

# **Operation and Maintenance, Southeastern Power Administration**

## **Proposed Appropriation Language**

For necessary expenses of operation and maintenance of power transmission facilities and of marketing electric power and energy, including transmission wheeling and ancillary services, pursuant to the provisions of section 5 of the Flood Control Act of 1944 (16 U.S.C. 825s), as applied to the southeastern power area, [\$4,891,000] \$4,784,000, to remain available until expended; [in addition, notwithstanding the provisions of 31 U.S.C. 3302, up to \$8,000,000 collected by the Southeastern Power Administration pursuant to the Flood Control Act to recover purchase power and wheeling expenses shall be credited to this account as offsetting collections, to remain available until expended for the sole purpose of making purchase power and wheeling expenditures.]

## **Explanation of Change**

The language change deletes the prior year reference to FY 2002 purchase power and wheeling activity.

# **Southeastern Power Administration**

## **Executive Summary**

### **Mission**

The Southeastern Power Administration (Southeastern) markets Federal hydroelectric power at the lowest possible cost, giving preference to public bodies and cooperatives in the southeastern United States.

Southeastern markets power generated at 23 U.S. Army Corps of Engineers (Corps) projects to preference customers in 11 southeastern states in accordance with the Flood Control Act of 1944. Southeastern does not own or operate any transmission lines and carries out its marketing program by utilizing the transmission systems of electric utilities in the area. Transmission of Federal power is accomplished through arrangements between Southeastern and each of the area utilities with transmission lines connected to the projects under which the utility agrees to deliver specified amounts of Federal power to customers of the Government, and Southeastern agrees to compensate the utility for performing wheeling services.

### **Strategic Objective**

ER9: Ensure Federal hydropower is marketed and delivered while passing the North American Electric Reliability Council's Control Compliance Ratings, meeting planned repayment targets, and achieving a recordable accident frequency rate at or below our safety performance standard.

This strategic objective is supported by the Program Strategic Performance Goals that follow:

ER9-1: Maintain reliability in the evolving electric utility industry.

ER9-2: Establish and meet annual planned repayment for each Federal power system.

ER9-3: Maintain Southeastern's employee awareness and commitment to working safely by providing the necessary training and equipment to assure a safe working environment.

### **Strategy**

Maximizing the use of Federal assets to repay the Federal investment while balancing power needs with the diverse interests of other water resource users and implementing public policy requires Southeastern to participate in the public and investor owned utility arenas. As part of the Department of Energy's Strategic Plan in the Energy Resources business line, Southeastern's program promotes secure, reliable, competitive, and environmentally responsible energy systems by reducing the vulnerability of the U.S. economy to disruptions in energy supplies. Southeastern uses the following three strategic elements to implement its goals and objectives.

# Southeastern takes the lead role in promoting communications between preference customers and the Corps of Engineers through two longstanding partnerships - the Southeastern Federal Power Alliance and Team Cumberland.

- # More intense water demand for municipal, industrial and environmental purposes has required increased involvement in water use and allocation issues. To preserve the viability of hydropower as a dependable resource, Southeastern participates in negotiations among state, Federal, cooperative and municipal entities.
- # Assuring planned repayment of principal on power investments is accomplished through a rigorous accounting of project operating and maintenance expenses and capital costs. This accounting data is used to formulate rates that will recover the costs over a defined time period. Rates are adjusted periodically to insure that project repayment stays on schedule. In years with above average water conditions, higher than expected amounts may be repaid to the U.S. Treasury. Correspondingly, low water years may result in Southeastern not meeting repayment targets.

## Major Changes

- # Beginning in FY 2003 and thereafter, the Administration proposes that the financing of the U.S. Army Corps of Engineers' operation and maintenance expenses in Southeastern's service area may be funded from receipts derived by Southeastern from the sale of power and related services.
- # The FY 2003 request continues the phase-out that began in FY 2001 of Southeastern's financing of its customer's purchase power and wheeling expenses. In FY 2003, Southeastern will use \$20 million in receipts to finance purchase power and wheeling expenses. The phase-out assumes that customers, acting independently or in partnerships, will increasingly enter energy markets to arrange directly with suppliers for their energy and related services needs. Southeastern may also continue to assist its customers in arranging the funding of these activities through alternative funding mechanisms (net billing, bill crediting and other mechanisms).
- # Improved communication among Southeastern, its customers and the Corps improves the ability to schedule hourly generation of the hydroelectric projects, address drought issues and capacity outages.
- # Concern for operational efficiencies will shift the focus of the Competitive Resource Strategies Program toward efficient use of energy in residential, commercial and industrial applications. Distributed generation topics, including interconnection, efficient sizing, and appropriate applications will also be addressed. Passage of the Energy Policy Act of 1992, and subsequent implementing orders, direct Southeastern to support its preference customers as they address issues surrounding energy efficiency and alternative generation strategies in a more competitive energy market.
- # The President's FY 2003 budget includes funding for the Government's share of increased costs associated with pension and annuitant health care benefits. These costs were identified as unrecovered by the General Accounting Office in their report Power Marketing Administration: Cost Recovery, Financing, and Comparison to Nonfederal Utilities (GAO/AIMD-96-145). The PMAs have recovered these costs since FY 1998. Funds received since FY 1998 have been deposited with the Treasury as miscellaneous receipts. The President's FY 1998 budget provides the authority to deposit benefit payments to the Office of Personnel Management.

