building a new organization—one that's designed for the utility industry of the future.



J. M. Shafer
Administrator

OPERATIONS & FINANCIAL HIGHLIGHTS

Resources

Number of powerplants	56
Operating capability—(kW 000)	10,594
Net generation—(kWh 000,000)	40,007
Purchase power—(kWh 000,000)	6,098

Transmission system

Transmission lines	
circuit miles	16,857
circuit km	27,123
Number of substations	258
Number of communication sites	658

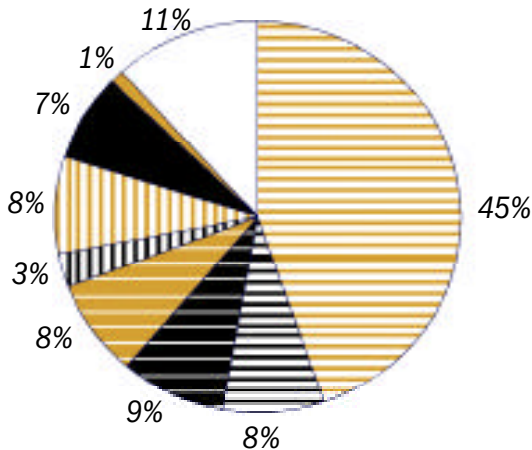
Marketing

Wholesale customers	644
Energy sales (kWh 000,000)	42,894

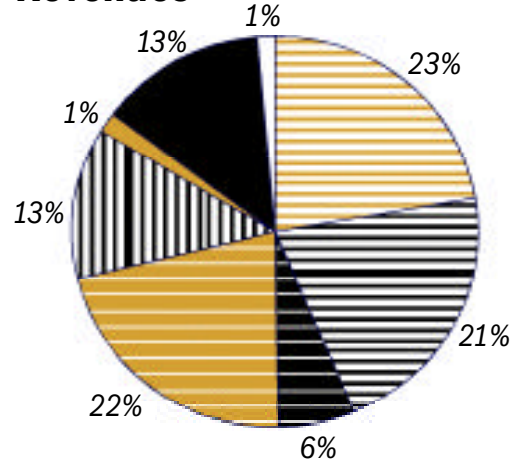
Financial (\$ 000)

Assets	4,218,608
Liabilities	290,326
Gross operating revenues	799,763
Operating expenses (including depreciation)	504,500
Net interest expense	193,673

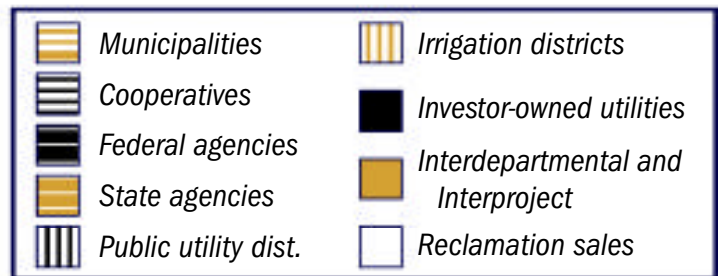
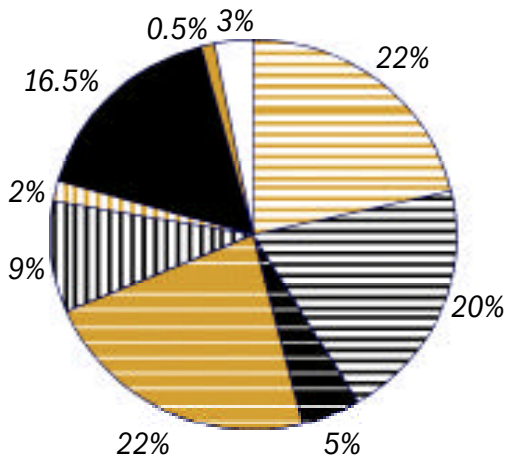
Customers



Revenues



Sales



ACCOMPLISHMENTS

In FY 96, we:

