

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

## **Proposed Appropriation Language**

*For necessary expenses of operation and maintenance of power transmission facilities and of marketing electric power and energy, and for construction and acquisition of transmission lines, substations and appurtenant facilities, and for administrative expenses, including official reception and representation expenses in an amount not to exceed \$1,500 in carrying out the provisions of section 5 of the Flood Control Act of 1944 (16 U.S.C. 825s), as applied to the southwestern power area, \$28,600,000, to remain available until expended; in addition, notwithstanding the provisions of 31 U.S.C. 3302, beginning in fiscal year 2004 and thereafter, such funds as are received by the Southwestern Power Administration from any State, municipality, corporation, association, firm, district, or individual as advance payment for work that is associated with Southwestern's transmission facilities, consistent with that authorized in section 5 of the Flood Control Act of 1944, shall be credited to this account and be available until expended.*

Note.—A regular 2003 appropriation for this account had not been enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 107-229, as amended). The amounts included for 2003 in this budget reflect the Administration's 2003 policy proposals.

## **Explanation of Change**

New appropriation language provides Southwestern permanent authority to accept advances from non-Federal entities to accommodate requests from other electric utilities for interconnections to Southwestern's transmission system. These requests are in conjunction with the activities of the regional electric reliability council in meeting requirements of a regional transmission organization to assure reliability of the electric grid and help alleviate transmission constraints on the Nation's electric power grid.



# Southwestern Power Administration

## Executive Summary

### Mission

Southwestern Power Administration's (Southwestern) mission fulfills the requirements of Section 5 of the Flood Control Act of 1944 by marketing and reliably delivering Federal hydroelectric power, with preference given to public bodies and cooperatives. This is accomplished by 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. As part of the Department of Energy's (DOE) Strategic Plan in the Energy Resources business line, Southwestern's program provides reliable, renewable, and clean hydroelectric power to customers while limiting environmental impacts.

### Goals and Objectives

To perform the Agency's power marketing mission in a manner that maintains the safety of employees and the public, ensures the reliability of the Agency's power system in an evolving electric utility industry, and repays the United States Treasury for the costs associated with the generation and transmission of the power and related services within the time frames established by law and regulation.

Maintenance and operation of Southwestern's transmission system fulfills the requirements of the National Energy Policy to modernize the transmission infrastructure and meet power demands of the Nation's interconnected grid, remove constraints on the transmission system, and promote energy conservation.

### Departmental Goal

Increase global energy security, maintain energy affordability and reduce adverse environmental impacts associated with energy production, distribution, and use by developing and promoting advanced energy technologies, policies and practices that efficiently increase domestic energy supply, diversity, productivity, and reliability.

### Strategic Objective

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

This strategic objective is also the Program Strategic Performance Goal:

**ER9-1:** Ensure Federal hydropower is marketed and delivered while passing the NERC Compliance Ratings, meeting planned repayment targets, and achieving a recordable accident frequency rate at or below our safety performance standard.

**Presidential Initiative**

Consistent with the President’s Management Agenda, Southwestern continues to integrate performance with its budget and has participated in a program assessment with the Office of Management and Budget (OMB) using the Program Assessment Rating Tool (PART), an analytical method used to assess program effectiveness. Southwestern’s PART assessment reflected effective planning and management of the program.

**Strategy**

Southwestern will accomplish its mission, goals and objectives with 178 Federal employees, budget authority of \$28,600,000, and offsetting collections of \$288,000, through four program activities: Operations and Maintenance, Construction, Purchased Power and Wheeling, and Program Direction. In addition, Southwestern will perform reimbursable work activities for Federal entities under the Economy Act of 1932. Non-Federal reimbursable work activities will be performed under the authority proposed in the appropriation language.

**Site Funding and Federal Staffing Profiles**

	(dollars in thousands)		
	FY 2002	FY 2003	FY 2004
Southwestern Power Administration			
Operation and Maintenance .....	3,339	3,814	4,663
Purchased Power and Wheeling <sup>a</sup> .....	1,800	288	288
Construction.....	6,031	6,031	4,732
Program Direction.....	18,649	17,933	19,205
Total Program .....	29,819 <sup>b</sup>	28,066	28,888
Planned Use of Prior Year Balances .....	0	-400	0
Offsetting Collections.....	-1,512	0	0
Offsetting Collections (P. L. 106-377).....	-288	-288	-288
Total, Southwestern Power Administration .....	28,019	27,378	28,600
Federal Full-Time Equivalents.....	177	178	178
Contractor Staffing.....	39	39	39

<sup>a</sup> The total purchased power and wheeling requirements are \$10.6 million, \$11.5 million, and \$9.3 million for FY 2002, FY 2003, and FY 2004 respectively. Of these totals, \$0.3 million, \$0.3 million, and \$1.8 million are funded from alternative financing arrangements with the remainder funded through power receipts (offsetting collections). For additional detail on funding, refer to the Funding Schedule in the Purchased Power and Wheeling section.

<sup>b</sup> Reflects a Congressional rescission of \$19,000 (P.L. 107-206) in Program Direction.

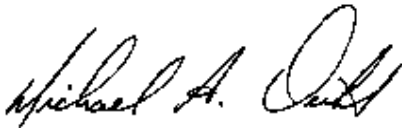
## Major Changes

- Southwestern continues to participate with the regional electric reliability council in the development of a Regional Transmission Organization (RTO) structure which will allow Southwestern to participate and still meet its statutory obligations and mission requirements. One of the impacts of this participation is a greater utilization of non-Federal reimbursable authority to accept advance funding for facility additions/interconnections, maintenance (such as relays, circuit breakers, and disconnect switches), energy imbalance adjustments required by the RTO, and general system upgrades caused by the addition of generation, such as the Kiowa plant in Pittsburgh County, Oklahoma.
- The FY 2004 request continues the use of Federal power receipts to pay for purchased power and wheeling activities to meet a part of its overall purchased power needs and fulfill its Federal 1200-hour peaking power obligations. Southwestern will also continue to use alternative financing arrangements [net billing, reimbursable (customer advances), and bill crediting] for these activities.
- The FY 2004 request proposes to fund U.S. Army Corps of Engineers (Corps) operation and maintenance costs in Southwestern's service area from receipts derived by Southwestern from the sale of Federal power and related services.
- On October 1, 2002, Southwestern implemented a 5.6 percent annual increase in revenues for the Integrated System and a 3.1 percent annual decrease in revenues for the Sam Rayburn Dam project. Robert D. Willis project revenues remained the same. The Secretary of Energy provided interim approval of the rate changes on September 18, 2002, and forwarded them to the Federal Energy Regulatory Commission for final approval.
- By the end of FY 2004, approximately 23 percent of Southwestern's staff will be eligible for retirement. This will impact Southwestern's need for recruitment, relocation, travel, and training requirements to meet the challenges of operating and maintaining the Federal power system to assure reliability, meet the growing demand for power, and to prevent further deterioration of the infrastructure.
- Southwestern has assessed its performance in all five areas (Strategic Management of Human Capital, Expanded Electronic Government, Competitive Sourcing, Improved Financial Performance, and Budget and Performance Integration) of the President's Management Agenda. Southwestern is working with the Office of Management and Budget and DOE in these areas to achieve an overall scorecard rating of 100 percent, "Green."

## Major Sensitivities

- Southwestern is currently a member of a regional electric reliability council and is participating in the formation of RTOs in its marketing area, as required in DOE's National Transmission Grid Study. The two main goals of these organizations are to maintain reliability and remove constraints on the Nation's transmission grid. Southwestern's need to use alternative financing methods, such as net billing, reimbursable (customer advances), and bill crediting, for facility additions, modifications, replacements, maintenance, and interconnections to the Federal transmission facilities, will continue to increase as activity within the regional reliability councils and RTOs increases.