## **Major Sensitivities**

- # In August 1999, the Corps completed the Final Environmental Assessment report on the pump units at the Richard B. Russell Project on the Savannah River. The Corps concluded the report with a Finding of No Significant Impact, and in December 1999, filed for summary judgment to dissolve the injunction which bans commercial operation of the pump units. Oral arguments were presented to the U.S. District Court in October 2000. We do not know when a ruling from the Court can be expected.
- # Continuing drought conditions in the Southeast have required Southeastern to access the Continuing Fund in FY 2001 to purchase about \$9 million of supplemental power from outside sources. The cost of supplemental power purchased using the Continuing Fund is recovered from preference customers through Southeastern's revenues. Southeastern has initiated a rate adjustment to recover costs associated with drought conditions.
- # Southeastern has been instructed to participate in the development of Regional Transmission Organization (RTOs) and expects to be generally affiliated with one or more RTOs in the Southeast. Southeastern depends on other entities to provide for the transmission of its power. The formation of the RTOs may have a significant impact upon the way Southeastern accesses transmission services.
- # In FY 2001 Southeastern's customers filed a lawsuit against the U.S. Army Corps of Engineers that addresses reallocation of water storage in the Federal multiple purpose projects. Customers believe that power interests are not being adequately compensated for reallocated hydro-power storage. The lawsuit is expected to be resolved through mediation. Financial impacts of this issue are unknown at this time.

## Site Funding and Federal Contractor Staffing Profile

(dollars in thousands)

	FY 2001	FY 2002	FY 2003
Program Direction . . . . .	5,251 <sup>a</sup>	5,157 <sup>a</sup>	4,856 <sup>a</sup>
Purchase Power and Wheeling . . . . .	34,463	34,463	20,000
<b>Total, Southeastern Program Level . . . . .</b>	<b>39,714 <sup>b</sup></b>	<b>39,620</b>	<b>24,856</b>
Use of prior year balances . . . . .	-1,100	0	-72
Use of offsetting collections . . . . .	-34,463	-34,463	-20,000
<b>Budget Authority, Southeastern Power Administration . . . . .</b>	<b>4,151</b>	<b>5,157</b>	<b>4,784</b>
Full Time Equivalents . . . . .	43	43	40
Contractor Staffing . . . . .	2	2	2

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 Charles Borchardt, Administrator  
 Southeastern Power Administration

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 Date

<sup>a</sup>The FY 2001 and FY 2002 columns of the FY 2003 Congressional Request includes funding in the amount of \$260,000 and \$266,000, respectively, for the Governments share of increased costs associated with pension and annuitant health care benefits. These funds are comparable to FY 2003 funding of \$250,000. (Note: The data is presented on a comparable basis as if the legislation had been enacted and implemented in FY 2001.)

<sup>b</sup>Reflects a Congressional rescission of \$9,000.

# Southeastern Power Administration

## Program Mission

The Southeastern Power Administration (Southeastern) markets Federal hydroelectric power at the lowest possible cost, giving preference to public bodies and electric cooperatives in the southeastern United States.

Southeastern markets power generated at 23 U.S. Army Corps of Engineers projects to preference customers in 11 southeastern states in accordance with the Flood Control Act of 1944. Southeastern does not own or operate any transmission lines. In the absence of transmission lines of its own, Southeastern carries out its marketing program by utilizing the transmission systems of electric utilities in the area. Transmission of Federal power is accomplished through arrangements between Southeastern and each of the area utilities with transmission lines connected to the projects under which the utility agrees to deliver specified amounts of Federal power to customers of the government, and Southeastern agrees to compensate the utility for the wheeling services performed.

## Program Strategic Performance Goals

**ER9-1:** Maintain reliability in the evolving electric utility industry.

### Performance Indicator

Reliability Performance: Receive monthly control compliance ratings that meet or exceed the control performance standards (CPS) 1 and 2 established by the North American Electric Reliability Council (NERC).

### Performance Standards

**Blue/Green:** Achieve “Pass” (CPS1 \$100; CPS2 \$90) on all 24 monthly standards for the year.

**Yellow:** Achieve “Pass” on 23 monthly standards during the year.

**Red:** Achieve “Pass” on 22 or less monthly standards during the year.

## Annual Performance Results and Targets

FY 2001 Results	FY 2002 Targets	FY 2003 Targets
<b>Reliability Performance:</b> Received a control compliance of “pass” ratings for each month of the fiscal year using the NERC performance standard. (ER2-5)	Receive monthly control compliance ratings of “pass” using the NERC performance standard. (ER2-5)	Receive monthly control compliance ratings that meet or exceed the CPS 1 and 2 established by the NERC. (ER9-1)

**ER9-2:** Establish and meet annual planned repayment for each Federal power system

**Performance Indicator**

Meet planned annual repayment of principal on Federal power investment.

