

# Western Area Power Administration

## FY 2000 Annual Performance Plan

October 1, 1999

Operating, maintaining, and enhancing the reliability of an extensive, integrated, and complex high-voltage power transmission system in the Western United States are basic elements in fulfilling our mission to “market and deliver reliable, cost-based hydroelectric power.” As stewards of the Federal transmission system, we are a vital part of the interconnected electric power system that helps fuel the U.S. economy and contributes to the competitiveness of American business and industry.

While meeting our statutory responsibilities and contractual obligations to more than 600 wholesale power customers, Western is maximizing the value of Federal resources in a competitive energy arena and operating in a way that reduces impacts to the Nation’s environment.

Working with power and transmission suppliers and customers, Department of Energy (DOE) policy makers, neighboring industry utility systems, and others in the electricity market, we are creating the “rules of the road” in the newly restructured electric utility industry to benefit all Americans. We are complying with the Federal Energy Regulatory Commission (FERC) Orders Nos. 888 and 889 allowing fair and equal access to the interconnected electrical transmission system. We are also continuing our involvement with and leadership in newly formed transmission and reliability organizations in our 15-state service territory, as we move toward our vision of being “a premier power marketing and transmission organization.”

As part of the strategic planning process, Western developed three goals and numerous corresponding objectives to define explicitly how we intend to accomplish our mission and eventually achieve our vision. In that we must meet these goals annually, Western’s strategic goals will also serve as annual performance goals.

### **FY 2000 Strategic Plan Goals/Annual Performance Goals**

In FY 2000, Western’s initial operating program is \$213.4 million for the Construction, Rehabilitation, Operation and Maintenance (CROM) Account and \$1.3 million for the Falcon and Amistad Operating and Maintenance Fund, (spending authority of \$113.6 million for Western’s revolving fund--the Colorado River Basins Power Marketing Fund, and \$4.2 million for the special fund--the Boulder Canyon Project) to achieve its mission and, ultimately implement the three goals outlined in Western’s Strategic Plan, including:

1. **Products and Services Goal:** We use sound business practices to create and deliver high-value products and services to our customers.
2. **People Goal:** We recruit, develop, and retain a safety-focused, highly productive, customer-oriented, and diverse work force.
3. **Industry Goal:** We promote competition and reliability in the evolving electric utility

industry.

### **Products and Services Goal**

Western is a wholesale power marketing organization with an array of products and services that customers purchase. Through a strong tradition of customer service, reinforced by the objectives of the National Performance Review, Western's first strategic goal is to be customer oriented. We have listened to our customers, and they clearly expect excellent (timely and efficient) service that will enhance their ability to remain competitive in the evolving electric utility industry while encouraging environmentally sound and efficient energy management and ensuring the security of our infrastructure. Thus, our objectives under this goal are to meet or exceed their expectations by providing services in a customer-oriented environment; ensure that we have adequate financial resources to meet those expectations; and leverage our business systems to improve productivity, deliver products and services, and control our costs and, thus, our rates.

In FY 2000, we aim to:

Meet established rate targets for each project that are responsive to customer needs and cost recovery requirements.

Meet the annual cost management goal for agency Program Direction costs.

Continue to meet planned principal payments to the U.S. Department of Treasury for each project, maintaining a variance of zero or greater of actual to planned payments, by managing power delivery costs, and establishing project rates that are sufficient to meet repayment/cost recovery requirements.

Maintain the level of congressional appropriations (CROM Account) received by preparing a well-justified and documented annual budget request.

Seek alternative financing for 100 percent of Western's mission critical projects not funded through Federal appropriations.

Improve systems' users/customers satisfaction each year as evidenced in feedback reflecting functional efficiencies and process improvements achieved through business systems capabilities.

Fully implement the planning and inventory modules within Western's maintenance management system, MAXIMO, ensure the accuracy of data entered, and increase maintenance planning through the use of task-direct work orders to 50 percent in FY 2000, 75 percent in FY 2001, and 85 percent in FY 2002.

Establish a baseline of planned vs. actual cost, schedule, and performance for construction and rehabilitation projects.

Complete four program assessments and 25 percent of the high-priority environmental corrective actions identified (100 percent over 3 years) by developing and implementing a formal, written environmental management system (EMS).

Develop and implement an agency security order and complete 33 percent of associated/required

security plans.