- In recent years, Southwestern has received an increase in requests from other electric entities for improvements and/or interconnections to Southwestern's transmission facilities in order to accommodate the increase in power flows over the Nation's integrated transmission system, of which Southwestern's facilities form an integral part. These requests are usually unexpected, and include substantial costs to Southwestern. Usually the requesting party asks Southwestern to complete its portion of the work within 12 to 18 months. All of Southwestern's associated costs in these instances are the responsibility of the requesting entity. However, Southwestern must have sufficient non-Federal reimbursable authority to accept funds. The FY 2004 request proposes language for permanent authority to accept advances from non-Federal entities to comply with the Federal Energy Regulatory Commission open access requirements, NERC reliability requirements, in supporting the National Energy Policy, and to participate in RTOs.



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Michael A. Deihl, Administrator  
Southwestern Power Administration

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January 24, 2003

Date

# **Southwestern Power Administration**

## **Program Mission**

Southwestern Power Administration's (Southwestern) mission fulfills the requirements of Section 5 of the Flood Control Act of 1944 by marketing and reliably delivering Federal hydroelectric power, with preference given to public bodies and electric cooperatives. This is accomplished by 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. As part of the Department of Energy's (DOE) Strategic Plan in the Energy Resources business line, Southwestern's program provides reliable, renewable, and clean hydroelectric power to customers while limiting environmental impacts.

The Administration's National Energy Policy reinforces the importance of renewable hydroelectric energy by emphasizing its ongoing significant contribution to the Nation's past and future energy supply and Southwestern's "important role in meeting demand" and in supplying hydroelectric power to its customers. The policy also identified the need to repair, maintain, and improve the transmission and generation infrastructure to avoid loss of reliability.

Southwestern's participation with the regional electric reliability council in the development of a Regional Transmission Organization (RTO) reflects Southwestern's role as an integral part of the Nation's interconnected generation and transmission system. As the demand for power and the transmission of power increases on the Nation's power systems, the need to maintain, replace and provide for additions and interconnections to the Federal power system is critical in assuring the reliable delivery of power. Net billing, reimbursable (customer advances), and bill crediting activities will continue with those customers who provide services to Southwestern which benefit all customers who have a stake in assuring a dependable and reliable Federal power system. Southwestern will also use appropriations and alternative financing arrangements to maintain Federal power facilities and power revenues to fund Purchased Power and Wheeling activities. Southwestern's authority to use net billing and bill crediting is inherent in the authority provided by the Flood Control Act of 1944. Southwestern is proposing new appropriation language that will provide permanent authority to accept advances from non-Federal entities to accommodate requests from other utilities for interconnections to Southwestern's transmission system.

Southwestern's budget request is based on average power generation under normal operating conditions. The Continuing Fund presently codified at 16 U.S.C. 825s-1, as amended by Public Law No. 101-101, will continue to be used to defray emergency expenses to insure continuity of electric service and continuous operation of the facilities.

## Program Strategic Performance Goal

**ER9-1:** Ensure Federal hydropower is marketed and delivered while passing the North American Electric Reliability Council's (NERC) Compliance Ratings, meeting planned repayment targets, and achieving a recordable accident frequency rate at or below our safety performance standard.

### Performance Indicators

- System Reliability Performance
- Repayment of Federal Power Investment
- Recordable Accident Frequency Rate

### Annual Performance Results and Targets

FY 2002 Results	FY 2003 Targets	FY 2004 Targets
<p>System Reliability Performance: Achieved a "Pass" on both Control Compliance Standards (CPS) in every month with a CPS-1 average rating of 193 and a CPS-2 average rating of 100. (ER2-5)</p>	<p>Attain average NERC compliance ratings of 100 or higher for Control Performance Standard 1, and 90 or above for Control Performance Standard 2. (ER9-1)</p>	<p>Attain average NERC compliance ratings of 100 or higher for Control Performance Standard 1, and 90 or above for Control Performance Standard 2. (ER9-1)</p>
<p>Repayment of Federal Power Investment: Achieved 95% or above of planned annual repayment contingent on final audited financial statements. (ER2-5)</p>	<p>Meet planned annual repayment of principal on Federal power investment. (ER9-2)</p>	<p>System Reliability Performance: Achieve a System Average Interruption Duration Index (SAIDI) of not more than 150 minutes of total preventable outages per year. (ER9-1)</p> <p>Meet planned annual repayment of principal on Federal power investment. (ER9-1)</p>
<p>Recordable Accident Frequency Rate: Exceeded the 3.3 recordable accident frequency rate by more than 20% with a 5.49 rate. Corrective Action Plan has been developed. (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>	<p>Repayment of Federal Power Investment: Repay the Federal investment within the required repayment period. (ER9-1)</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. (ER9-1)</p>



## **Program Assessment**

The Program Assessment Rating Tool will provide valuable information. Southwestern will work together with DOE and OMB to develop and refine recommendations on measures and targets used to indicate program performance. The annual targets as provided in this budget submission are measurable and reflect performance standards used in the electric utility industry to evaluate performance. Southwestern will continue to achieve its mandate under the law in regard to marketing of Federal power, customer preference, cost recovery, widespread use of the power, and disposition of revenues.

## **President's Management Agenda**

- **Human Capital Initiative:** Southwestern promulgates the Human Capital Initiative by using retention pay, recruitment bonuses and advance in-hire rates to maintain and improve staffing for critical and difficult to fill positions. The Southwestern Leadership Enhancement Program, cross-training assignments and the Mentoring Program are utilized to promote succession planning and are included in the Southwestern Management Succession Plan.
  - Emphasis is continuing to be placed on e-government by utilizing the Corporate Human Resources Information Management System (CHRIS) and Oracle Federal Financial System (Oracle) for payroll support.
  - Southwestern has initiated the process of “cascading” the Administrator’s Performance Measures down to all Managers and Supervisors. Southwestern has delayed and shifted supervisory positions to core and front line positions.
  - Achievement Improvement Measurement Awards are used to encourage productivity through specific performance measures resulting in ongoing program improvement.
  - Southwestern has provided significant contracting officers representative training for contract managers, project managers and financial management personnel.
- **Competitive Sourcing:** Competitive Sourcing is being utilized by Southwestern in the areas of Information Technology, Financial Management, Engineering and Drafting, Administrative Support and Right-of-Way Clearing.
  - Southwestern submitted the Federal Activities Inventory Reform (FAIR) Act information to DOE in April 2002.
  - Southwestern is currently exempt from the A76 process.
- **Improved Financial Performance:** Southwestern is consistently improving Financial Performance as is evidenced by the fact that Oracle meets the requirements prescribed by the Joint Financial Management Improvement Program. This system provides real-time, on-line complete budgetary and financial data.
  - Southwestern met the OMB prescribed year-end accelerated reporting guidelines and Finance and Accounting Centralized Trial Balance Statements (FACTS) submissions for FY 2002.
  - The Federal Managers’ Financial Integrity Act (FMFIA) has required no corrective actions of Southwestern. Southwestern’s Administrator performs an annual Management Control and Financial Management System Review and submits an Assurance Memorandum to the Secretary of Energy each year. Program Managers have participated in a refresher course on the Department of Energy requirements for the Management Control Review.

- Southwestern is in the process of upgrading Oracle to 11i, implementing the Defense Finance Accounting System Time and Attendance System and the CHRIS Paperless Personnel Processing System.
  - Southwestern is pursuing the development of an integrated financial and performance management system.
- Expanding E-Government: Southwestern is consistently expanding E-Government by implementing Information Technology procedures that require a business case for purchasing all hardware or software outside standardized infrastructure products, projected completion of the Southwestern Information Architecture Plan by June 2003, and developing an action plan for implementation of electronic signatures and workflow processes with the existing infrastructure products.
  - Budget and Performance Integration: Beginning in FY 2004, Southwestern's performance is integrated with performance goals and targets. These goals and targets are identified in the OMB Program Assessment Rating Tool (PART). Southwestern is pursuing the development of an integrated financial activity based costing and performance management system.
    - In FY 2003, Southwestern established quantifiable performance measures to assess performance for the entire program. These performance measures crosscut each activity and assess repayment, reliability and safety.