**Performance Standards**

**Blue:** Achieve >105% or more of planned annual repayment.

**Green:** Achieve 95-105% of planned annual repayment.

**Yellow:** Achieve 80-94% of planned annual repayment.

**Red:** Achieve <80% of planned annual repayment.

**Annual Performance Results and Targets**

FY 2001 Results	FY 2002 Targets	FY 2003 Targets
<b>Principal Repayment:</b> Preliminary audited financial statements indicate Southeastern did not meet its annual planned repayment due to below average water conditions. (ER2-5)	Meet planned annual repayment of principal on Federal power investment. (ER2-5)	Meet planned annual repayment of principal on Federal power investment. (ER9-2)

**ER9-3:** Promote employee awareness and commitment to working safely by providing the necessary training and equipment to assure a safe working environment.

**Performance Indicator**

Achieve a safety performance of 3.3 recordable accident frequency rate for recordable injuries per 200,000 hours worked, or the Bureau of Labor Statistics' industry rate, whichever is lower.

**Performance Standards**

**Blue:** Achieve >10% below a 3.3 rate, or the Bureau of Labor Statistics' industry rate, whichever is lower.

**Green:** Achieve 0-10% below a 3.3 rate, or the Bureau of Labor Statistics' industry rate, whichever is lower.

**Yellow:** Achieve 0-10% above a 3.3 rate, or the Bureau of Labor Statistics' industry rate, whichever is lower.

**Red:** Achieve >10% above a 3.3 rate, the Bureau of Labor Statistics' industry rate, whichever is lower.

## Annual Performance Results and Targets

FY 2001 Results	FY 2002 Targets	FY 2003 Targets
<p><b>Recordable Accident Frequency Rate:</b></p> <p>Achieved a safety performance of 3.1 recordable accident frequency rate for recordable injuries per 200,000 worked compared to the Bureau of Labor Statistics' industry rate of 4.9. (ER2-5)</p>	<p>Achieve a safety performance of 3.3 recordable accident frequency rate for recordable injuries per 200,000 hours worked or the Bureau of Labor Statistics' industry rate, whichever is lower. (ER2-5)</p>	<p>Achieve a recordable accident frequency rate for recordable injuries per 200,000 hours worked of not greater than 3.3, or the Bureau of Labor Statistics' industry rate, whichever is lower. (ER9-3)</p>

### Significant Accomplishments/Program Shifts

- # Southeastern continues to take the lead in fostering communications with its customers and the Corps of Engineers through two previously-established partnerships - the Southeastern Federal Power Alliance and Team Cumberland. The Southeastern Federal Power Alliance provides suggestions which help the operations center identify customers' changing needs. Both partnerships meet periodically to exchange information and promote their visions.
- # Southeastern expanded its capability to schedule the hourly generation of the hydroelectric projects in Southeastern's marketing area through improved communications with customers.
- # Southeastern's Competitive Resource Strategies Program provides education and training opportunities to preference customers. Southeastern also maintains close contact with generation and transmission cooperatives, joint action agencies, and customer associations across the Southeast to assess the need and scope of training initiatives that will address competitiveness issues.
- # Southeastern continues to revise its Strategic Plan. The Plan outlines the requirements under the Government Performance and Results Act that Southeastern anticipates implementing during the next five years.
- # The FY 2003 budget request relies on power receipts and customer advances to pay for purchased power, transmission wheeling and ancillary services. No Federal appropriation will be required to fund purchase power and wheeling expenses in FY 2003 and subsequent years. Southeastern's policy encourages customers to assume advantages of purchasing independently of Southeastern for purchase power and transmission services.
- # In FY 2001, Southeastern marketed 5,007 gigawatt-hours (GWH) of clean renewable hydroelectric energy for \$142,279,362 in gross revenues, providing total proprietary receipts of \$87,121,484. Southeastern anticipates an increase in proprietary receipts to \$164,846,000 for FY 2002, due to the

**Program Mission/**

**Southeastern Power Administration**

**FY 2003 Congressional Budget**



Kerr-Philpott System rate increase and anticipated operation of the pump units at the Richard B. Russell Project, and \$97,795,000 for FY 2003. FY 2003 receipts assume \$70,300,000 in direct funding for US Army Corps of Engineers operation and maintenance expenses.

### Funding Profile

(dollars in thousands)

	FY 2001 Comparable Appropriation	FY 2002 Original Appropriation	FY 2002 Adjustments	FY 2002 Comparable Appropriation	FY 2003 Request
Southeastern Power Administration					
Program Direction . . . . .	5,251 <sup>a</sup>	4,891	266 <sup>a</sup>	5,157	4,856 <sup>a</sup>
Purchase Power & Wheeling	34,463	34,463		34,463	20,000
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Total, Southeastern Program Level . . . . .	39,714 <sup>b</sup>	39,354	266	39,620	24,856
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Use of Prior Year Balances . . .	-1,100	0	0	0	-72
Offsetting Collections . . . . .	0	-8,000	0	-8,000	0
Offsetting Collections Realized (PL 106-377) . . . . .	-34,463	-26,463	0	-26,463	-20,000
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Total, Budget Authority Request	4,151	4,891	266	5,157	4,784
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Total, Budget Authority request Excluding Full Funding for Federal Retirement . . . . .	3,891	4,891	0	4,891	4,534
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**Public Law Authorizations:**

- Public Law 78-534, Flood Control Act of 1944
- Public Law 95-91, DOE Organization Act of 1977, Section 302
- Public Law 102-486, Energy Policy Act of 1992

<sup>a</sup>The FY 2001 and FY 2002 columns of the FY 2003 Congressional Request includes funding in the amount of \$260,000 and \$266,000, respectively, for the Governments share of increased costs associated with pension and annuitant health care benefits. These funds are comparable to FY 2003 funding of \$250,000. (Note: The data is presented on a comparable basis as if the legislation had been enacted and implemented in FY 2001.)

