

Committee on Resources

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**STATEMENT OF
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U. S. DEPARTMENT OF ENERGY**

BEFORE THE
SUBCOMMITTEE ON WATER AND POWER
COMMITTEE ON RESOURCES
U. S. HOUSE OF REPRESENTATIVES

September 27, 2004

Mr. Chairman and members of the Subcommittee, the Southeastern Power Administration (Southeastern) is pleased to have the opportunity to appear before this subcommittee to provide information relative to its mission and operations in the Southeast. Southeastern is also prepared to comment on the provisions of HR 5044 which calls for studies to improve hydropower efficiency and the delivery of such power.

Southeastern is one of four Federal power marketing administrations. It was created in 1950 to carry out the functions assigned to the Secretary of the Interior by Section 5 of the Flood Control Act of 1944 (16 U.S.C. 825s). In 1977 Southeastern was transferred to the newly created Department of Energy.

Southeastern, headquartered in Elberton, Georgia, is responsible for marketing electric power generated from 23 multiple-purpose reservoir projects operated and maintained by the United States Army, Corps of Engineers (Corps). Power from these projects is marketed in 11 States: Mississippi, Alabama, Florida, Georgia, South Carolina, North Carolina, Tennessee, Virginia, West Virginia, Kentucky, and Illinois. The revenue collected from the sale of this power is used to repay, with interest, the costs of the Federal investment, which have been assigned to the hydropower purpose. These hydropower costs account for a very high percentage of the total project costs.

In accordance with the provisions of Section 5, preference in the sale of power must be given to public bodies and cooperatives. As a result, Southeastern sells capacity and energy in limited amounts to almost 500 electric utility customers across the Southeast. This power is sold primarily as peaking capacity and energy at the times of the customers' highest electrical demand typically in the morning, late afternoon and evening hours, which varies with the season.

Southeastern is responsible for negotiating, preparing, executing, and administering contracts for the sale of electric power from the projects. Southeastern also arranges, through contracts with 18 neighboring utilities, for the delivery of the generated power to the load centers of its customers. Southeastern is responsible for 24 hours per day for the hour-by-hour scheduling of the projects, and is responsible for maintaining the continuity of electric service to its customers.

It is Southeastern's responsibility to ensure that the costs allocated to the hydropower purposes are repaid to the United States Treasury. Southeastern develops wholesale rates and repayment studies to meet this responsibility. The rates are designed to cover a five-year period, but the rates are checked each year to be certain that the costs are being recovered as designed.

For marketing and rate design purposes, the 23 Corps projects are grouped into four systems. Each system is financially, electrically, and hydrologically integrated. The Georgia-Alabama-South Carolina System consists of ten projects: Allatoona, Buford (Lake Lanier), Carters, J. Strom Thurmond, Walter F. George, Hartwell, Robert F. Henry, Millers Ferry, West Point, and Richard B. Russell. The Carters and Richard B. Russell projects contain pumped storage facilities. Power from these projects is marketed in the States of Georgia, Alabama, South Carolina, North Carolina, Mississippi, and Florida.

The Cumberland System consists of ten projects: Barkley, J. Percy Priest, Cheatham, Cordell Hull, Old Hickory, Center Hill, Dale Hollow, Wolf Creek, Laurel, and Stonewall Jackson. Power from these projects is marketed through the Tennessee Valley Authority and to customers in Tennessee, Kentucky, Illinois, North Carolina, and Mississippi.

The Kerr-Philpott System consists of two projects: John H. Kerr and Philpott Lake. Power from these projects is marketed in North Carolina and Virginia.

The fourth system is the Jim Woodruff System, which consists of a single project: Jim Woodruff Lock and Dam. Energy from this run-of-the-river project is marketed to customers located in the panhandle of Florida.

Overall Southeastern markets wholesale power to 199 electric membership cooperatives, 293 municipal systems, and 3 investor-owned utilities, for a total of 495 customers. In turn, these wholesale customers serve more than 13 million customers in Southeastern's 11-State marketing area.

Southeastern works closely with the Corps to ensure the most efficient use of the multiple-purpose projects. Recently, the Corps' Savannah District installed aerated turbines as part of the rehabilitation of the J. Strom Thurmond project on the Savannah River. Although the aeration feature reduces the generating efficiency of the turbines, it also helps improve the quality of the water downstream of the project. The Wilmington and Nashville Districts also have plans to introduce these types of turbines at projects within their respective areas of control. These projects are mentioned to illustrate how the Corps and Southeastern are working together to balance hydropower production with environment enhancement.

Southeastern has reviewed the provisions of H.R. 5044. This bill calls for studies to be prepared by the Secretaries of the Department of the Army and the Department of the Interior to improve the efficiency of hydropower generation. These studies are to be prepared in collaboration with the four power marketing administrations. As explained above, Southeastern works closely with the Corps on methods to keep the hydropower function viable and in balance with other purposes. The bill, if enacted, would give further impetus to the Corps, the Bureau, and the power marketing administrations to continue this effort with special emphasis on the improvement of generation. Since the reporting requirements in H.R. 5044 are the primary responsibility of the Secretaries of the Interior and the Army, Southeastern defers to those agencies for the presentation of the Administration's views on the legislation.

The Southeastern Power Administration remains committed to working with the Corps of Engineers and other agencies to increase the level of hydropower production in the Southeast.

This completes my testimony, Mr. Chairman. I would be pleased to answer any questions you may have.