### **Significant Accomplishments (FY 2002)**

- Marketed 5,305 gigawatt hours of energy and associated transmission services with gross revenue of \$104 million. Cumulative repayable Federal investment is estimated to be \$1.1 billion. Cumulative repayment of the principal will be approximately \$517 million, or 46 percent, and \$700 million in interest. Actual repayment amounts are contingent on final audited financial statements.
- Produced 5,475,205,000 kilowatt-hours equating to over \$453 million in National economic benefits. The benefits represent the estimated average annual costs to replace the hydropower generation with thermal generation in Southwestern's marketing area.
- Saved an estimated 2.6 million tons of coal, 9.0 million barrels of oil, or 56 billion cubic feet of gas through hydropower generation.
- Developed and implemented an electronic tagging system that meets NERC's scheduled operational date for electronic support of power control areas and transmission providers.
- Completed a Power Marketing Administration (PMA) Cyber Security Peer Review conducted by subject matter experts from the other PMAs and DOE's Computer Incident Advisory Capability Group. The review included the Supervisory Control and Data Acquisition/Energy Management System (SCADA/EMS) at Southwestern's Control Center which resulted in changes that strengthen the security defenses and deterrents for this critical system. In addition, Cyber Security Program Plans have been updated.
- Continued to actively assess the alternatives and impacts resulting from the establishment of RTOs; worked with the U.S. Army Corps of Engineers (Corps) in maximizing generation capabilities; and assisted various interest groups in balancing power needs with competing water uses.

- Performed annual Power Repayment Studies on Southwestern's three power systems: the Integrated System, Sam Rayburn Dam, and Robert D. Willis Dam. Rates are set to recover all costs, including emergency power purchases, to assure repayment remains on schedule.
- Achieved a debt service coverage ratio of 1.1. The actual ratio is contingent on final audited financial statements.
- Developed a Continuity of Operations Plan which provides for continuation of operations in the event of a catastrophic event.
- Improved the physical security of Southwestern's facilities by updating procedures for visitors, including foreign visitors and deliveries; developed five levels of security response; obtained training to deal with security issues and biohazard concerns; improved internal communications of security staff by use of cell phones; and increased security at Southwestern's Operations Dispatch Center.
- Sustained no reported compromise or loss of unclassified, sensitive business information or information technology equipment.
- Awarded 86 percent of procurements to Small/Disadvantaged Minority-Owned Businesses.
- Achieved a System Average Interruption Duration Index of less than 150 minutes of total preventable system outages.
- Implemented a plan to reduce Southwestern's motor vehicle fleet by 5% by the end of FY 2004.

## Funding Profile

(dollars in thousands)

	FY 2002 Comparable Appropriation	FY 2003 Request	FY 2004 Request	\$ Change	% Change
Southwestern Power Administration					
Operations and Maintenance .....	3,339	3,814	4,663	+849	+22.3%
Purchased Power and Wheeling <sup>a</sup> .....	1,800	288	288	0	0.0%
Construction .....	6,031	6,031	4,732	-1,299	-21.5%
Program Direction .....	18,649	17,933	19,205	+1,272	+7.1%
<b>Total, Southwestern Program Level.....</b>	<b>29,819 <sup>b</sup></b>	<b>28,066</b>	<b>28,888</b>	<b>+822</b>	<b>+2.9%</b>
Use of Prior Year Balances .....	0	-400	0	+400	+-100.0%
Offsetting Collections (P. L. 106-377) .....	-1,800	-288	-288	0	0.0%
<b>Total, Southwestern Power Administration .....</b>	<b>28,019</b>	<b>27,378</b>	<b>28,600</b>	<b>+1,222</b>	<b>+4.5%</b>
Additional net budget authority to cover the cost of fully accruing retirement (non-add).....	(1,045)	(1,066)	(1,228)	(+1.62)	(+15.2%)

### Public Law Authorizations:

Public Law 78-534, Section 5, Flood Control Act of 1944  
 Public Law 95-91, Section 302, DOE Organization Act of 1977  
 Public Law 102-486, Section 721, Energy Policy Act of 1992  
 Public Law 101-101, Title III, Continuing Fund (amended 1989)

<sup>a</sup> The total purchased power and wheeling requirements are \$10.6 million, \$11.5 million, and \$9.3 million for FY 2002, FY 2003, and FY 2004 respectively. Of these totals, \$0.3 million, \$0.3 million, and \$1.8 million are funded from alternative financing arrangements with the remainder funded through power receipts (offsetting collections). For additional detail on funding, refer to the Funding Schedule in the Purchased Power and Wheeling section.

<sup>b</sup> Reflects a Congressional rescission of \$19,000 (P.L. 107-206) in Program Direction.

## Funding by Site

(dollars in thousands)

	FY 2002	FY 2003	FY 2004	\$ Change	% Change
Tulsa Headquarters .....	22,953	8,712	10,116	+1,404	+16.1%
Gore Maintenance Facility.....	0	6,271	7,179	+908	+14.5%
Springfield Dispatch and Maintenance Facility.....	6,866	7,884	7,864	-20	-0.3%
Jonesboro Maintenance Facility .....	0	5,199	3,729	-1,470	-28.3%
Total, Southwestern Program Level .....	29,819	28,066	28,888	+822	+2.9%
Use of Prior Year Balances .....	0	-400	0	+400	+100.0%
Offsetting Collections .....	-1,800	-288	-288	0	0.0%
Budget Authority Southwestern Power Administration .....	28,019	27,378	28,600	+1,222	+4.5%

## Site Description

An Agency of the Department of Energy, Southwestern was created in 1943 to market power and energy produced at Corps hydroelectric power projects. Southwestern markets power at wholesale rates to 78 municipal utilities, 22 rural electric cooperatives, and three government entities in the six states of Arkansas, Kansas, Louisiana, Missouri, Oklahoma, and Texas. To integrate the operation of the Federal hydroelectric generating plants and to transmit power from 24 multi-purpose Corps dams to customers, Southwestern operates and maintains 1,380 miles of high-voltage transmission line, 24 substations<sup>a</sup>, and 46 microwave and very high frequency (VHF) radio sites. Southwestern operates from four locations. The Headquarters is located in Tulsa, Oklahoma and the Dispatch Center is located in Springfield, Missouri. The maintenance crews are located in Jonesboro, Arkansas; Gore, Oklahoma; and Springfield, Missouri.

<sup>a</sup> A switching station was redefined as a substation in FY 2002.



# Operations and Maintenance

## Mission Supporting Goals and Objectives

Southwestern Power Administration's (Southwestern) Operations and Maintenance (O&M) program fulfills the requirements of Section 5 of the Flood Control Act of 1944 and reflects Southwestern's goals and objectives to market and deliver power in a safe and reliable manner while providing environmental and economic benefits to the region, encouraging competition through open access to facilities, and repaying the Federal investment plus interest. The O&M program supports the DOE's Strategic Plan by providing reliable, renewable, and clean hydroelectric power to customers while limiting environmental impacts. The O&M program also supports the President's National Energy Policy by maintaining the reliability of the Federal power facilities, which are part of the Nation's interconnected generation and transmission system. Southwestern continues to focus efforts on the operations and maintenance of the transmission system as a result of the National Energy Policy.

Southwestern's participation in the regional electric reliability council Regional Transmission Organization (RTO) development reinforces Southwestern's role as part of the Nation's interconnected electric grid. As the demand for the transmission of power increases on the Nation's power systems, the need to maintain, replace, and provide for additions and interconnections on the Federal power system is critical in assuring reliable delivery. Net billing, reimbursable (customer advances), and bill crediting activities will continue with those customers who provide services to Southwestern to assure a dependable and reliable Federal power system. Southwestern will also use appropriations and alternative financing arrangements to maintain Federal power facilities, which are critical in fulfilling Southwestern's role. Southwestern's authority to use net billing and bill crediting is inherent in the authority provided by the Flood Control Act of 1944. Southwestern is proposing new appropriation language that will provide permanent authority to accept advances from non-Federal entities to accommodate requests from other utilities for interconnections to Southwestern's transmission system.

