

Western Profile

Western markets and transmits about 10,000 megawatts of power from 56 hydropower plants. Western also markets the United States' 547-MW entitlement from the coal-fired Navajo Generating Station near Page, Ariz.

Western sells about 40 percent of regional hydroelectric generation in a service area that covers 1.3 million square miles in 15 states. Our customers include municipalities, cooperatives, public utility and irrigation districts, Federal and state agencies, investor-owned utilities (only one of which purchases firm power from Western), marketers and Native American tribes. They, in turn, provide retail electric service to millions of consumers in Arizona, California, Colorado, Iowa, Kansas, Minnesota, Montana, Nebraska, Nevada, New Mexico, North Dakota, South Dakota, Texas, Utah and Wyoming.

Key focus on transmission

Providing this diverse customer base with reliable transmission is central to Western's mission. Using an integrated 17,000 circuit-mile, high-voltage Federal transmission system, Western delivers reliable electric power to most of the western half of the United States. Since Western's inception in 1977, Western has added more than 3,700 additional miles of lines to its system and has managed hundreds of requests for interconnection. Yet the endless stream of developments in the industry—regional transmission organization formations, changes in control areas and the emergence of Federal Energy Regulatory Commission regulations and policies—have further increased Western's challenge to maintain system reliability.

Western's rates

Western's role in delivering power also includes managing 11 different rate-setting systems (not including the Central Arizona Project's Navajo generation). These rate systems are made up of 14 multipurpose water resource projects and one transmission project. The systems include Western's transmission facilities along with power generation facilities owned and operated primarily by the U.S. Bureau of Reclamation, the U.S. Army Corps of Engineers and the International Boundary and Water Commission.

Employees' dedication

While Western's role in the industry has evolved over the years, the dedication of employees at Western's 51 duty stations has not wavered. Employees scattered throughout Western's vast territory work around the clock to provide power sales, transmission operations and maintenance and engineering services. These duty locations include Western's Corporate Services Office in Lakewood, Colo., and four regions with offices in Billings, Mont.; Loveland, Colo.; Phoenix, Ariz.; and Folsom, Calif. We also market power from our Management Center in Salt Lake City, Utah, and manage system operations and maintenance from offices in Bismarck, N.D.; Fort Peck, Mont.; Huron, S.D. 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.

Financing methods

Western receives appropriations from Congress each year to finance the operation and maintenance as well as construction and rehabilitation activities for many of our power and transmission systems, including the Pick-Sloan Missouri Basin Program, Central Valley Project, Parker-Davis Project, Fryingpan-Arkansas Project and the Pacific Northwest-Pacific Southwest Intertie Project. The appropriations provide only a portion of our total funding. In fact, in FY 2004, appropriations of \$180.3 million made up only 20 percent of our total authorized funding.

Other sources include 21 percent from power sale receipts, 22 percent from revolving funds and 37 percent from customer advances for reimbursable work. With these other sources, Western's FY 2004 program budget was \$885.2 million.

Our FY 2004 appropriation included an annual contribution to the Utah Reclamation Mitigation and Conservation Account as specified in the Reclamation Projects Authorization and Adjustment Act of 1992. Existing legislation allows for the Colorado River Storage, Central Arizona, Seedska-dee, Dolores and Fort Peck projects to operate with power receipts through a reimbursable agreement with Reclamation to access permanent appropriations of receipts from the Colorado River Dam Fund. Under the Foreign Relations Authorization Act for FY 1994 and FY 1995, a separate appropriation is provided to operate and maintain Falcon and Amistad project facilities for the International Boundary and Water Commission. We also do work for other Federal and non-Federal organizations under authority of the Economy Act, the Contributed Funds Acts and the Interior Department Appropriations Act of 1928.

Because legislation requires that the U.S. Treasury be repaid by those who benefit from Federal investments in the projects, power sales must produce enough revenue to cover power users' share of annual operation and maintenance project costs. Therefore,

we set power rates to recover all costs associated with our activities, as well as the Federal investment in the power facilities (with interest) and certain costs assigned to power for repayment, such as aid to irrigation development.

Power revenue is also used to fund Western's purchase power and wheeling activities. Drought conditions—like those we continued to experience in FY 2004—and other factors sometimes require us to purchase power from other suppliers to meet long-term firm power contract commitments. In FY 2001, Congress gave Western interim authority to fund these activities annually through the receipts we receive from selling power to our customers. The new receipt funding authority, combined with traditional alternative financing methods, eliminated the need for an annual appropriation to meet planned Purchase Power and Wheeling program needs. (To finance unplanned purchase power expenses during below normal generating conditions, Western can receive emergency funding through Continuing Fund authorities.)

While we wait to see if Congress will pass legislation to expand the use of customer receipts, we will likely see more alternative financing for needs directly related to our mission.

In FY 2004, we expended significant non-appropriated financing to reduce bottlenecks and improve reliability of the interconnected power grid. The Path 15 Upgrade Project is an example of how non-Federal financing within our existing authorities can be applied to improve the interconnected transmission system without the need for appropriations. This project is almost entirely non-Federally financed and has no impact on Western's ratepayers.

With the right mix of resources and authorization, as well as continued cost management by employees, the Federal hydropower program can run well—even during severe drought cycles—without impacting other appropriation-funded programs. ■