## **People Goal**

People are the foundation of our success. To sustain that success, Western has and will provide 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, we must attract, train, and retain people to perform those activities that create the greatest value for our customers, ensure their personal safety, and protect the interests of the Federal government. Thus, our objectives under this goal ensure everyone at Western is aware of, committed to, and has the tools to work effectively and safely. As supported by the specific recruitment and staffing strategies outlined in our Workforce for the 21st Century Initiative/Plan, Western will attract a diverse, well-qualified pool of highly skilled applicants, selecting individuals whose technical abilities, competencies, and personal goals best match the job and organizational objectives, i.e., developing and retaining a highly skilled, motivated, customer-focused work force that continually evaluates and improves work processes.

In FY 2000, we aim to:

Establish specific annual safety goals, continuously update and implement Western's Safety Action Plan to integrate safety effectively throughout the organization, and keep employees continuously aware of safety goals and practices. Western's annual safety bonus goal has three subelement goals: recordable injuries, lost and restricted work days, and recordable motor vehicle accidents. Specifically, subelement goals are:

Sixteen or fewer recordable injury accidents, or a total recordable injury rate of 1.4 or less.

Two hundred and twenty-five or fewer lost and restricted workdays, or a severity rate of 19.7 or less.

Eight or fewer motor vehicle accidents with \$1,000 or more damage.

Establish a baseline for statistically measuring work force diversity.

Achieve a 95-percent satisfaction rating from one-year satisfaction checks (90-day performance follow-up assessments) from employees and supervisors on the effectiveness of hiring techniques for an employee to job/skills match.

Achieve a 90-percent satisfaction rating in the annual feedback from employees as to whether they have the training and tools (appropriate skill development and knowledge enhancement) as defined in their Individual Development Plans, to perform their jobs adequately.

Establish a baseline for number and total value of monetary achievement/suggestion awards, i.e., incentives to employees for evaluating and improving their work processes.

Achieve increased satisfaction on annual labor-management surveys for efforts enhancing partnership relationships with Western unions.

Achieve increased satisfaction in customer feedback on products and services by meeting customer service standards appropriate to program functions.

### **Industry Goal**

Western is the third largest owner of high-voltage transmission lines in the country and markets 40 percent of the region's hydropower. Our facilities stretch from the upper Midwest to the West Coast and southwest corner of the United States. We are key players in the reliability and stability of the Nation's electrical delivery system and support the Department's efforts for the deregulation and restructuring of the industry. Open access through our system positively supports the transition to a competitive wholesale energy industry. System operation and maintenance (O&M) not only are key to supporting our customers, but directly affect the stability of other systems due to the interconnected power grid.

Our objectives under this goal support industry reliability and competitiveness, our long-term system reliability and availability, plus protect and maximize the value of the Federal resource. These objectives require that we participate in national and regional transmission studies and the decision-making processes of agencies affecting hydropower generation. We will also encourage the voluntary use of renewable resources and energy efficiency measures by our customers. Additionally, Western will accomplish all scheduled O&M and construction and rehabilitation work for the year and help the generation agencies seek alternative funding for power facility O&M and rehabilitation.

In FY 2000, we aim to:

Meet or exceed national and regional operating criteria by limiting the number and total dollar value of reliability organizations' (North American Electric Reliability Organization/National Electric Reliability Council (NERC), Western Systems Coordinating Council (WSCC), and Mid-Continent Area Power Pool (MAPP)) annual compliance sanctions to equal or less than the average number and dollar value of the sanctions received by the 10 largest WSCC control areas that are signatory to the WSCC Reliability Management System agreement. (Note: Currently, no MAPP or NERC sanctions exist. However, NERC sanctions are under development and will be incorporated into the performance measurement program upon completion.)

Maintain NERC control area performance standards (CPS1/CPS2) by receiving a control compliance rating of "pass" for each month of the fiscal year of: a 100-percent minimum performance level for CPS1 and a 90-percent minimum performance level for CPS2. Control criteria compliance measures the responsiveness of utility employees, control equipment and generation to the minute-by-minute load changes throughout the year.

Contain the number of adverse Section 211 decisions from FERC on providing open access to our transmission system to one or fewer per Region.

Meet a target of 660 (FY 1999 total/FY 2000 baseline) energy services partnerships, workshops, and other activities with public power organizations that Western organizes, sponsors, or facilitates by encouraging the voluntary use of renewable resources and energy efficiency measures by our customers.

Maintain the marketed operating capacity within each Region from the previous year (zero reduction) to the 5-year planned operating capacity, excluding the effects of water and all other non-controllable items, by participating in decision-making processes with natural resource agencies and others whose decisions affect hydropower generation.