Southwestern's facilities, which were built some 60 years ago, are constantly evaluated through the Maintenance Management Information System (MMIS), a systematic maintenance program. Data from the MMIS (age, risk of failure, life cycle of equipment), field crew evaluation, obsolescence of technology, and lack of replacement parts are all variables used in determining the level of funding required for a fiscal year. This budget submission reflects Southwestern's assessment of the funding required to assure continued reliability of the Federal power system by replacing aging equipment and removing constraints which would impede power flows, thus meeting the expectations of the President's National Energy Policy.

The O&M program includes Power Marketing, Operations, and Maintenance activities. Power Marketing provides for technical and economic studies to support Southwestern's transmission planning, water resources, communications, and maintenance activities. Technical and economic studies provide data to analyze and evaluate the impacts of proposed operational changes and for making decisions based on cost/benefit analysis.

The Operations activity provides for software and hardware maintenance support, field operational telecommunications, upgrades, routine communications support of the Supervisory Control and Data Acquisition/Energy Management System (SCADA/EMS), and other associated communication activities. The SCADA/EMS, transmission lines, substations, and communication facilities have been identified as critical infrastructure by the DOE. In addition, environmental, safety, and health program activities are included in Operations. The environmental activities include hazardous waste disposal,

monitoring equipment, environmental assessments, and contractor support. Health and safety activities include regulatory compliance, aviation safety, and industrial hygiene.

The Maintenance activity provides for routine maintenance of the transmission facilities. Activities are divided into substation, transmission, and communication tower maintenance, cyber and facility security, right-of-way (ROW) clearing, aerial line patrols, diagnostic testing, utilities, and general building maintenance.

Southwestern’s Annual Performance Results and Targets are reflective of the whole program and are included in the “Program Mission” Section.

### Funding Schedule

(dollars in thousands)

	FY 2002	FY 2003	FY 2004	\$ Change	% Change
Operations and Maintenance					
Power Marketing .....	902	374	350	-24	-6.4%
Operations .....	474	1,299	2,027	+728	+56.0%
Maintenance .....	1,963	2,141	2,286	+145	+6.8%
<b>Total, Operations and Maintenance .....</b>	<b>3,339</b>	<b>3,814</b>	<b>4,663</b>	<b>+849</b>	<b>+22.3%</b>

### Detailed Program Justification

(dollars in thousands)

	FY 2002	FY 2003	FY 2004
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**Power Marketing .....** **902**      **374**      **350**

Power marketing includes technical and economic studies for transmission planning activities. Such studies include protective relaying, communication, maintenance, and system modifications.

▪ **Technical and Economic Studies .....** **567**      **374**      **350**

Mandatory transmission planning studies are performed annually. The National Energy Policy identified parts of the Nation’s integrated electric grid as having constraints, which could impede power flows. Studies will continue to be conducted to assure any constraints on Southwestern’s system are removed or eliminated. The funding level is appropriate for the average number of studies required per year, which operationally impact how Southwestern markets and delivers power. Also included are regional electric reliability council membership fees as required for Southwestern’s participation in the regional reliability organization and the development of the regional electric reliability council RTO. Estimate is derived from the negotiated architect/engineering (A/E) and other contracts. Decrease in funding reflects a reduction in the number of studies to be performed from outside A/E services.



<b>Environmental Program</b> .....	<b>335</b>	<b>0</b>	<b>0</b>
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Environmental activities include waste disposal/clean-up of oil and polychlorinated biphenyl (PCB) contaminants from old circuit breakers and transformers; environmental assessments for threatened and endangered species; property transfers; and wetland assessments; environmental library access; Toxic Substance Control Act and Resource Conservation Recovery Act compliance; and contractor services. Beginning in FY 2003, this activity is funded in the Environment, Safety and Health Program.

<b>Operations</b> .....	<b>474</b>	<b>1,299</b>	<b>2,027</b>
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Operations include costs for transmission operations communication activities associated with the dispatch and delivery of power, the environmental, safety, and health program, and other transmission activity costs.

<b>Communications</b> .....	<b>406</b>	<b>735</b>	<b>1,286</b>
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The communication activities include the purchase of supplies and materials, digital test equipment, field telecommunications, technical support, repair and purchase of system modules, and equipment. Also included are SCADA support activities such as maintenance agreements, workstations, and software and hardware upgrades. Upgrades are required as Southwestern meets the goals of the National Energy Policy by replacing deteriorating infrastructure to assure reliability, and continues to actively participate in the regional electric reliability council RTO development. Estimates for upgrade requirements are based on projected hardware and software replacement costs to implement security measures and meet the demands of the changing electric utility industry. The funding level for communications maintenance is derived from maintenance history, the age of the equipment, expected life span, annual diagnostic maintenance tests, and historical price information. Increase in funding is due to escalating costs for non-voice communications, information technology maintenance contracts, and field service agreements.

<b>Environmental, Safety and Health Program</b> .....	<b>0</b>	<b>365</b>	<b>593</b>
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These estimated amounts provide funding for environmental activities including waste disposal/clean-up of oil and polychlorinated biphenyl contaminants from old circuit breakers and transformers; environmental assessments for threatened and endangered species; property transfers; and wetland assessments; environmental library access; Toxic Substance Control Act and Resource Conservation Recovery Act compliance; and contractor services. In addition, a comprehensive environmental program assessment will be performed to review National Environmental Policy Act processes to determine deficiencies, needs, and provide recommendations. The Safety and Health Program activities include funding for Occupational Safety and Health Administration compliance, aviation safety, and industrial hygiene, medical examinations, medical officer, wellness program, safety equipment, and first aid supplies. Increase in funding is due to a requirement to perform a comprehensive environmental program assessment and additional efforts to dispose of hazardous waste.

▪ <b>Other Transmission Activities .....</b>	<b>68</b>	<b>199</b>	<b>148</b>
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These estimates provide funding for field utility costs for substations and microwave sites, and the day-to-day expenses of the Dispatch Center. Decrease is due to a reduction in Dispatch Center maintenance and utility costs.

<b>Maintenance .....</b>	<b>1,963</b>	<b>2,141</b>	<b>2,286</b>
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Maintenance provides for routine repair, maintenance, and improvement of Southwestern's 24 substations and 1,380 miles of high-voltage transmission lines and assures power is reliably and safely delivered to customers.

▪ <b>Substation Maintenance .....</b>	<b>729</b>	<b>907</b>	<b>1,148</b>
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Maintenance estimates are based on data in the MMIS, which provides the age and condition of the existing equipment resulting in projection of maintenance intervals. Estimates are calculated on age plus risk and number of units times the maintenance price per unit. Work includes purchase and installation of revenue meters and electrical equipment such as battery chargers, batteries, current transformers, potential transformers, relay test equipment, circuit breaker test equipment and essential general maintenance projects to maintain system reliability as required by Southwestern's participation as a member of the regional electric reliability council RTO. Also included is funding for maintaining and updating system drawings. The increased funding reflects Southwestern's efforts to maintain reliability of the power system while accommodating increased loads on the Federal power facilities resulting from interconnections and open access requests from other utilities. Increase in funding is due to replacement of aging relay test equipment and lease of circuit breaker test equipment.

▪ <b>Transmission Line Maintenance .....</b>	<b>1,234</b>	<b>1,234</b>	<b>1,138</b>
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In the ROW Clearing Program, review of the vegetation growing cycle in Southwestern's geographical area has shown that the mechanical reclearing of brush and trees in a 3-4 year cycle is needed to avoid power outages. This has become even more critical in the past 3 years due to the deregulation of electricity which has caused heavier transmission line loading resulting in increased sagging of the transmission lines. The lower sag creates the potential for contact with the vegetation below requiring the need to be more aggressive in the frequency of cutting the floor and sides of the ROW. Southwestern has begun an aggressive herbicide treatment program in addition to reclearing to eliminate undesirable vegetation and extend the reclearing cycle to reduce costs in the out years. The funding estimate is to provide for 300 miles of vegetation control annually including reclearing of the ROW floor, side clearing and 100 miles of herbicide application. Decrease in funding is due to a reduction in the number of miles of vegetation control and herbicide application.

