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BEFORE THE
SUBCOMMITTEE ON WATER AND POWER
COMMITTEE ON RESOURCES
UNITED STATES HOUSE OF REPRESENTATIVES
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Chairman Calvert and members of the Subcommittee, I appreciate this opportunity to present a written statement on the President's proposed Fiscal Year 2005 budget request for the Southeastern Power Administration (Southeastern).

PROFILE OF SOUTHEASTERN POWER ADMINISTRATION

The mission of Southeastern is to market and deliver Federal hydroelectric power at the lowest possible rates to public bodies and cooperatives in the southeastern United States in a professional, innovative, customer-oriented manner, while continuing to meet the challenges of an ever-changing electric utility environment through continuous improvements.

Southeastern markets power produced at 23 multiple-purpose projects operated and maintained by the Army Corps of Engineers (Corps). The power is marketed to customers in 11 southeastern states. Preference in the sale of this power is given to public bodies and cooperatives in accordance with Section 5 of the Flood Control Act of 1944 (16 U.S.C. 825s).

Southeastern advises the Corps about customers' load schedules in an effort to coordinate the operation of the projects, meet the North American Electric Reliability Council's control area criteria and comply with Corps' operating and environmental requirements. All Southeastern system operators are trained and meet North American Electric Reliability Council certification standards.

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

accomplished through “wheeling” contracts between Southeastern and each of the area utilities with transmission lines connected to the switchyards at the Federal dams. Under these arrangements, the utility agrees to deliver specified amounts of Federal power to the customers of Southeastern. In turn, Southeastern agrees to compensate the utility for the wheeling services.

Southeastern develops cost-based rates for the power it sells. Rates are formulated to repay costs of Southeastern, as well as the costs of the Corps allocated to power. The rates are designed to recover operation and maintenance expense, interest expense, and purchased power and wheeling expense annually. The costs of capital investments are recovered over a reasonable number of years.

Program Accomplishments

In Fiscal Year 2003, Southeastern sold (net of transmission line losses) 8,937 gigawatt-hours of energy, and revenues totaled \$197 million. As of the first quarter of 2004, Southeastern is on track to meet Government Performance and Results Act of 1993 annual short-term performance targets.

Southeastern, as a transmission dependent utility, has participated in discussions surrounding the formation of several Regional Transmission Organizations (RTOs) in the southeastern United States. As RTOs are established, or as transmission owners join existing RTOs, Southeastern will participate as a stakeholder in the ensuing RTOs.

Southeastern fully supports the President’s Management Agenda to become more efficient and more effective. We have integrated the principles of four President’s Management Agenda initiatives into our organization and are in the process of working with the Office of Management and Budget and offices within the Department of Energy (DOE) to make performance measures more focused and useful for making management decisions. Southeastern has consistently achieved high ratings in DOE’s quarterly President’s Management Agenda Scorecard process.

Southeastern has successfully implemented several e-Government initiatives, including on-line services for training registration and automated human resource processes, including recruiting capabilities. Southeastern maintains sound physical and cyber security practices utilizing DOE Orders and National Institute of Standards and Technology documents. These documents provide the basis for protection of the critical infrastructure. Significant physical and cyber security measures have been implemented to protect the infrastructure and Southeastern’s employees.

FY 2005 BUDGET INFORMATION (in thousands of dollars)

	FY 2003	FY 2004	FY 2005 Request
Program Direction	4,577	5,070	5,200
Purchase Power & Wheeling	46,039	46,000	46,900
Total, Southeastern Program Level	50,616	51,070	52,100
Net Billing	-11,576	-12,000	-14,200
Use of Prior Year Balances	-72	0	0
Offsetting Collections	-34,463	-34,000	0
Customer Advances/Alternative Financing	0	0	-32,700
Budget Authority, Southeastern	4,505	5,070	5,200

Southeastern's FY 2005 program direction costs of \$5.2 million are funded through annual appropriations from Congress, and its budget authority is included within DOE's annual budget request. This program funds the program direction requirements for 42 full-time employees.

In addition, Southeastern will use certain alternative financing arrangements of \$14.2 million in net billing and \$32.7 million in customer advances, to fund purchase power, transmission, and ancillary services associated with delivering electricity to customers. Where possible, Southeastern may use other alternative financing arrangements, such as bill crediting, to fund purchase power and transmission services. The power revenues Southeastern collects are deposited into the General Fund of the U. S. Treasury. There are no new program starts included in Southeastern's Fiscal Year 2005 budget request.

Southeastern's Fiscal Year 2005 request includes the Administration's proposal to fund the Corps' power-related operating and maintenance costs using receipts from the sale of Federal power and related services rather than through the appropriations process. These costs are included in our customers' rates and are fully recovered. This method of funding provides a more business-like approach to the manner in which Southeastern accomplishes its mission.

Mr. Chairman, this concludes my presentation of Southeastern's Fiscal Year 2005 budget request and program status. If you or any of the Subcommittee members have any questions, I would be pleased to answer them.