

Committee on Resources

Testimony

Subcommittee on Water and Power

Tuesday, March 4, 1997

1324 Longworth HOB, 2:00 P.M.

**STATEMENT OF J. M. SHAFER
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WESTERN AREA POWER ADMINISTRATION
UNITED STATES DEPARTMENT OF ENERGY**

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 Western Area Power Administration (Western).

PROFILE OF WESTERN AREA POWER ADMINISTRATION

Western annually markets and transmits nearly 10,000 megawatts of power from 55 hydroelectric plants. Western also markets the United States' 547-megawatt entitlement from the coal-fired Navajo Generating Station near Page, Arizona.

Western's service area covers 1.3 million square miles. It sells power to 644 wholesale customers including 289 municipalities, 51 cooperatives, 18 public utility and 51 irrigation districts, 55 Federal and 52 state agencies, 46 investor-owned utilities (only two of which purchase firm power from Western), and 74 Reclamation customers. They, in turn, provide electric service to millions of retail customers in 15 central and western states.

Western operates and maintains an extensive, integrated and complex high-voltage power transmission system to deliver power to our customers. Using this 16,857 circuit mile Federal transmission system, Western markets and delivers reliable electric power to the western half of the United States. Power sales, transmission operations, and engineering services for our system is accomplished by personnel located at 47 duty stations located throughout our service area.

Western develops cost-based rates for the power it sells. As required by law (such as the Reclamation Project Act of 1939 and the Flood Control Act of 1944), rates are set to collect enough revenue to repay annual operation and maintenance of the power features of the project, including the power operation and maintenance expenses of the generating agency, and repay with interest the capital investment in power generation and transmission facilities and a proportionate share of the joint-use features. Western's rates are also set to collect additional revenue to repay certain other capital costs, generally for a project's irrigation features, that are assigned to power users for repayment. Non-power-related costs have been assigned to power users when such costs are beyond the ability of the beneficiary to repay (for example, water users).

In FY 1996, Western collected \$800 million in revenues. We estimate revenue collections of \$820 million in FY 1997 and \$826 million in FY 1998. Approximately 34.3 percent of the \$6.6 billion in total investment has been repaid by Western.

FY 1998 BUDGET REQUEST

Western's program level totals \$230.0 million in FY 1998 for its Construction, Rehabilitation, Operation and Maintenance activities, a decrease of \$22.5 million below FY 1997. Of the \$230.0 million, \$208.3 million is requested in new budget authority and \$21.6 million is unused prior year balances. Nearly half of the total funding, \$106.2 million, covers program direction for 1,168 FTEs who perform operation, maintenance and construction activities associated with Western's transmission system and other power marketing activities. Another significant portion of Western's funding, \$54.9 million, provides for the purchase power and wheeling program which obtains electrical resources and transmission services that firm up Federal hydroelectric power supplies to meet Western's contractual obligations. The remaining funding includes: \$39.2 million for Western's operation and maintenance program which provides materials, supplies, equipment, and technical services used in direct support of the operation and maintenance of the interconnected power system; \$24.2 million for construction and rehabilitation activities which include replacements and rehabilitation of Western's existing infrastructure; and \$5.4 million for Western's contribution to the Utah Reclamation Mitigation and Conservation account. A total of \$1.0 million is requested for the operation and maintenance of the hydroelectric facilities at the Falcon and Amistad dams. Operation of Western's revolving fund continues at an estimated FY 1998 level of \$124.8 million in spending authority from offsetting collections with a level of 161 FTEs.

There are no new program starts included in our FY 1998 budget request. Western is developing new customer financing processes for portions of two of its projects. Western's budget request does not assume the new customer financing processes will be used in FY 1998.

The FY 1998 budget assumes that Western 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 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 Western, 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.

Mr. Chairman, this concludes my presentation of Western'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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