Plans also include the purchase of 20 steel structures and 20 wood structures complete with crossarms and braces and the performance of routine vehicle repair and maintenance. The estimate for steel and wood structures is based on data from the Overhead Transmission Maintenance System (OTMS) program. Through the use of the OTMS, the number of units (poles, crossarms, insulators) to be replaced, age of such units, and testing criteria is predetermined, enabling extraction of this

information at any given period of time. The funding estimate is calculated on historical average crew production, condition of the maintenance equipment, and utilization of contractor service and equipment. The funding level is appropriate for the number of structures and components to be purchased as set forth by Southwestern's maintenance plans to meet the goals of the National Energy Policy to maintain a reliable transmission system.

<b>Total, Operations and Maintenance .....</b>	<b>3,339</b>	<b>3,814</b>	<b>4,663</b>
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### Explanation of Funding Changes

FY 2004 vs. FY 2003 (\$000)
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**Power Marketing**

- Decrease in funding reflects a reduction in the number of technical and economic studies being performed by outside A/E support. The same level of effort is being performed, but with current in-house expertise. -24

**Operations**

- Increase in funding is due to non-voice data communications, maintenance and information technology maintenance agreements (+\$551,000), a comprehensive environmental program assessment and hazardous waste disposal (+\$228,000), and a decrease in building maintenance and field utility costs (-\$51,000) +728

**Maintenance**

- Increase in funding reflects the replacement of aging relay test equipment (+\$180,000), a lease of circuit breaker test equipment (+\$61,000), and a reduction in the number of miles of vegetation control and herbicide application (-\$96,000). +145

<b>Total Funding Change, Operation and Maintenance.....</b>	<b>+849</b>
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# Purchased Power and Wheeling

## Mission Supporting Goals and Objectives

Southwestern Power Administration's (Southwestern) Purchased Power and Wheeling (PPW) program provides for the purchase of energy to meet limited peaking power contractual obligations. Southwestern's contracts provide only for 1200 hours of peaking power per year, a portion of its customers' firm load requirements. Such purchases are blended with the available Federal hydroelectric power and energy to make a more valuable and reliable product to sell and assure repayment of the Federal investment. The customers provide their own resources and/or purchases for the remainder of their firm loads. This program also provides for wheeling services to deliver Federal power.

The reduced level of energy banking available from other electric utilities requires Southwestern to continue to use alternative financing to fund power deliveries in FY 2004. Southwestern will continue to use power receipts and other resources to pay for the purchase of power and wheeling activities to meet a part of its overall purchased power activities. Southwestern will also continue to use net billing and reimbursable authority (customer advances) to help fund the remainder of this program. Bill crediting will be used with those customers funding activities which benefit all customers. These multiple sources of funding provide Southwestern a variety of purchase sources to meet its limited peaking power contractual obligations economically in the event any one source is inadequate.

Southwestern's Annual Performance Results and Targets are reflective of the whole program and are included in the "Program Mission" Section.

## Funding Schedule

	(dollars in thousands)				
	FY 2002	FY 2003	FY 2004	\$ Change	% Change
Purchased Power and Wheeling					
System Support Activities					
Purchased Power .....	4,528	5,300	3,700	-1,600	-30.2%
Power Losses .....	2,400	2,700	3,300	+600	+22.2%
Other Contractual Activities					
Wheeling.....	2,360	3,500	3,600	+100	+2.9%
Subtotal, Purchased Power and Wheeling....	9,288	11,500	10,600	-900	-7.8%
Alternative Financing – Reimbursable Authority (customer advances), Net Billing, Bill Crediting					
Purchased Power .....	-2,788	-5,072	-3,472	+1,600	+31.5%
Power Losses .....	-2,400	-2,700	-3,300	-600	-22.2%
Wheeling.....	-2,300	-3,440	-3,540	-100	-2.9%
Subtotal, Alternative Financing.....	-7,488	-11,212	-10,312	+900	+8.0%
Subtotal, Purchased Power and Wheeling....	1,800	288	288	0	0.0%
Offsetting Collections .....	-1,800	-288	-288	0	0.0%
Total, Purchased Power and Wheeling Budget Authority .....	0	0	0	0	0.0%

## Detailed Program Justification

(dollars in thousands)

FY 2002	FY 2003	FY 2004
---------	---------	---------

<b>System Support Activities .....</b>	<b>6,928</b>	<b>8,000</b>	<b>7,000</b>
--	--------------	--------------	--------------

System support activities assure that all limited peaking power obligations for purchased power demands are met, thus, assuring repayment of the Federal investment plus interest. In addition, energy purchases must be provided for replacement of transmission line losses associated with the delivery of non-Federal power over the Federal transmission system as required under Federal Energy Regulatory Commission (FERC) Order 888. Southwestern will continue to deliver limited peaking power and provide for power losses through power purchases. Decrease in funding is due to a reduction in the availability of alternative financing arrangements.

<ul style="list-style-type: none"> <li>▪ <b>Purchased Power.....</b></li> </ul>	<b>4,528</b>	<b>5,300</b>	<b>3,700</b>
---	--------------	--------------	--------------

Alternative financing (\$3,472,000), and revenues from the sale of Federal electric power (\$228,000) will provide for power purchases. The estimate reflects highly variable market prices, reduced banked energy, and less customer participation in alternative financing arrangements.

<ul style="list-style-type: none"> <li>▪ <b>Power Losses.....</b></li> </ul>	<b>2,400</b>	<b>2,700</b>	<b>3,300</b>
--	--------------	--------------	--------------

Alternative financing will provide for increased power losses due to an increase in the transmission of non-Federal power.

<b>Other Contractual Activities.....</b>	<b>2,360</b>	<b>3,500</b>	<b>3,600</b>
--	--------------	--------------	--------------

Other contractual activities provide for wheeling services associated with the purchase of transmission service to meet limited peaking power obligations and for the integration of projects for the delivery of Federal power.

<ul style="list-style-type: none"> <li>▪ <b>Wheeling .....</b></li> </ul>	<b>2,360</b>	<b>3,500</b>	<b>3,600</b>
---	--------------	--------------	--------------

Southwestern will continue using alternative financing methods such as net billing, reimbursable authority (customer advances), bill crediting (\$3,540,000) and revenues from the sale of Federal electric power (\$60,000) to meet wheeling requirements. Increase is due to projected cost increases for wheeling services. Estimates are based on contractual pricing and delivery terms.

<b>Alternative Financing – Reimbursable Authority (Customer Advances), Net Billing, Bill Crediting.....</b>	<b>-7,488</b>	<b>-11,212</b>	<b>-10,312</b>
▪ <b>Purchased Power .....</b>	<b>-2,788</b>	<b>-5,072</b>	<b>-3,472</b>
Alternative financing methods reflect highly variable market prices for purchased power, reduced energy banking, and less customer participation in alternative financing arrangements in FY 2004. Funding estimates are based on assumed customer and supplier participation in alternative financing arrangements.			
▪ <b>Power Losses.....</b>	<b>-2,400</b>	<b>-2,700</b>	<b>-3,300</b>
Increase in alternative methods of financing for power losses is required due to the escalating transmission of non-Federal power.			
▪ <b>Wheeling .....</b>	<b>-2,300</b>	<b>-3,440</b>	<b>-3,540</b>
Increase in alternative methods of financing for wheeling is required due to the escalating costs for wheeling services. Estimates are based on assumed customer and supplier participation in alternative financing arrangements.			
<b>Offsetting Collections.....</b>	<b>-1,800</b>	<b>-288</b>	<b>-288</b>
Use of power sales receipts to fund purchased power and wheeling requirements.			
<b>Total, Purchased Power and Wheeling.....</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Explanation of Funding Changes

FY 2004 vs. FY 2003 (\$000)
-----------------------------------

**System Support Activities**

- |  |        |
|--|--------|
| ▪ Decrease in system support is due to power losses and reduced availability of energy banks ..... | -1,000 |
|--|--------|