<sup>b</sup>Reflects \$9,000 adjustment for 0.22% Omnibus Reduction per the Consolidated Appropriations Act, 2001.

**Program Mission/**

## Funding by Site

(dollars in thousands)

	FY 2001	FY 2002	FY 2003	\$ Change	% Change
Total SEPA Program Level . . . . .	39,714	39,620	24,856	-14,764	-37.3%
Use of prior year balances . . . . .	-1,100	0	-72	-72	%100.0%
Offsetting collections realized . . . . .	-34,463	-34,463	-20,000	%14,463	%42.0%
Total, Southeastern Power Administration . . . . .	4,151	5,157	4,784	-373	-7.2%

## Site Description

Southeastern is one of four Power Marketing Administrations within the Department of Energy. Southeastern was created in 1950 to market power and energy produced at U.S. Army Corps of Engineers hydroelectric power projects. Southeastern markets power at wholesale rates to 176 municipal utilities, 127 rural electric cooperatives, 2 investor-owned utilities, and 1 government agency, in the 11 states of Florida, Georgia, South Carolina, North Carolina, Tennessee, Alabama, Mississippi, Virginia, West Virginia, Kentucky and Illinois. Southeastern is located in Elberton, Georgia, and has no field offices.

# Program Direction

## Mission Supporting Goals and Objectives

Program direction provides for: (1) scheduling the generation of power and supervision of power deliveries; (2) negotiation and administration of contracts for the sale of power and energy and establishment of rates to assure repayment of power costs; (3) general administration and support of Southeastern's power marketing program; and (4) general administration and support of the Competitive Resource Strategies Program. Southeastern coordinates and cooperates with its partners to operate projects in a manner that enhances the value and reliability of hydropower. Priority is given to integrating environmental concerns and determinations into program actions. Emerging energy efficiency technologies are integrated with marketing strategies and programs.

Southeastern's FTE activities and distribution by percentage are provided as follows:

- 7% The Office of the Administrator is responsible for marketing hydroelectric power and energy and includes the Office of Legal Affairs.
- 27% The Finance and Marketing Division negotiates, prepares and administers contracts for the sale, purchase/interchange, and wheeling of power; formulates rates to meet repayment requirements. Additional responsibilities include budget; accounting and financial management activities; customer service; and the Competitive Resource Strategies Program. The Finance and Marketing Division is primarily responsible for Strategic Performance Goal ER9-2: Establish and meet annual planned repayment for each Federal power system .
- 32% The Human Resource and Administration Division plans, develops, coordinates and administers administrative and management activities of Southeastern. It includes activities to support mission accomplishment, automated data processing (IM) and telecommunications services, personnel, contracts and procurement, supply, security, technical library, facilities, and strategic planning.
- 34% The Power Resources Division studies power production to determine the amounts of available power and energy and studies methods of coordinating operation of present and proposed generating plants to obtain maximum utilization of water and power resources. This division coordinates, schedules, and dispatches system power generation on an hourly basis and is responsible for administering contractual operation requirements and performs billing operations for power sold by Southeastern. Power Resources Division is primarily responsible for Strategic Performance Goal ER9-1: Maintain reliability in the evolving electric utility industry.

In FY 2001, Southeastern marketed 5,007 GWH of clean renewable hydroelectric energy for \$142,279,362 in revenues, providing total proprietary receipts of \$87,121,484. Southeastern anticipates an increase in proprietary receipts to \$164,846,000 for FY 2002, due to the Kerr-Philpott System rate increase and anticipated operation of the pump units at the Richard B. Russell Project, and \$97,795,000 for FY 2003. FY 2003 receipts assume \$70,300,000 in direct funding for U.S. Army Corps of Engineers operation and maintenance expenses.

## Funding Schedule

(dollars in thousands)

	FY 2001	FY 2002	FY 2003	\$ Change	% Change
Program Direction					
Salaries and Benefits <sup>a</sup> .....	3,317	3,560	3,555	-5	-0.1%
Travel .....	220	220	150	-70	-31.8%
Support Services .....	100	100	68	-32	-32.0%
Other Related Expenses .....	1,614	1,277	1,083	-194	-15.2%
<b>Total, Program Direction .....</b>	<b>5,251</b>	<b>5,157</b>	<b>4,856</b>	<b>-301</b>	<b>-5.8%</b>
<b>Total Excluding Full Funding for Federal Retirements, Program Direction .....</b>	<b>4,991</b>	<b>4,891</b>	<b>4,606</b>	<b>-285</b>	<b>-5.8%</b>

## Detailed Program Justification

(dollars in thousands)

	FY 2001	FY 2002	FY 2003
<b>Salaries and Benefits .....</b>	<b>3,317</b>	<b>3,560</b>	<b>3,555</b>

Funding in this activity supports salaries and benefits for 40 full-time equivalents. The \$51,000 increase for cost of living adjustments, promotions, within-grade increases associated with salary and benefits for 40 FTEs is offset by a reduction of 3 FTEs from the FY 2002 level. The funding requested will provide negotiation, preparation, execution, and administration of all contracts for the disposition of electric power, and to ensure and maintain continuity of electric service to customers.