- ◆ marketed low-cost, reliable hydroelectric power to 644 power customers, by providing system operations and load dispatching, power billing and collection, power marketing, power resource planning, energy services, technology transfer, security and emergency management within 15 separate power systems.
- ◆ sold nearly 43 billion kilowatthours of energy—enough to serve nearly 4.8 million households for a year.
- ◆ operated and maintained 16,857 miles (27,123 kilometers) of high-voltage transmission lines, 258 substations and associated power system, control, communication and electrical facilities.
- ◆ generated \$800 million in gross operating revenue.
- ◆ repaid \$14 million of investment.
- ◆ began implementing Transformation plans developed to equip Western to operate in the changing utility industry and support Administration efforts to streamline government. When the new Western is fully operational in 1998 with 25 percent fewer employees, estimated annual savings will amount to \$25 million.
- ◆ updated our strategic plan to focus on meeting customers' needs. Western regional and functional offices are developing nested plans that align with our agency goals and vision.
- ◆ adopted a policy to enhance support for renewable energy resources. Our commitment includes providing technical and marketing assistance to facilitate renewable energy use among our customers, outreach to renewable energy developers and purchasing cost-effective renewable resources in our purchase power program.
- ◆ successfully completed the Energy Planning and Management Program which required most Western customers to prepare integrated resource plans and establishes a framework for extending firm power resource commitments. One benefit of the program is the creation of project-specific resource pools that are being used to extend Federal power allocations to new preference customers, including Native American tribes.
- ◆ prepared to review IRPs and small customer plans from long-term firm power customers and provided IRP planning assistance to customers. Western's integrated resource planning regulations became effective on Nov. 20, 1995. In FY 97, Western expects to receive a total of 179 IRPs

Continued on next page

from individual customers and IRP cooperatives and 125 small customer plans. These reports are from 699 customers and customer members.

They include:

<u>Region</u>	<u>Individual IRPs</u>	<u>IRP cooperatives</u>	<u>Small customer plans</u>
DSW	33	7 representing 20 customers/members	16
RM	16	11 representing 104 customers/members	25
SN	4	6 representing 17 customers/members	39
UGP	71	11 representing 192 customers/members	41
CRSP	10	10 representing 77 customers/members	4

FY 96 SYSTEM DATA

Resources

Number of powerplants	56 ¹
Operating capability (kW 000)	10,581
Net generation (kWh 000,000)	40,007
Purchased power (kWh 000,000)	6,098

Transmission system

Transmission lines (circuit miles)	16,857
Number of substations	258
Substation transformer capacity (kVa 000)	26,369

Customers

Wholesale customers	644
Firm customers	516
Nonfirm customers	158
Project Use customers	74

Energy sales

Energy sales (kWh 000)	42,893,883
Firm sales (kWh 000)	33,375,592
Nonfirm sales (kWh 000)	8,205,669
Project use (kWh 000)	1,279,485

Revenues

Firm power revenues (\$ 000)	586,180,540
Nonfirm power revenue (\$ 000)	106,699,904
Project Use power revenues (\$ 000)	9,861,219

Repayment

Annual repayment (\$ 000,000)	14
Total investment repaid (\$ 000,000)	2,277
Percent of investment repaid to date	34.3

¹ 55 hydro, 1 thermal



PROFILE

Western Area Power Administration annually markets and transmits more than 10,000 megawatts of power from 55 hydropower plants. We sell about 15 percent of national and 65 percent of regional hydroelectric generation. Western also markets the United States' 547 megawatt entitlement from the coal-fired Navajo Generating Station near Page, Ariz.

Western's service area covers 1.3 million square miles in 15 states. We sell power to 644 wholesale customers including 289 municipalities, 51 cooperatives, 18 public utility and 51 irrigation districts, 55 Federal and 52 state agencies, 46 investor-owned utilities (only two of which purchase firm power from Western) and 74 Reclamation customers. We also serve two interdepartmental and six interproject customers. They, in turn, provide retail electric service to millions of consumers in these central and western states: Arizona, California, Colorado, Iowa, Kansas, Minnesota, Montana, Nebraska, Nevada, New Mexico, North Dakota, South Dakota, Texas, Utah and Wyoming. Using our 16,857 circuit mile (27,123 km) Federal transmission system, Western markets and delivers reliable electric power to most of the western half of the United States.

Except for the Central Arizona Project's Navajo generation, power facilities are part of 11 rate-setting systems. These are made up of 14 multipurpose water resource projects and a transmission project. The systems include Western's transmission facilities and power generation facilities owned and operated by the U.S. Bureau of Reclamation, the U.S. Army Corps of Engineers and the International Boundary and Water Commission.