Help the Bureau of Reclamation (Reclamation) and U.S. Army Corps of Engineers (Corps) seek alternative financing for 100 percent of their mission critical projects not funded through Federal appropriations.

Participate in 100 percent of the national and regional transmission studies that affect our transmission system.

Reduce accountable outages for a 3-year rolling average by 30 percent based on a goal of 46 or fewer accountable outages.

Accomplish 100 percent of scheduled construction and rehabilitation work for the year as compared with the Maintenance Design and Construction Council's Annual Plan.

### **Budget/Program Activity Supporting Goals and Objectives**

Western defines how it uses resources to achieve results by linking the programs and initiatives outlined in the budget request with its performance goals. However, the Federal power program operates in a dynamic environment where mission requirements to improve service reliability or quality may conflict with the need to limit program cost. Consequently, program activities and associated resources are defined and developed by striking a balance between conflicting requirements, and serves as the basis for decision making by Western management. To further clarify the connection between our strategic goals and budget resources, we prepared a crosswalk at Attachment 1.

### **Western receives two separate appropriations--the Construction, Rehabilitation, Operation and Maintenance (CROM) Account and the Falcon and Amistad Maintenance Fund.**

The CROM Account includes funding for five different activities as follows:

Western's FY 2000 **Operation and Maintenance (O&M)** program level is \$35,096,000 (down 2.5 percent, or \$915,000 from the FY 1999 level of \$36,011,000). Western uses these funds to obtain supplies and materials, such as wood poles, instrument transformers, etc. to repair/restore Western's transmission system and perform technical services, such as waste management disposal, environmental impact analyses, and pest and weed control, as needed. Western also uses these funds to replace and upgrade electrical, communication and control, and capitalized movable equipment to provide increased system reliability and operational efficiencies, and support and optimize the economical operation and maintenance of the interconnected power system by reducing the frequency and costs associated with "breakdown" maintenance and equipment.

The **Construction and Rehabilitation (C&R)** program level is \$26,802,000 in FY 2000, or 28.8 percent more than the FY 1999 level of \$20,802,000 primarily for replacing aging equipment and facilities to sustain reliable power delivery to our customers. The focus in FY 2000 is on replacing

substation equipment (series capacitors) and extending the life of aging wood pole transmission lines. At this time, Western will have 145 transformers and 108 breakers over 41 years old, or nearing the end of their useful service life; 11 percent (896 miles) of our wood pole lines are more than 50 years old, 47 percent (3,733 miles) are between 41 and 50 years old. Aging communication systems are also being upgraded to improve reliability and to comply with the Federal Communications Commission's narrow-bandwidth mandates. In concert with our customers, Western determines the timing and scope of required replacements and upgrades to contain annual maintenance expenses. This, in turn, enhances Western's and customers' competitiveness in the changing utility industry, helps us retain the value of our assets, and assures that Western's facilities continue to be a stable and reliable component of the interconnected system.

Western's **Program Direction (PD)** program level in the FY 2000 budget is \$104,537,000 (FY 1999 comparable program level of \$103,115,000) and provides compensation and all related expenses for the work force (1,075 FTE) to operate and maintain Western's high-voltage interconnected transmission system and associated facilities; to plan, design, supervise the construction of replacements, upgrades, and additions (capital investments) to transmission facilities; and to provide administrative and financial and other "indirect" support to the program activities of the agency. The FY 2000 level reflects a decrease of 39 FTE from FY 1999 due to enhanced workforce productivity/efficiency gains improving a wide range of services to our customers.

The **Purchase Power and Wheeling (PP&W)** budget activity obtains electrical resources to firm Western's contractual power delivery obligations, offsetting fluctuations in hydropower production and customer loads. It is also used to acquire wheeling services to deliver Federal power to Western's customers across third-party transmission lines, as needed. In FY 2000, PP&W is \$41,886,000, down from the FY 1999 level of \$53,868,000. However, as outlined in the Congressional conference report, if this amount is insufficient to fund the PP&W activity fully, Congress stated that it would be receptive to a reprogramming request from DOE. Current alternative financing methods (net billing, bill crediting, Federal and non-Federal reimbursable) will continue in FY 2000, with capability estimated at approximately \$87,000,000.