**Other Contractual Activities**

- |  |      |
|--|------|
| ▪ Increase in contractual pricing and delivery terms for wheeling services ..... | +100 |
|--|------|

**Alternative Financing – Reimbursable Authority (Customer Advances), Net Billing, Bill Crediting**

- |   |      |
|---|------|
| ▪ Southwestern’s alternative financing estimate results from highly variable market prices for purchased power and availability of offsetting collections ..... | +900 |
|---|------|

**Offsetting Collections**

- |  |  |   |
|--|--|---|
| ▪ Use of offsetting collections remains at the same level as the previous year ..... | <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; text-align: right;">0</td> </tr> </table> | 0 |
| 0  |  |   |

<b>Total Funding Change, Purchased Power and Wheeling .....</b>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black; text-align: right;"><b>0</b></td> </tr> </table>	<b>0</b>
<b>0</b>		



# **Construction**

## **Mission Supporting Goals and Objectives**

Southwestern Power Administration's (Southwestern) Construction program fulfills the requirements of Section 5 of the Flood Control Act of 1944 and reflects Southwestern's goals and objectives to market and deliver power in a safe and reliable manner while providing environmental and economic benefits to the region, encouraging competition through open access to facilities, and repaying the Federal investment plus interest. This activity also supports the Department of Energy's (DOE) Strategic Plan by providing reliable, renewable, and clean hydroelectric power to customers while limiting environmental impacts and supports the National Energy Policy in maintaining reliability of Federal power facilities which are part of the Nation's interconnected generation and transmission system.

Southwestern's participation in the regional electric reliability council Regional Transmission Organization (RTO) development reinforces Southwestern's role as an integral part of the Nation's interconnected generation and transmission system. As the demand for power and the transmission of power increases on the Nation's power systems, the need to maintain, replace, and provide for additions and interconnections on the Federal power system is critical in assuring the reliable delivery of power. Net billing, reimbursable (customer advances), and bill crediting activities will continue with those customers who provide services to Southwestern which benefit all customers who have a stake in assuring a dependable and reliable Federal power system. Southwestern will also continue to use appropriations and alternative financing to maintain Federal power facilities. Southwestern's authority to use net billing and bill crediting is inherent in the authority provided by the Flood Control Act of 1944. Southwestern is proposing new appropriation language that will provide permanent authority to accept advances from non-Federal entities to accommodate requests from other utilities for interconnections to Southwestern's transmission system.

The Construction program provides for modification and replacement of transmission, substation, switching and communication facilities, and other power system equipment. This enables Southwestern to market Federal hydropower in the most reliable, efficient, and cost effective manner to meet operational criteria required as a member of the regional electric reliability council, and to avoid transmission infrastructure deterioration.

Substation and communication equipment replacements are planned as needed to assure system reliability. The projects reflect Southwestern's efforts to reduce the risk of more frequent and extended service outages, avoid more costly replacements in the future, and support the increased transmission system usage. System age, risk of equipment failure, life cycles, maintenance crew observations, obsolescence of technology, unavailability of replacement parts, budget constraints, cost, and need for more capacity are all variables that are assessed when determining the requirements of the Construction program.

Southwestern's planned Construction projects are subject to change based on unanticipated equipment failure, customer needs, and weather conditions. The realities of maintaining a complex interconnected power system means unforeseen priority projects will arise from time to time causing a reprioritization of planned projects. All projects share the commonality of replacing aging and deteriorating equipment necessary to maintain the reliability of the Federal power system.

Southwestern's Annual Performance Results and Targets are reflective of the whole program and are included in the "Program Mission" Section.

## Funding Schedule

(dollars in thousands)

	FY 2002	FY 2003	FY 2004	\$ Change	% Change
Construction					
Transmission System Replacements.....	5,581	5,450	4,627	-823	-15.1%
Capital Equipment Not Related to Construction .....	450	581	105	-476	-81.9%
<b>Total, Construction .....</b>	<b>6,031</b>	<b>6,031</b>	<b>4,732</b>	<b>-1,299</b>	<b>-21.5%</b>

## Detailed Program Justification

(dollars in thousands)

FY 2002	FY 2003	FY 2004
---------	---------	---------

**Transmission System Replacements .....** **5,581**    **5,450**    **4,627**

Construction projects are planned to assure system reliability by replacing aging and deteriorating equipment and removing constraints which limit power flows.

▪ **Substation Equipment Replacements .....** **120**    **137**    **332**

Funding for this activity includes drafting and facility design for remote terminal units (RTUs), substation metering, and control switches. Increase in funding is due to an escalation in these activities to actively participate in the regional electric reliability council RTO development.

▪ **Communication Equipment Replacements .....** **5,461**    **5,313**    **4,295**

Communication equipment replacements are planned to provide improved system reliability and reduce future maintenance and equipment costs. This includes installation of 117 miles of optical ground wire (OPGW), construction of microwave towers, design/supply of 113 miles of OPGW and sitework at two communication facilities. Decrease in funding is due primarily to a reduction in communication equipment replacements planned for this year.

**Capital Equipment Not Related to Construction.....** **450**    **581**    **105**

This activity includes the replacement of vehicles, tractor-trailers, and heavy equipment used for maintenance and repair of transmission system and facilities. The funding level is based on General Services Administration (GSA) and DOE usage and replacement guidelines and the type of specialized equipment needed to maintain 1,380 miles of transmission line. Estimates are derived from GSA pricing schedules. Decrease in funding requested is due to the need to replace only 3 special purpose vehicles. These vehicles far exceed their useful lives and are requiring high levels of maintenance, which results in loss of productivity.

**Total, Construction .....** **6,031**    **6,031**    **4,732**

## Explanation of Funding Changes

FY 2004 vs FY 2003 (\$000)
----------------------------------

### Transmission System Replacements

Overall decrease represents a reduction in communication equipment replacements (-\$1,018,000) and an increase in drafting and facility design for relays, RTUs, and disconnect switches (+\$195,000).

-823

### Capital Equipment Not Related to Construction

- Decrease in funding due to the number and type of vehicles being replaced..... -476

**Total Funding Change, Construction** ..... **-1,299**



# **Program Direction**

## **Mission Support Goals and Objectives**

Southwestern Power Administration's (Southwestern) Program Direction program fulfills the requirements of Section 5 of the Flood Control Act of 1944 and reflects Southwestern's goals and objectives to market and deliver power in a safe and reliable manner to 103 customers and ultimately 7 million end users. This is accomplished while providing environmental and economic benefits to the region, encouraging competition through the cost of electric energy and open access to facilities, and repaying the Federal investment plus interest. This program supports Southwestern's Organization 2000 Plus Initiative and Department of Energy's (DOE) 5-year Restructuring Plan to reduce costs, streamline the organization, and provide for salaries and benefits, travel, support services, and other related expenses. This program also supports the DOE's Strategic Plan by providing reliable, renewable, and clean hydroelectric power to customers while limiting environmental impacts and supports the National Energy Policy in maintaining reliability of Federal power facilities, which are part of the Nation's interconnected generation and transmission system.

Southwestern's Program Direction provides compensation and all related expenses for 178 Federal personnel who operate and maintain Southwestern's high-voltage power system and associated facilities including the critical Supervisory Control and Data Acquisition/Energy Management System (SCADA/EMS) and plan, design, and supervise the construction of replacements, upgrades, and additions (capital investments) to the power system facilities. Personnel who negotiate and administer power marketing contracts, develop wholesale power rates to repay the Federal investment, develop and implement operational arrangements with competing water users, schedule and deliver power to preference customers, bill and invoice customers, assure facility and cyber security, and provide for administration and management are also included. These employees include, but are not limited to electrical, electronic, and civil engineers; high-voltage linemen and electricians; power system dispatchers; public utilities specialists; information technology specialists; environmental and safety specialists; security specialists; certified public accountants; certified Government financial managers; and other support staff. Seventy percent of Southwestern's staffing budget is directed toward front-line employees performing marketing, operations, and maintenance of the transmission system rather than administrative/management functions.