The funding covers Federal employees who schedule pumping energy and coordinate between the providers of the pumping energy and the project and account for all transactions relative to pumping operations of the Carters Project and Richard B. Russell Projects. Perform control area services for the three Savannah River Projects-Hartwell, Russell and Thurmond. Coordinate power operations of 23 projects with all parties making determinations of capacity and energy availability weekly. Performance is measured by ER9-1, achieving control area compliance ratings that meet or exceed the control performance standards 1 and 2 of the National Electric Reliability Council.

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<sup>a</sup>The FY 2001 and FY 2002 columns of the FY 2003 Congressional Request includes funding in the amount of \$260,000 and \$266,000, respectively, for the Government's share of increased costs associated with pension and annuitant health care benefits. These funds are comparable to FY 2003 funding of \$250,000. (Note: The data is presented on a comparable basis as if the legislation had been enacted and implemented in FY 2001.)

FY 2001	FY 2002	FY 2003
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The funding provides billing, collection, and payment functions for approximately 300 contracts which benefit more than 500 preference customers. Execute budget, accounting and financial management activities for the office. Prepare repayment analyses of each system to determine rates and issue a formal rate presentation as needed. Performance is measured by meeting planned repayment of principal on power investment.

The funding also covers continuing engineering studies and review of actual project operations. Evaluate any impacts of proposed or actual changes to project operations.

**Travel** . . . . . **220 220 150**

The estimate provides transportation and per diem expenses incurred for contract negotiations, preference customer meetings, rate forums, hearings, and meetings, Congressional hearings, site visits of existing and new projects, Competitive Resource Strategy meetings, operations meetings with industry self-regulating groups which include Southeastern Electric Reliability Council (SERC), Virginia Carolina Electric Reliability Group (VACAR), Florida Reliability Coordinating Council & NERC, hydropower task force meetings with the Corps, Customer, and SEPA Working Group (C2SWG), National Environmental Policy Act (NEPA) activities, training, Power Marketing Policy Forums, national and state customer meetings with the National Rural Electric Cooperative Association (NRECA), the American Public Power Association (APPA), Southeastern Federal Power Customers O&M Subcommittee meetings, Interagency Task Force on Finance, Technical Advisory Group meetings, FERC pre-filings and hearings, and carrying out headquarters responsibilities.

**Support Services** . . . . . **100 100 68**

# **Technical** . . . . . **20 20 14**

Develop specifications of training programs; review and evaluation of contractors.

# **Management** . . . . . **80 80 54**

Prepare program plans; training and education.

Continue Southeastern’s Competitive Resource Strategies Program at a reduced level. This program supports preference customer efforts to address energy and economic efficiency issues to support the President’s National Energy Policy.

**Other Related Expenses** . . . . . **1,614 1,277 1,083**

Provide administrative support for the office, rent, communications, maintenance, contract services (library services, support for DOE Power Marketing Liaison Office, audit of the Southeastern Federal Power Program financial statements), supplies and materials, and equipment. Provide contract audit expenses including the power portion of the Corps. Install various electronic equipment and maintain of interconnected fiber optic communication lines for the SCADA system. Decrease reflects reduced expenses associated with telecommunications, printing, training, supplies, contract services and equipment.

**Total, Program Direction** . . . . . **5,251 5,157 4,856**

## Explanation of Funding Changes

FY 2003 vs FY 2002 (\$000)
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### Salaries and Benefits

# Increases in cost of living adjustments are offset by savings associated with the reduction of 3 FTEs from actual FTEs on board in FY 2002. Benefit costs for Southeastern's employee account for 26 percent of the total. . . . .	-5
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### Travel

# Transportation decrease results in a reduced travel schedule . . . . .	-70
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### Support Services

# Decrease reflects 5% efficiency savings and reduced support for co-sponsored workshops. . . . .	-32
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### Other Related Expenses

# Increase in audit expense is due to inflation. . . . .	%2
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# A portion of communications expenses was moved to Operations Center support . . . . .	-47
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# Increase in office lease expense. . . . .	%6
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# Reduced maintenance agreements reflect only NERC-required payments to regional reliability council.. . . .	-56
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# Reduced printing and reproduction. . . . .	-3
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# Postponed tuition expenses necessary to maintain licenses and technical expertise in business, finance, engineering and operations. . . . .	-13
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# Postponed acquisition of computer software. . . . .	-48
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# Reduced contract services for administrative and clerical support and use of consulting services for training, ADP support, and accounting system. . . . .	-60
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# Postponed equipment for upgrades of computer hardware. . . . .	-25
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# Increased Operations Center support for IM hardware and maintenance is primarily associated with NERC SCADA requirements. Some of the communications budget was moved into this expense category to more effectively represent allocation of resources. . . . .	%50
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Subtotal, Other Related Expenses . . . . .	-194
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FY 2003 vs FY 2002 (\$000)
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<b>Total Funding Change, Program Direction .....</b>	<b><u>-301</u></b>
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## Support Services