Western's rates are set to cover the annual operating costs of the power facilities of each project and principal and interest on the Federal investment, as well as the costs of certain irrigation facilities that are beyond the irrigators' payment ability. By law, Western sets rates that are the lowest possible cost consistent with sound business practices. We finance a significant amount of our purchase power and wheeling program through non-appropriated, alternative financing methods, such as bill crediting, net billing, reimbursements and non-appropriation transfers.

Western and the generation entities are separately managed and financed. Each project maintains a separate financial system and records. Each entity operates and maintains its portion of the multipurpose projects and allocates its operating expenses among the projects. Costs are allocated among individual project purposes. These can include navigation, irrigation, flood control, power, fish and wildlife, recreation and municipal and industrial water supply.

Western's financial statements include only the costs assigned to power for repayment. Detailed additional information on each of the 11 rate-setting system is found in an Appendix to our Annual Report.

Continued on next page

Managing power sales, transmission operations and engineering planning and construction for our system are the work accomplished by our employees from 47 duty stations located throughout our service area. These include our Corporate Services Office in Golden, Colo., and four customer service regional offices in Billings, Mont.; Loveland, Colo.; Phoenix, Ariz.; and Folsom, Calif. Customer service and system operations are also supported by a Customer Service Center in Salt Lake City, Utah; and other offices in Bismarck, N.D.; Fort Peck, Mont.; Huron, S.D.; Montrose, Colo.; and Watertown, S.D.

Legislative authority

Congress established Western on Dec. 21, 1977, under Section 302 of the Department of Energy Organization Act. Under this statute, power marketing responsibilities and the transmission system assets previously managed by Reclamation were transferred to Western.

SALES DATA

Sales by Customer Category

Project	Number of customers	Energy sales kWh (000)	\$ (000)
Municipal	289	9,269,716	158,239,273
Cooperative	51	8,720,721	150,704,156
Federal agency	55	2,072,445	42,263,549
State agency	52	9,693,114	152,245,156
Public utility district	18	4,059,748	88,232,321
Irrigation district	51	680,530	9,900,895
Investor-owned	46	7,084,987	94,295,093
Subtotal	562	41,581,261	695,880,443
Project Use (Reclamation)	74	1,255,011	9,683,023
Interdepartmental	2	4,128	0
Total Western	638	42,840,400	705,563,466
Interproject	6	53,483	517,874
Total	644	42,893,883	706,081,340

Sales by Project

Project	Number of customers	Energy sales kWh (000)	\$ (000)
Boulder Canyon	15	4,748,412	45,161
Central Arizona (Navajo)	2	3,513,621	82,069
Central Valley	119	8,459,533	174,043
Falcon-Amistad	2	120,153	3,220
Loveland Area Projects	41	2,338,820	47,406
Parker-Davis	43	1,455,881	11,207
Pick-Sloan Missouri Basin Program - Eastern Division	309	15,051,394	216,912
Provo River	2	27,670	279
Salt Lake City Area Integrated Projects	148	7,160,008	125,595
Washoe	1	18,390	187
Total Western	644	42,893,883	706,081

Consumers Served by State

State	Estimated residential population served by Western customers	Number of Western customers'/ members' residential consumers (meters)	Customer purchases from Western (mWh)
Arizona	1,651,452	625,550	2,390,206
California	18,324,068	6,940,935	10,361,731
Colorado	1,480,438	560,772	3,618,582
Iowa*	287,385	108,858	1,472,505
Kansas*	344,884	130,638	193,632
Minnesota*	556,985	210,979	3,141,159
Montana*	141,715	53,680	776,163
North Dakota	201,015	76,142	1,146,467
Nebraska	1,422,773	538,929	2,341,921
New Mexico	470,815	178,339	1,074,878
Nevada*	57,615	21,824	1,574,971
South Dakota	373,351	141,421	1,968,729
Texas*	115,764	43,850	320,338
Utah	419,610	158,943	1,672,387
Wyoming	132,985	50,373	547,115
Totals	25,980,855	9,841,233	32,600,784