These positions are critical to Southwestern's role as an integral part of the Nation's interconnected electric grid. By the end of FY 2003, approximately 23 percent of Southwestern's staff will be eligible for retirement. This will impact Southwestern's need for recruitment, relocation, travel, and training requirements to meet the challenges of operating and maintaining the Federal power system to assure reliability, meet the growing demand for power, and the need to avoid further deterioration of the infrastructure as specified within National Energy Policy goals and Southwestern's statutory requirements.

Southwestern will continue to share facilities and administrative services with another DOE office at Southwestern's Tulsa Headquarters facility. The arrangement continues to be cost efficient and beneficial for both offices.

The investment in support services continues to assure program support for Southwestern in the areas of records management, public affairs, computer programming, data processing, cyber security, computer software, accounting, and word processing. Other related expenses support Southwestern in the areas of space rental, security, administrative telecommunications, printing, training, supplies, materials, non-capitalized equipment, maintenance of office equipment, diversity programs, and support services provided by the Power Marketing Liaison Office.

Southwestern’s Annual Performance Results and Targets are reflective of the whole program and are included in the “Program Mission” Section.

### Funding Schedule

	(dollars in thousands)				
	FY 2002	FY 2003	FY 2004	\$ Change	% Change
Program Direction					
Salaries and Benefits .....	14,308	14,389	15,487	+1,098	+7.6%
Travel.....	635	620	635	+15	+2.4%
Support Services .....	1,915	1,644	1,533	-111	-6.8%
Other Related Expenses .....	1,791	1,280	1,550	+270	+21.1%
<b>Total, Program Direction .....</b>	<b>18,649 <sup>a</sup></b>	<b>17,933</b>	<b>19,205</b>	<b>+1,272</b>	<b>+7.1%</b>
Additional net budget authority to cover the cost of fully accruing retirement (non-add).....	(1,045)	(1,066)	(1,228)	(+162)	(+15.2%)
<b>Full-time Equivalents (FTE).....</b>	<b>177</b>	<b>178</b>	<b>178 <sup>b</sup></b>	<b>0</b>	<b>0.0%</b>

<sup>a</sup> Reflects Southwestern’s \$19,000 allocation of the travel and administrative rescission per the FY 2002 Supplemental Appropriations Act for Further Recovery From and Response to Terrorist Attacks on the United States, (P.L. 107-206).

<sup>b</sup> Out year FTE levels may be higher than 178 FTE. Usage projections for the out years will be determined based on industry restructuring requirements. This will result in a continued policy to ensure that staffing levels are adequate to maintain a safe and reliable Federal transmission system.

## Detailed Program Justification

(dollars in thousands)

FY 2002	FY 2003	FY 2004
---------	---------	---------

**Salaries and Benefits..... 14,308 14,389 15,487**

Funding in this activity is for 178 skilled Federal employees who market the Federal hydropower, operate and maintain Southwestern’s high-voltage interconnected power system and associated facilities, and provide administrative support. Seventy percent of Southwestern’s staffing budget is directed toward front-line employees performing marketing, operations, and maintenance of the transmission system rather than administrative/management functions. The salary estimate is derived from the current year budgeted salaries, plus cost-of-living adjustments, promotions, within grade increases, and any FTE change. Benefits are calculated based on a percentage of prior year actuals as applied against FY 2004 calculated salaries. The FY 2004 level supports 178 FTE of which 45 percent of the salaries are driven by union contract requirements and regional pay surveys. The other 55 percent is a function of the President’s proposed salary increases. Also included in this activity is overtime, awards, and workers compensation.

**Travel..... 635 620 635**

Estimate includes transportation and per diem incurred in the operation and maintenance of Southwestern’s geographically dispersed power system and the performance of general administrative functions. Estimate is derived from the daily requirement of the field maintenance personnel to maintain 1,380 miles of transmission line, 24 substations, communication equipment, supervisory control and data acquisition network. Travel related to participation in the regional electric reliability council Regional Transmission Organization (RTO) and travel related to training for new employees resulted in a slight increase in this area.

**Support Services..... 1,915 1,644 1,533**

Expenses for management support services include information technology (IT) and clerical/records management support. Estimate is derived from the most recent negotiated contract amount for support services essential to Southwestern’s mission. Funding level is based on the critical and essential computer based systems needed at Southwestern and basic clerical and records management support. Decrease reflects the Agency goal to reduce administrative, non-direct program expenses and focus on direct infrastructure protection.

<b>Other Related Expenses .....</b>	<b>1,791</b>	<b>1,280</b>	<b>1,550</b>
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Estimate includes: space rental; office equipment, such as copiers, printers, and related maintenance; paper; training tuition fees; administrative software, hardware, and related maintenance; contract services for the financial audit; headquarters cyber and facility security; public affairs; janitorial services and parking; administrative telecommunications and mail services; diversity recruitment advertising and the Historically Black Colleges and Universities program; and services of the Power Marketing Liaison Office. Estimate is based on Southwestern’s training plan, age of equipment, comparative vendor estimates, escalation based on contract terms, and square footage. Increase is due to escalating costs of DOE’s working capital fund, facility security needs, training for new employees, the financial audit, lease of Tulsa facility, IT upgrades and supplies, and mail services.

<b>Total, Program Direction .....</b>	<b>18,649</b>	<b>17,933</b>	<b>19,205</b>
---------------------------------------	---------------	---------------	---------------



## Explanation of Funding Changes

FY 2004 vs. FY 2003 (\$000)
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### Salaries and Benefits

- Increase in salaries and benefits represents a 2.4% cost of living increase and within grade increases for General Schedule employees, a 5.0% increase for power system dispatchers, a 4.0% increase for power system maintenance crews (+\$1,018,420), an increase for awards due to the Department of Energy’s Cascading Performance Management Plan (\$40,000), and an increase in funding for relocations due to anticipated Federal retirements (+\$40,000).....
 +1,098

### Travel

- The increase in travel is due to anticipated travel requirements related to SPP/RTO and travel related to training of new employees.....
 +15

### Support Services

- Management support services for clerical/records management has been reduced in order to continue to support higher priority IT cyber security activities.....
 -111

### Other Related Expenses

- Training increased due to need to train new employees and provide training on security and biohazard concerns.....
 +25
- Printing and reproduction reflects a slight increase in the printing of procurement solicitations and publications due to inflationary costs .....
 +6
- Space rental cost increased due to the terms of the negotiated lease for the Tulsa facility
 +94
- Other administrative costs increased due to DOE’s escalating working capital fund support assessed through the Power Marketing Liaison Office (+\$55,000), increase in facility security (+\$19,600), IT upgrades and supplies (+\$14,200), mail services (+\$31,660), and the financial audit (+\$25,000).....
 +145

Subtotal Funding Changes, Other Related Expenses ..... +270

**Total Funding Change, Program Direction ..... +1,272**

## Support Services

(dollars in thousands)

	FY 2002	FY 2003	FY 2004	\$ Change	% Change
Technical Support Services .....	115	0	0	0	0.0%
Management Support Services .....	1,800	1,644	1,533	-111	-6.8%
<b>Total, Support Services .....</b>	<b>1,915</b>	<b>1,644</b>	<b>1,533</b>	<b>-111</b>	<b>-6.8%</b>

## Other Related Expenses

(dollars in thousands)

	FY 2002	FY 2003	FY 2004	\$ Change	% Change
Training .....	96	40	65	+25	+62.5%
Printing and Reproduction .....	93	36	42	+6	+16.7%
Rental Space .....	546	560	654	+94	+16.8%
Other .....	1,056	644	789	+145	+22.5%
<b>Total, Other Related Expenses .....</b>	<b>1,791</b>	<b>1,280</b>	<b>1,550</b>	<b>+270</b>	<b>+21.1%</b>

**DEPARTMENT OF ENERGY  
SOUTHWESTERN POWER ADMINISTRATION  
FY 2004 CONGRESSIONAL BUDGET**

**REVENUES AND RECEIPTS**

	(dollars in thousands)						
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Gross Revenues							
Sale and Transmission of Electric Energy .....	106,694	108,200	116,700	117,200	117,400	119,600	121,900
Total, Gross Revenues .....	106,694	108,200	116,700 <sup>a</sup>	117,200	117,400	119,600	121,900
Net Billing Credited as an Offsetting Receipt.....	-15,564	-18,112	-24,480	-26,451	-27,777	-29,078	-30,366
Offsetting Collections Realized, Purchased Power and Wheeling .....	-1,800	-288	-288	0	0	0	0
Offsetting Collections Realized, Corps of Engineers' O&M/R....	0	-51,000	-42,500	-56,000	-55,000	-52,000	-53,000
Total Proprietary Receipts.....	89,330	38,800	49,432	34,749	34,623	38,522	38,534
Percent of Sales to Preference Customers .....	100	100	100	100	100	100	100
Energy Sales and Power Marketed (billion kilowatt hours)	5.5	5.5	5.5	5.5	5.4	5.4	5.4

<sup>a</sup> Reflects increased revenues from the use of Southwestern's transmission system by others consistent with FERC's Open Access initiatives.