(dollars in thousands)

	FY 2001	FY 2002	FY 2003	\$ Change	% Change
Technical Support Services					
Energy Efficiency and Competitiveness Workshops . . . . .	100	100	68	-32	-32.0%
<b>Total, Support Services . . . . .</b>	<b>100</b>	<b>100</b>	<b>68</b>	<b>-32</b>	<b>-32.0%</b>

## Other Related Expenses

(dollars in thousands)

	FY 2001	FY 2002	FY 2003	\$ Change	% Change
Audit of Financial Statements . . . . .	110	112	114	%2	1.8%
Communications . . . . .	231	220	173	-47	-21.4%
Rental Space . . . . .	300	306	312	% 6	2.0%
Maintenance Agreements . . . . .	116	116	60	-56	-48.3%
Printing & Reproduction . . . . .	12	9	6	-3	-33.3%
Tuition . . . . .	80	40	27	-13	-32.5%
Supplies & Materials . . . . .	236	144	96	-48	-33.3%
Contract Services . . . . .	348	250	190	-60	-24.0%
Equipment (General and IM) . . . . .	181	80	55	-25	-31.3%
IM hardware and control area support for Operations Center . . . . .	0	0	50	%50	%100%
<b>Total, Other Related Services . . . . .</b>	<b>1,614</b>	<b>1,277</b>	<b>1,083</b>	<b>-194</b>	<b>-15.2%</b>



# **Purchase Power and Wheeling**

## **Mission Supporting Goals and Objectives**

For FY 2003, this activity provides for the payment of amounts charged to the Government under contractual arrangements for: (1) delivery of power over non-Federal systems to load centers of preference customers for the account of the government, (2) purchase of energy to firm-up Federally-generated power during adverse water periods, as well as purchases of power at the Carters and Richard B. Russell Projects (when the Russell pump-back units become operational) and purchases of default power; and (3) support capacity required to meet commitments for the Jim Woodruff Project under adverse water conditions. Priority is given to meeting contractual commitments and making arrangements for transmission of power and assisting other transmission providers in planning and constructing necessary facilities.

Funds used for transmission expenses are based on contracts Southeastern maintains with area transmission providers connected to the projects. These transmission providers agree to deliver specified amounts of Federal power to customers of the Government, and Southeastern agrees to compensate the utility for the transmission services performed. Purchase power costs are estimated based on expected costs. Expected costs account for factors that are beyond the control of Southeastern, primarily drought and flood. Southeastern maintains a Continuing Fund that is used to finance power purchases under emergency conditions which include, but are not limited to, adverse water conditions and unplanned generation outages. Measurement of the effectiveness of the Purchase Power and Wheeling Program is addressed in performance goal ER9-1: Maintain reliability in the evolving electric utility industry. Southeastern consistently meets and exceeds the NERC performance requirements.

The FY 2003 request continues the phase-out that began in FY 2001 of Southeastern's financing of its customer's purchase power and wheeling expenses. The phase-out assumes that customers, acting independently or in partnerships, will increasingly enter energy markets to arrange directly with suppliers for their energy and related services needs. Southeastern may also continue to assist its customers in arranging the funding of these activities through alternative funding mechanisms (net billing, bill crediting and other mechanisms).

## Funding Schedule

(dollars in thousands)

	FY 2001	FY 2002	FY 2003	\$ Change	% Change
<b>Purchase Power and Wheeling</b>					
Purchase Power . . . . .	13,800	13,800	13,800	0	0.0%
Wheeling . . . . .	34,508	34,745	32,239	-2,506	-7.2%
<b>Subtotal, Purchase Power and Wheeling . . . . .</b>	<b>48,308</b>	<b>48,545</b>	<b>46,039</b>	<b>-2,506</b>	<b>-5.2%</b>
<b>Alternative Financing</b>					
Customer Advances . . . . .	0	0	-13,617	-13,617	%100%
Net Billing . . . . .	-13,845	-14,082	-12,422	1,660	%11.8%
<b>Subtotal, Alternative Financing . . . . .</b>	<b>-13,845</b>	<b>-14,082</b>	<b>-26,039</b>	<b>-11,957</b>	<b>-84.9%</b>
Offsetting Collections Realized	-34,463	-34,463	-20,000	14,463	%42.0%
<b>Total, Purchase Power and Wheeling Budget Authority . . . . .</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>N/A</b>

## Detailed Program Justification

(dollars in thousands)