The FY 2000 appropriation for **Utah Mitigation and Conservation** is \$5,036,000 for deposit to the Utah Reclamation Mitigation and Conservation Account as established in the Treasury by the Reclamation Projects Authorization and Adjustment Act of 1992, Title IV. The funds are for environmental mitigation in Utah of impacted fish and wildlife, and recreation resources.

### **Use of Prior Year Balances**

The FY 2000 program level of \$213,357,000 for the CROM activities listed above, assumes the availability of \$20,000,000 in the use of prior year balances. However, we expect that Western's actual available balances will be far short of this assumption, resulting in a significant reduction in one or more of the above activities. This shortfall, combined with the reduction in PP&W funds, will significantly impact our ability to fully finance Western's FY 2000 contractual requirements.

### **Falcon and Amistad Maintenance Fund**

Western also administers the **Falcon and Amistad Maintenance Fund** as established in the Treasury under the Foreign Relations Authorization Act, Fiscal Years 1994 and 1995, to defray

operation, maintenance and emergency costs for the hydroelectric facilities at the Falcon and Amistad Dams consisting of two international storage projects on the Rio Grande between Texas and Mexico. The fund includes monies (FY 2000-\$1,309,000/FY 1999-\$1,010,000, up \$299,000/29.6 percent) for safety services, operations, equipment upgrades and replacements, and 21 FTE.

### **Special/Revolving Funds and Reimbursable Activities**

In addition to the funds Congress appropriates annually to finance expenses for most of our power systems, Western also engages in trust and reimbursable work for customers, other agencies, and interconnected utilities and has legislative authority to operate some projects with receipts through revolving funds. These special/revolving fund projects have similar efforts to those identified under the CROM Account and include:

**Boulder Canyon Project:** Beginning in FY 2000, Western will pay for Boulder Canyon Project operation expenses directly from the revenue deposited into the Colorado River Dam Fund (CRDF), as authorized by section 104(a) of the Hoover Power Plant Act of 1984. Previously we included the project in the CROM Account and provided funds from the CRDF, a revolving fund operated by the Department of the Interior's Bureau of Reclamation, by transfer. This activity structure includes: 1) Program Direction obligations (FY 2000-\$3,673,000/FY 1999-\$3,875,000) for 26 Federal employees to operate and maintain the project's 58 miles of high-voltage transmission lines, four substations and associated switchyards, communication, control and general plant facilities, 2) Equipment, Contracts, and Related Expenses, i.e., O&M-related costs, for supplies and materials (FY 2000-\$498,000/FY 1999-\$458,000).

**The Colorado River Basins Power Marketing Fund (CRBPMF)** consists of three power systems: the Colorado River Storage Project, including the Dolores and Seedska-dee Projects; the Fort Peck Project; and the Colorado River Basin Project, including the Central Arizona Project. Western is responsible for maintenance and operation of facilities for transmitting and marketing the electrical energy generated in these power systems.

This activity structure includes: 1) Program Direction obligations (FY 2000-\$29,298,000/FY 1999-\$26,478,000, an increase of \$2,820,000 or 10.7 percent due primarily to the transfer of 28 FTE from the CROM Account) for 189 Federal employees to operate and maintain the project's approximately 4,000 circuit miles of transmission line and substations, switchyards, communication, control, and general plant facilities, and 2) Equipment, Contracts, and Related Expenses (FY 2000-\$84,293,000/FY 1999-\$74,183,000 an increase of \$10,110,000 or 13.6 percent) for interest and payments to the Treasury, capitalized equipment, supplies and materials to restore/repair the system, but also reimbursements to the Corps for O&M costs of the Fort Peck Power plant and power purchases to meet firm annual contract commitments and to offset lost generation for operational changes and test flows for environment mitigation and research at the Glen Canyon Dam.

**Reimbursables** --"work for others," both Federal and non-Federal, include operation, maintenance, equipment replacement, construction (switchyards, taps, substations, transmission lines), energy, capacity, and dispatching costs for these entities, at their expense. This work is directly connected to the continued safe and reliable operation of Western's power system and the delivery of power to our customers.

## **Mission-Critical Management Challenges and Program Risks**

As Western advances toward its strategic goals, it must confront and resolve challenges and risks in its programs. With that end in mind, as part of the strategic planning process, Western summarized factors (please see Strategic Plan for detailed narrative) that could potentially affect goal achievement, detailing the objectives and strategies for mitigating these challenges.

Externally, these factors center around Western and generating agencies' reliability as impacted by the availability of resources (people/dollars), competition on the generation side within the multipurpose projects, and deregulation of the industry. However, obtaining adequate funding to ensure continuity of service to customers and the interconnected grid, and active participation in and facilitation of open access and competition in the restructured industry, are of the utmost importance to the agency.