**DEPARTMENT OF ENERGY  
SOUTHWESTERN POWER ADMINISTRATION  
FY 2004 CONGRESSIONAL BUDGET**

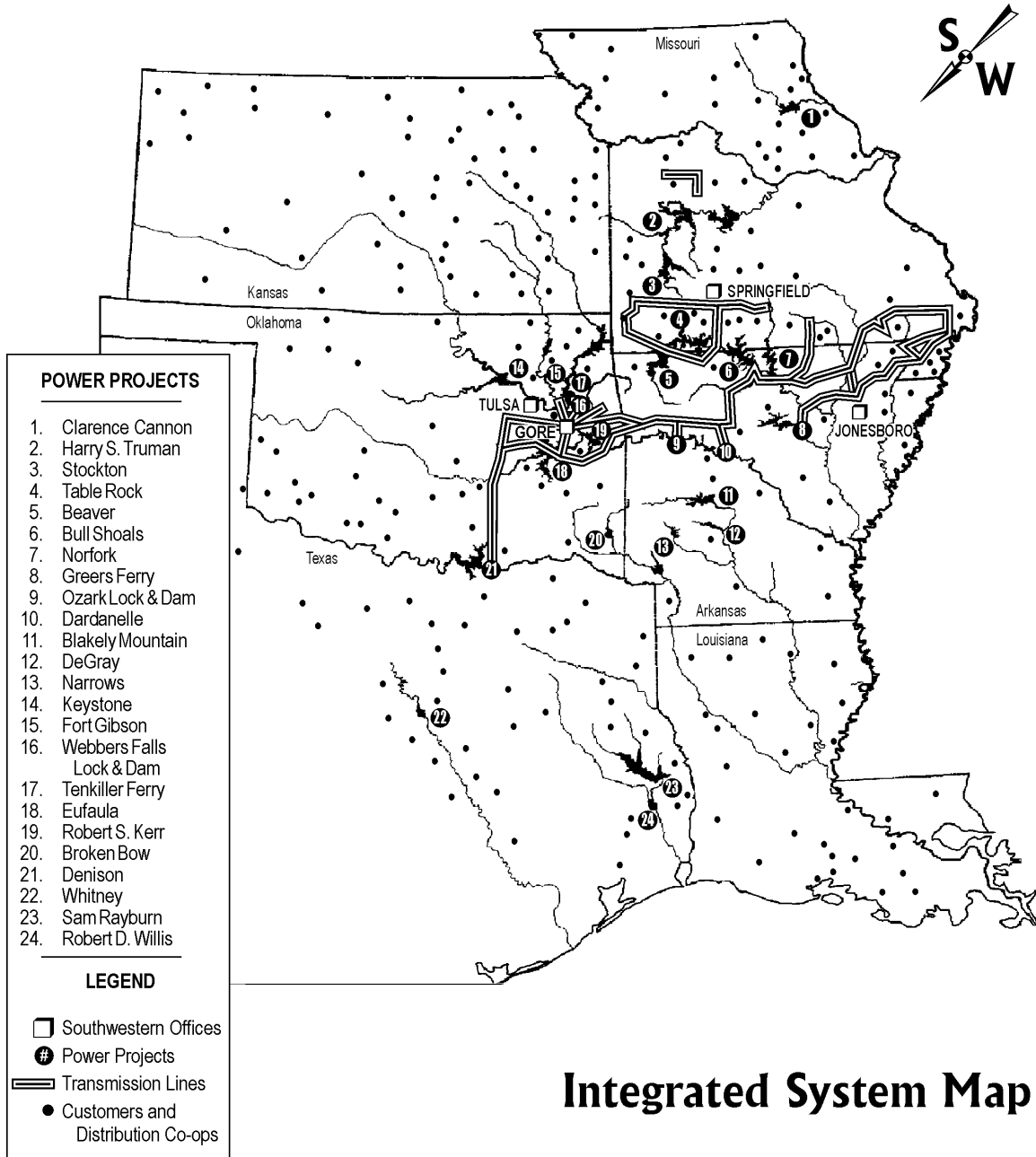
**SYSTEM STATISTICS**

	FY 2002 Actual	FY 2003 Estimate	FY 2004 Estimate
Generating Capacity (kilowatts)			
Installed Capacity .....	2,181,800	2,181,800	2,181,800
Peak Capacity .....	2,052,500	2,052,500	2,052,500
Generating Stations			
Generating Projects (Number) .....	24	24	24
Substations/Switchyards (Number).....	24	24	24
Substations/Switchyards (kVA Capacity).....	1,026,900	1,026,900	1,026,900
Available Energy (Megawatt hours)			
Energy Generated .....	5,475,205	5,283,600	5,283,600
Energy Received .....	7,805	176,300	176,200
Total, Energy Available for Marketing.....	<u>5,483,010</u>	<u>5,459,900</u>	<u>5,459,800</u>
Transmission Lines (Circuit-Miles)			
161-KV .....	1,117	1,117	1,117
138-KV .....	164	164	164
69-KV .....	99	99	99
Total, Transmission Lines.....	<u>1,380</u>	<u>1,380</u>	<u>1,380</u>

**DEPARTMENT OF ENERGY  
SOUTHWESTERN POWER ADMINISTRATION  
FY 2004 CONGRESSIONAL BUDGET**

**SYSTEM MAP**

**Southwestern Power Administration**



**Integrated System Map**

**DEPARTMENT OF ENERGY**  
**SOUTHWESTERN POWER ADMINISTRATION**  
**FY 2004 CONGRESSIONAL BUDGET**

**POWER MARKETED, WHEELED OR EXCHANGED BY PROJECT**

	State	Number of Plants	Installed Capacity (kW)	FY 2002 Actual Energy (GWh)	FY 2003 Estimated Energy (GWh)	FY 2004 Estimated Energy (GWh)
<b>Power Marketed</b>						
Interconnected System.....	Missouri	4	463,200	1,785	1,893	1,893
	Arkansas	9	1,045,100	969	1,076	1,076
	Oklahoma	7	514,100	1,046	1,053	1,053
	Texas	2	100,000	544	544	544
	Louisiana	0	0	362	362	362
	Kansas	0	0	419	419	419
Subtotals.....		22	2,122,400	5,125	5,347	5,347
<b>Isolated:</b>						
Robert D. Willis Project						
Sam Rayburn Project						
50% to Texas.....		2	59,400	147	76	76
50% to Louisiana.....		0	0	33	76	76
Subtotals.....		2	59,400	180	152	152
Total, Power Marketed .....		24	2,181,800	5,305	5,499	5,499
<b>Power Wheeled/Exchanged</b>						
Wheeled (MW).....				968	996	1,036
Exchanged (GWh).....				32	59	60
Total, Power Wheeled/Exchanged.....				1,000	1,055	1,096

**DEPARTMENT OF ENERGY  
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**PENDING LITIGATION**

No pending litigation.