State	Western customers'/ members' total retail sales (mWh)	Total retail sales in state (mWh)	Western supply as % of customers' retail sales	Western supply as % of total state retail sales
Arizona	19,307,089	34,669,231	12%	7%
California	132,731,189	212,604,724	8%	5%
Colorado	17,698,263	34,734,286	20%	10%
Iowa*	3,034,533	34,300,923	49%	4%
Kansas*	1,911,342	30,356,882	10%	1%
Minnesota*	4,743,225	53,958,482	66%	6%
Montana*	1,001,873	13,418,360	77%	6%
North Dakota	2,357,486	7,882,636	49%	15%
Nebraska	16,331,001	20,892,479	14%	11%
New Mexico	4,654,233	16,415,546	23%	7%
Nevada*	1,699,281	20,659,397	93%	8%
South Dakota	3,123,188	7,413,567	63%	27%
Texas*	865,116	263,278,592	37%	0%
Utah	3,931,484	18,433,697	43%	9%
Wyoming	1,500,269	11,198,012	36%	5%
Totals	214,889,572	780,216,814		



ENERGY RESOURCE & DISPOSITION

In million kWh

Energy resource

Net generation	39,818 ¹
Interchange	
Received	507
Delivered	1,096
Net	(589)
Purchases	
NonWestern	6,088
Western	9
Total purchases	6,097
Total energy resources	45,326

Energy Disposition

Sales of electric energy	
Western	41,629
Project Use (Reclamation)	1,250
Total sales of electric energy	42,878
Other	
Interarea/interproject	25
Other deliveries	230
Total other	255
Total energy delivered	43,133
System and contractual losses	2,192
Total energy disposition	45,326

¹Reduced by Gianelli and O'Neill generation (189 kWh) which is offset against Project use sales.

POWERPLANTS

Project/Dam	River	State	Max. Operating Capability (MW)
Boulder Canyon			
Hoover	Colorado	AZ, NV	2,074
Central Arizona			
Navajo	n/a	AZ	547
Central Valley			
J.F. Carr	Clear Creek Tunnel	CA	154
Folsom	American	CA	215
Keswick	Sacramento	CA	105
New Melones	Stanislaus	CA	383
Nimbus	American	CA	14
O'Neill	San Luis Creek	CA	29
Shasta	Sacramento	CA	578
Spring Creek	Spring Creek Tunnel	CA	200
Trinity	Trinity	CA	140
San Luis	San Luis Creek	CA	202
Falcon-Amistad			
Amistad	Rio Grande	TX	66
Falcon	Rio Grande	TX	32
Loveland Area Projects			
Alcova	North Platte	WY	40
Big Thompson	Trans-mountain Diversion	CO	5
Boysen	Wind	WY	18
Buffalo Bill	Shoshone	WY	18
Estes	Trans-mountain Diversion	CO	51
Flatiron	Trans-mountain Diversion	CO	95
Fremont Canyon	North Platte	WY	66
Glendo	North Platte	WY	38
Green Mountain	Blue	CO	30
Guernsey	North Platte	WY	7
Heart Mountain	Shoshone	WY	5
Kortes	North Platte	WY	39
Mary's Lake	Trans-mountain Diversion	CO	8
Mount Elbert	Arkansas	CO	206
Pilot Butte	Wind	WY	2
Pole Hill	Trans-mountain Diversion	CO	33
Seminole	North Platte	WY	51
Shoshone	Shoshone	WY	3
Spirit Mountain	Shoshone	WY	5
Yellowtail	Big Horn	MT	144

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Powerplants (continued)

<u>Project/Dam</u>	<u>River</u>	<u>State</u>	<u>Max. Operating Capability (MW)</u>
Parker-Davis			
Davis	Colorado	AZ	269
Parker	Colorado	CA	69
Pick-Sloan Eastern Division			
Big Bend	Missouri	SD	538
Canyon Ferry	Missouri	MT	60
Fort Peck	Missouri	MT	218
Fort Randall	Missouri	SD	387
Garrison	Missouri	ND	546
Gavins Point	Missouri	SD	122
Oahe	Missouri	SD	786
Yellowtail	Big Horn	MT	144
Provo River			
Deer Creek	Provo	UT	5
Salt Lake City Integrated Projects			
Blue Mesa	Gunnison	CO	96
Crystal	Gunnison	CO	28
Elephant Butte	Rio Grande	NM	28
Flaming Gorge	Green	UT	152
Fontenelle	Green	WY	13
Glen Canyon	Colorado	AZ	1,356
Lower Molina	Pipeline	CO	5
McPhee	Dolores	CO	1
Morrow Point	Gunnison	CO	156
Towaoc	Canal	CO	11
Upper Molina	Pipeline	CO	9
Washoe			
Stampede	Little Truckee	CA	3

