

Committee on Resources

Witness Testimony

Testimony of

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Mr. Chairman, thank you for inviting me to testify before your subcommittee today concerning deferred maintenance and energy reliability issues at facilities generating power marketed by the Southeastern Power Administration (Southeastern). I will begin by providing the Subcommittee some background on Southeastern.

The Southeastern Power Administration markets hydroelectric power in 11 southeastern states. The power is generated by projects constructed and operated by the U. S. Army, Corps of Engineers (Corps). This power is sold at wholesale to publicly owned utilities, who blend it with their supplemental power supplies for resale to ultimate consumers. Southeastern has no transmission lines and accomplishes the delivery of power by wheeling agreements with public and private power utilities in the region.

Southeastern presently markets power from 23 multiple-purpose projects to 294 customers. Gross revenues for FY 1996 are estimated at \$167 million, reflecting the sale of 3,092 megawatts of installed capacity with 7.8 billion kilowatt-hours of energy. By law, Southeastern is required to establish rates to repay all costs that are allocated to power. In addition to \$859 million in interest charges, Southeastern has repaid \$501 million of the \$1.5 billion invested in plant facilities.

Southeastern's projects are grouped for marketing purposes into four independent systems. In the Georgia-Alabama-South Carolina System power is marketed to customers located in Georgia, Alabama, North Carolina, South Carolina, Mississippi, and Florida. In the Cumberland System power is marketed to customers located in Tennessee and in portions of Mississippi, Kentucky, Alabama, Georgia, Illinois, and North Carolina. Power from the John H. Kerr and Philpott Projects, located in the Roanoke River Basin in Virginia, is marketed to customers in Virginia, North Carolina, and South Carolina. The Jim Woodruff Project is located on the Apalachicola River on the Georgia-Florida border. All dependable capacity available at the Project is sold to preference customers in western Florida.

In the late 1980's, Southeastern became concerned with the reduced availability and reliability of the Corps generating facilities. Several generating unit outages have occurred since 1990. The period of time the generating units remained out of service were related to the time required for the Corps to evaluate the problems, design the required maintenance and repairs, and budget the necessary funds. These outages resulted in higher costs for Southeastern's customers. The customers had to purchase more expensive replacement capacity in the short term, and ultimately they had to pay higher rates to Southeastern in the long term, due to the reduction in Southeastern's revenues during periods of extended outages.

To address this trend, Southeastern helped establish two alliances, each consisting of representatives of the Corps, Southeastern's power customers, and Southeastern, which have resulted in significantly improved relationships among the parties, and an increase in the availability of the Corps hydropower facilities. The Federal Power Alliance was formed in 1991 and Team Cumberland in 1992. Both of these Alliances meet on a regular basis to exchange information regarding their visions and goals, as well as their strategies in meeting these goals. The alliances have helped to highlight areas of common concerns and as a result the Corps has significantly increased its efforts to rehabilitate unreliable power production equipment.

Since March 1993, there have been no interruptions of capacity that resulted in the loss of revenues to Southeastern.

Funding has been approved for the Corps to rehabilitate the Hartwell, Thurmond, Millers Ferry, and Henry Projects. The Jim Woodruff Project is scheduled for rehabilitation in the near future.

I would be pleased to answer any questions that you or the other subcommittee members may have.

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