	FY 2001	FY 2002	FY 2003
<b>Purchase Power</b> .....	<b>13,800</b>	<b>13,800</b>	<b>13,800</b>
<b># Pumping: Russell Project</b> .....	8,000	8,000	8,000
Purchase of energy to pump water into the Richard B. Russell Project for later release.			
<b># Pumping: Carters Project</b> .....	4,000	4,000	4,000
Purchases of energy at the Carters Project to pump water from downstream up into the main storage reservoir to generate electricity during “peak” demand periods. This pumped water enables the generating equipment to be used more hours during “peak” demand periods than would otherwise be possible.			
<b># Default power</b> .....	1,000	1,000	1,000
Purchase of default power to firm up ancillary service contractual obligations.			
<b># Support Jim Woodruff Project</b> .....	800	800	800
Provide support to the Jim Woodruff Project under adverse water conditions through purchases of energy necessary to fulfill contractual obligations.			
<b>Transmission Charges</b> .....	<b>34,508</b>	<b>34,745</b>	<b>32,239</b>
<b># Transmission service charges</b> .....	30,080	30,317	27,811
Transmission service charges for delivery of power over non-Federal Systems.			
<b># Ancillary Services</b> .....	4,428	4,428	4,428
<b>#</b> Payment for ancillary services.			
<b>Use of Customer Receipts (Offsetting Collections)</b> .....	<b>-34,463</b>	<b>-34,463</b>	<b>-20,000</b>
<b>Alternative Financing</b> .....	<b>-13,845</b>	<b>-14,082</b>	<b>-26,039</b>
<b># Net Billing</b> .....	-13,845	-14,082	-12,422
<b># Use of Customer Advances</b> .....	0	0	-13,617
<b>Total, Purchase Power and Wheeling</b> .....	<b>0</b>	<b>0</b>	<b>0</b>

## Explanation of Funding Changes

	FY 2003 vs FY 2002 (\$000)
<b>Purchase Power</b> .....	0
# No change	
<b>Wheeling</b> .....	-2,506
# Contract terms result in marginal transmission rate reduction and greater use of net billing arrangements .....	
<b>Alternative Financing</b> .....	-11,957
# Increase in use of alternative financing arrangements due to greater use of net billing arrangements and use of bill crediting arrangements with customers .....	
<b>Total Funding Change, Purchase Power and Wheeling</b> .....	<b>-14,463</b>

**US Department of Energy**  
**FY 2003 Congressional Budget**  
**Power Marketing Administration**

**Revenues and Receipts**

(dollars in thousands)

Southeastern Power Administration	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Gross Revenues . . . . .	142,279	213,391 <sup>a</sup>	214,134	214,966	218,941	220,441	221,407
Less:							
Continuing Fund . . . . .	-9,053	0	0	0	0	0	0
Use of Offsetting Collections to fund PPW . .	-34,463	-34,463	-20,000	-15,000	0	0	0
Use of Customer Advances to fund PPW . . . . .	0	0	-13,617	-18,617	-33,617	-33,617	-33,617
Direct Funding Corps Hydro-power O&M . . . . .	0	0	-70,300	-70,300	-70,300	-70,300	-70,300
Net billing amount credited as an offsetting receipt . . . .	-11,642	-14,082	-12,422	-12,662	-12,915	-13,180	-13,459
<b>Total Proprietary Receipts</b>	<b>87,121</b>	<b>164,846</b>	<b>97,795</b>	<b>98,387</b>	<b>102,109</b>	<b>103,344</b>	<b>104,031</b>
Percent of sales to preference customers <sup>b</sup> . . . .	99%	99%	99%	99%	99%	99%	99%
Energy sales and Power Marketed (in billions of kilowatt hours) . . . . .	5	8	8	8	8	8	8

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<sup>a</sup>Revenue increase in FY 2002 anticipated with Kerr-Philpott System rate increase and operation of the pump units at the Richard B. Russell Project.

<sup>b</sup>Includes TVA.

# Department of Energy

## FY 2003 Congressional Budget

### System Statistics

#### Southeastern Power Administration

	FY 2001 Actual	FY 2002 Estimate	FY 2003 Estimate
<u>Generating Capacity:</u>			
Nameplate Capacity (KW) .....	3,092,675	3,392,675	3,392,675
Peak Capacity (KW) <sup>a</sup> .....	3,390,000	3,690,000	3,690,000
<u>Generating Stations:</u>			
Generating Projects (No.) .....	23	23	23
<u>Available energy:</u>			
Energy from Streamflow (MWH) .....	4,717,170	7,700,000	7,700,000
Energy from Pumping (MWH) .....	291,962	470,400	470,400
Energy Purchased (MWH) .....	387,714	75,000	75,000
Energy Available for Marketing (MWH) <sup>b</sup> .....	5,396,846	8,245,400 <sup>c</sup>	8,245,500 <sup>c</sup>

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<sup>a</sup>Southeastern markets capacity based on nameplate capacity plus an overload factor. The Russell Pump Storage Units are expected to be declared commercially operable in FY 2002. NERC requires that Southeastern keep some capacity in reserve for emergency purposes and to cover losses.

<sup>b</sup>Gross amount. Transmission losses of approximately 389,844 mwh must be deducted from this quantity to calculate energy marketed to customers.

<sup>c</sup>Assumes initial operation of the pump units at Richard B. Russell Project.