CONSOLIDATED FINANCIAL PERFORMANCE INDICATORS

Debt service coverage ratio

Ratio	1.3678
Net revenue, net interest, depreciation	309,000,000
Planned principal payment, net interest	225,908,214

Investment repaid

Ratio	0.3430
Paid investment	2,277,406,000
Total investment	6,639,080,000

Variance in principal payments

Ratio	(0.5602)
Principal payment-planned prin payment	(18,057,214)
Planned prin payment	32,235,214

O&M cost per firm kWh sold

Ratio	0.0083
O&M, AGE	248,680,000
kWh sold firm	29,875,592,000

Operating ratio

Ratio	0.5689
O&M, AGE, PP, PT	407,745,000
Revenue total	716,745,000

Revenues per kWh sold

Ratio	0.0156
Revenues (sales)	594,858,000
kWh sold	38,081,260,000

Total power supply expenses per kWh sold

Ratio	0.0107
O&M, AGE, PP, PT	407,745,000
kWh sold	38,081,260,000

COMBINED POWER SYSTEM FINANCIAL STATEMENTS

Assets, Federal Investment and Liabilities For Year Ending September 30, 1996 (\$000)

ASSETS

Utility plant:

Completed plant	\$ 5,045,569
Accumulated depreciation	(1,662,435)

3,383,134

Construction work-in-progress	301,231
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3,684,365

Net utility plant

Cash	312,578
Accounts receivable	116,294
Other assets	105,371

Total assets \$ 4,218,608

FEDERAL INVESTMENT AND LIABILITIES

Federal Investment:

Congressional appropriations	\$ 8,385,061
Interest on Federal investment	2,985,635
Transfer of property and services, net	547,741

11,918,437

Gross Federal investment	11,918,437
Funds returned to U.S. Treasury	(8,292,681)

3,625,756

Net outstanding Federal investment	3,625,756
Accumulated net revenues	302,526

3,928,282

Total Federal investment

Commitments and contingencies

Liabilities:

Accounts payable	73,039
Other liabilities	217,287

290,326

Total liabilities

Total Federal investment and liabilities \$ 4,218,608

OPERATING REVENUES:	
Sales of electric power	\$ 676,927
Other operating income	122,836
	<hr/>
Gross operating revenues	799,763
Income transfers, net	(87,485)
	<hr/>
Total operating revenues	712,278
	<hr/>
OPERATING EXPENSES:	
Operation and maintenance	204,753
Administrative and general	45,245
Purchased power	129,136
Purchased transmission services	29,929
Depreciation	95,437
	<hr/>
Total operating expenses	504,500
	<hr/>
Net operating revenues	207,778
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INTEREST ON FEDERAL INVESTMENT:	
Interest on Federal investment	211,350
Allowance for funds used during construction	(17,677)
	<hr/>
Net interest expense	193,673
	<hr/>
Net revenues	14,105
	<hr/>
ACCUMULATED NET REVENUES:	
Balance, beginning of year	288,421
	<hr/>
Balance, end of year	\$ 302,526
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WESTERN'S ADDRESSES

For more information about Western, call or write:

Corporate Communications

Western Area Power Administration
P.O. Box 3402
Golden, CO 80401-0098
303-275-1234

Upper Great Plains Regional Office

Western Area Power Administration
P.O. Box 35800
Billings, MT 59107-5800
406-247-7402

Rocky Mountain Regional Office

Western Area Power Administration
P.O. Box 3700
Loveland, CO 80539-3003
970-490-7200

Desert Southwest Regional Office

Western Area Power Administration
P.O. Box 6457
Phoenix, AZ 85005-6457
602-352-2525

Sierra Nevada Regional Office

Western Area Power Administration
114 Parkshore Drive
Folsom, CA 95630-4710
916-353-4418

Colorado River Storage Project

Customer Service Center
Western Area Power Administration
P.O. Box 11606
Salt Lake City, UT 84147-0606
801-524-5493

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<http://www.wapa.gov>

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