Internally, our concerns are predominantly staffing related. Western's Transformation process resulted in staffing reductions and a subsequent loss of institutional knowledge. Coupled with additional losses due to an aging work force, we have fewer experienced supervisors and managers assuming program responsibilities. Additionally, competition/evolution of the industry has resulted in learning issues, i.e., a steep learning curve for new processes and technologies; regulatory orders that affect operations; project management difficulties; etc. As previously stated, Western understands the criticality of these issues and has undertaken efforts to attract, train, and retain people to perform those activities that create the greatest value for our customers and protect the interests of the Federal government.

Western's most pressing challenge in FY 2000 will be to stabilize its new financial system and ensure functionality and confidence in system data. Western's efforts in FY 1999 included acquiring consulting services to assess processes and efforts in both the functional and information technology areas and to identify and rank operational and system issues that impact data and subsequently, the timing and outcome of the annual financial statement audit. However, the work required to make the system fully operational is extensive and time consuming and will delay preparation of financial statements, the audit, etc., also affecting Annual and Chief Financial Officer (CFO) Reports preparation, budget preparation/justification, development of project power repayment studies, etc.

In close coordination with DOE, Western has prepared a comprehensive action plan outlining agency efforts and a time line for achieving full system functionality, reliability, responsiveness, and auditability.

## **Cross-Agency Coordination**

Western's Strategic Plan addresses the cross-cutting nature of the Federal hydropower program that includes Western's transmission facilities, and power-related uses of the multipurpose projects and generation facilities owned and operated by Reclamation, the Corps, and the International Boundary and Water Commission. In particular, the generation agencies are "upstream suppliers" of the core



resources Western is committed to market. In developing our plan, Western evaluated the goals and measures of the generation agencies, the other power marketing administrations, our power customers, and many other groups/entities (as noted in the Strategic Plan) to identify opportunities to leverage resources and reduce possible overlapping responsibilities or impact on Western's operations. To capitalize on opportunities for further coordination and greater efficiencies across all organizational boundaries, Western strengthened partnerships with customers and the generation agencies, and extended participation in a variety of reliability and transmission organizations and natural/water resource and environmental agencies.

### **Measurement and Evaluation**

The aim of performance measurement is to find out whether the intended outcomes are occurring, and to identify the program contribution of those outcomes. Baseline measures provide benchmarks for gauging progress. Typically, we also have a historical trend related to each goal, and for every measure we clarify the scope and data sources for measuring performance.

Determining the degree of program contribution of our goals—separate from the effect of other external factors—is more difficult, but provides a solid basis for program justification in the budget process and resource management decisions within the organization.

As outlined in the Strategic Plan, within 6 months after the close of each fiscal year, Western will submit a report on program performance to the Secretary of Energy for the fiscal year just ended. Where Western achieves annual goals, we will examine the underlying assumptions and strategies to ensure that the goals and associated performance measures have continued applicability. If any performance goals are not met, Western will conduct an analysis to determine the actions necessary to meet these goals in the future. If the analysis shows that the performance goal is impractical or infeasible, the performance report will document this and recommend action. Western will establish new/additional goals, as necessary, and modify the current year's plan in light of the previous year's performance. The Budget and Analysis Group/Suezell Owens will serve as agency point of contact for plan/report preparation, response to outside inquiries, etc.

### **Validation and Verification**

Western maintains a variety of databases to track inputs, activities, outputs, and outcomes. These systems provide an established, tested, and consistent data source of primary program activity information. As appropriate, we compare the data to other sources of similar (industry/Federal) data and previous agency data for consistency.

Independent auditors will assist in the validation and evaluation of data sources and reliability of estimates used to measure financial performance. In addition, the Inspector General (IG) plans to selectively verify and validate performance measurement data each year. The IG will also selectively assess performance measures to determine the appropriateness for measuring progress toward stated goals. These assessments may lead to changes in performance measures, improvements to or additions of data collection systems, or both.

### **Availability of Data to Evaluate Success**

Data collection and monitoring are important challenges in implementing the Government Performance and Results Act, and the availability of reliable, accurate baseline data is vital to the successful implementation of Western's Strategic Plan. Baseline data already exist for many of Western's program areas and performance goals, but must be developed in other areas. Western has established a working group to ensure that the systems necessary to collect, manage, and report performance data are in place.