

Committee on Resources

Testimony

Subcommittee on Water and Power

Tuesday, March 4, 1997

1324 Longworth HOB, 2:00 P.M.

**STATEMENT OF CHARLES A. BORCHARDT
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Chairman Doolittle, and members of the Subcommittee, I appreciate this opportunity to present a written statement on the President's proposed Fiscal Year (FY) 1998 budget request for the Southeastern Power Administration (Southeastern).

PROFILE OF SOUTHEASTERN POWER ADMINISTRATION

The mission of Southeastern is to market the electric power and energy generated by the Southeastern Federal reservoir projects and to encourage widespread use of the power at the lowest possible cost to consumers in the most business-like manner.

The Southeastern Power Administration markets power produced at 23 Corps of Engineers-constructed projects, to customers in 11 southeastern states giving preference in the sale of power to public bodies and cooperatives in accordance with the Flood Control Act of 1944.

Southeastern does not own or operate any transmission facilities and carries out its marketing program by utilizing the existing transmission systems of the power utilities in the area. This is accomplished through "wheeling" 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.

Southeastern develops cost-based rates for the power it sells. Rates are set to collect enough revenue to repay annual operation and maintenance of the power features (and a proportionate share of the joint-use features) of the project, including the power O&M expenses of the generating agency, and repay with interest the capital investment in power generation and transmission facilities.

In FY 1996, Southeastern sold 8,629 gigawatt-hours of energy and revenues totaled \$164 million. Approximately 36 percent of the \$1.5 billion in capital investments assigned to Southeastern for repayment has been repaid.

Southeastern is funded through annual appropriations from Congress, and its budget authority is included within DOE's annual budget request. The power revenues it collects are deposited into the General fund of the U.S. Treasury. Also, where possible, Southeastern uses certain alternative financing arrangements, like net billing, to fund purchase power and transmission services, to reduce the need for appropriations.

FY 1998 BUDGET REQUEST

Southeastern's FY 1998 total program level is \$36.2 million. Of this amount, Southeastern will utilize \$16.2 million in new budget authority and up to \$20.0 million in reimbursements, in lieu of appropriated funds, to fund transmission and ancillary services associated with delivering the Federal resource to customers. The vast majority of Southeastern's total funding level provides payment for purchases of pumping energy and transmission charges which are required for the delivery of power to customers, the remaining funds program direction requirements for 41 FTE.

There are no new program starts included in Southeastern's FY 1998 budget request. The customer advances of up to \$20 million will be utilized only to pay for transmission and ancillary services needed to deliver power to preference customers. These advances will be required for one year to allow Southeastern to complete a public process to modify its existing power marketing policy that provides for transmission from the power plant to the customer system. The proposed policy change will allow customers to directly pay transmission costs and ancillary services to transmission service suppliers.

The FY 1998 budget request assumes that Southeastern will begin to cover its share of the unfunded liability of the Civil Service Retirement (CSRS) and Disability Fund, the Employees' Health Benefits Fund and the Employees' Life Insurance Fund. The unfunded CSRS liability is the difference in the actual cost of the current CSRS employees' future retirement benefits and the current payments which are the sum of (1) seven percent withheld from current employees' salaries and (2) an additional seven percent of wages that the PMAs, on behalf of the CSRS, must already contribute into the CSRS and Disability Fund. The Administration is reviewing whether additional legal authority is needed to fully implement this policy.

Southeastern plans to participate in a study to be conducted in FY 1998 by the Corps of Engineers and Tennessee Valley Authority to evaluate options for operating the Tennessee and Cumberland River System's Projects. They will determine if there is a more efficient way to manage the multipurpose project facilities on the two rivers. This could impact Southeastern's power marketing program. Southeastern looks forward to working with both the Corps of Engineers and the Tennessee Valley Authority on this issue.

Mr. Chairman, this concludes my presentation of Southeastern's FY 1998 budget request and program status. If you or any of the Subcommittee members have any questions, I would be pleased to answer them.

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