**Department of Energy**  
**FY 2003 Congressional Budget**  
**Power Marketed, Wheeled, or Exchanged by Project**  
**Southeastern Power Administration**

Project	State	Plants	Installed Capacity (KW)	FY 2001 Actual Power (GWH)	FY 2002 Estimated Power (GWH)	FY 2003 Estimated Power (GWH)
<b>Kerr-Philpott System</b>				235*	475*	475*
John H. Kerr	VA-NC	1	204,000			
Philpott	VA	1	14,000			
<b>Georgia-Alabam-South Carolina System</b>				2,534*	4,151*	4,151*
Allatoona	GA	1	74,000			
Buford	GA	1	86,000			
Carters	GA	1	500,000			
J. Strom Thurmond	GA-SC	1	280,000			
Walter F. George	GA-AL	1	130,000			
Hartwell	GA-SC	1	344,000			
R. F. Henry	AL	1	68,000			
Millers Ferry	AL	1	75,000			
West Point	GA-AL	1	73,375			
Richard B. Russell	GA-SC	1	600,000 <sup>a</sup>			
<b>Jim Woodruff</b>	FL-GA	1	30,000	186	318	318
<b>Cumberland System</b>				2051*	3,301*	3,301*
Barkley	KY	1	130,000			
Center Hill	TN	1	135,000			
Cheatham	TN	1	36,000			
Cordell Hull	TN	1	100,000			
Dale Hollow	TN	1	54,000			
Old Hickory	TN	1	100,000			
J. Percy Priest	TN	1	28,000			
Wolf Creek	TN	1	270,000			
Laurel	TN	1	61,000			
<b>Stonewall Jackson</b>	WV	1	300	1	1	1
Total Power Marketed:		<u>23</u>	<u>3,392,675</u>	<u>5,007 <sup>b</sup></u>	<u>8,246</u>	<u>8,246</u>

\* Projects are integrated hydraulically, electrically, and financially for marketing purposes.

<sup>a</sup>When four 75 MW pump-generators at the Richard B. Russell Project go into commercial operation in FY 2002, the total installed capacity will be 600,000 KW.

<sup>b</sup>FY 2001 power marketed was less than anticipated due to drought conditions in the Southeast.

**Department of Energy**  
**FY 2003 Congressional Budget**  
**Pending Litigation**

**Southeastern Power Administration**

*In Central Electric Power Cooperative, Inc., et al. vs. Southeastern Power Administration, et al.*, No. 3-91-2449-0 (D.C.S.C.; filed August 15, 1991), six customers in South Carolina filed suit against Southeastern in U. S. District Court requesting the court to declare illegal Southeastern's energy surcharge contained in its 1990 approved rates for the Georgia-Alabama-South Carolina System, as applied to these customers. These six customers (five cooperatives and the South Carolina Public Service Authority) had declined to participate in a voluntary, short-term rate increase during 1989, while 168 other customers in the system participated in the voluntary rate increase earlier than allowed by their contracts. The short-term rate change was required to offset the effects of extensive droughts in the southeast and escalating Corps of Engineers operation and maintenance costs. The energy surcharge contained in those rates was used to collect the portion of the costs not recovered from these six customers, and the costs were fully collected by September 1993.

A ruling was made by the District Court on October 17, 2001. In its judgment the District Court found for the customers and ordered a refund in the amount of \$3,544,316 be made. After this judgment was issued, the customers petitioned the District Court to clarify certain elements, including the award of pre-judgment interest on the amount of the refund. The District Court has not ruled on the petition yet. After it is made final, the District Court's judgment will be appealed to the Fourth Circuit Court of Appeals.



## Southeastern Power Administration

### Alternative Financing

(dollars in thousands)

<u>2001</u>	Transmission	+ Purchase Power	- Reimbursements	- Net Bill	Appropriated Funds
Jim Woodruff System . . .	0	800	-600	-200	0
Kerr-Philpott System . . .	4,783	0	-4,783	0	0
GA-AL-SC System . . . .	21,516	13,000	-28,871	-5,645	0
Cumberland System . . .	8,209	0	-209	-8,000	0
<b>Total . . . . .</b>	<b>34,508</b>	<b>13,800</b>	<b>-34,463</b>	<b>-13,845</b>	<b>0</b>

<u>2002</u>	Transmission	+ Purchase Power	- Use of Revenue	- Net Bill	- Appropriated Funds
Jim Woodruff System . . .	0	800	-600	-200	0
Kerr-Philpott System . . .	3,859	0	-3,859	0	0
GA-AL-SC System . . . .	21,080	13,000	-29,131	-4,949	0
Cumberland System . . .	9,806	0	-873	-8,933	0
<b>Total . . . . .</b>	<b>34,745</b>	<b>13,800</b>	<b>-34,463</b>	<b>-14,082</b>	<b>0</b>

<u>2003</u>	Transmission	+ Purchase Power	Offsetting Collection s	Customer Advances	- Net Bill	- Appropriated Funds
Jim Woodruff System	0	800	-357	-243	-200	0
Kerr-Philpott System	4,795	0	-2,853	-1,942	0	0
GA-AL-SC System	17,646	13,000	-15,367	-10,463	-4,816	0
Cumberland System	9,798	0	-1,423	-969	-7,406	0
<b>Total . . . . .</b>	<b>32,239</b>	<b>13,800</b>	<b>-20,000</b>	<b>-13,617</b>	<b>-12,422</b>	<b>0</b>

**US Department of Energy  
FY 2003 Congressional Budget  
Marketing Area Map**

