

Proposed Budget Structure Change

Western Customer Meeting
April 13, 2010

What's the Problem?

- ▶ Current budget structure has too many control levels, making it difficult to respond to new requirements or new information
- ▶ Current budget structure lacks clarity – projects are split between control levels, making tracking more difficult
- ▶ Current structure doesn't fit well with Net Zero

Appropriations Language

For carrying out the functions authorized by ... section 302(a)(1)(E) of the Act of August 4, 1977... \$285,864,000 ... Provided, That ... up to \$180,306,000 collected by the Western Area Power Administration from the sale of power and related services shall be credited to this account as discretionary offsetting collections, to remain available until expended, for the sole purpose of funding the annual expenses of the Western Area Power Administration: *Provided further*, That the sum herein appropriated for annual expenses shall be reduced as collections are received during the fiscal year so as to result in a final fiscal year 2011 appropriation estimated at not more than \$105,558,000... *Provided further*, That of the amount herein appropriated, \$7,627,000 is for deposit into the Utah Reclamation Mitigation and Conservation Account... *Provided further*, That ... \$350,919,000 ... to recover purchase power and wheeling expenses shall be credited to this account as offsetting collections, to remain available until expended for the sole purpose of making purchase power and wheeling expenditures

Appropriations Committee Display

Current

(\$000)
Budget
Request

WESTERN AREA POWER ADMINISTRATION

Operation and maintenance:

Construction and rehabilitation	109,887
Operation and maintenance	57,793
Purchase power and wheeling	543,622
Program direction	193,961
Utah mitigation and conservation	<u>7,627</u>

Subtotal, Operation and Maintenance 912,890

Less alternative financing	-271,895
Offsetting collections (P.L. 108-477, P.L. 109-103)	-350,919
Offsetting collections (P.L. 98-381)	-4,212
Offsetting collections (for program direction)	-149,036
Offsetting collections (for O&M)	<u>-31,270</u>

TOTAL, WESTERN AREA POWER ADMINISTRATION 105,558

Definitions

- ▶ Construction and Rehabilitation – Contracts, supplies and materials to modify, replace, upgrade or add to Western’s transmission system; includes only **capital investment**.
- ▶ Operation and Maintenance – Supplies and materials to operate and maintain Western’s transmission system; includes both **capital investment** (Replacements & Additions) and **annual expenses** (Regular O&M).
- ▶ Program Direction – Costs associated with people (salaries, benefits, travel, training, etc.); includes both **capital investment** and **annual expenses**.

Definitions

- ▶ Control Level – The level at which Congress controls funds. Changes from this level require a re-programming notification be sent to Congress.
- ▶ Report Level – The level of information that is provided annually to customers, DOE, OMB, and Congress.

Current Budget Reporting Levels

Operation & Maintenance:

- Regular O&M
- Replacements and Additions
 - electrical equipment
 - communications equipment
 - capitalized movable equipment

Construction & Rehabilitation:

- Transmission Lines and Terminal Facilities
 - continuing work
 - rehabilitation starts
- Substations
 - continuing work
 - rehabilitation starts
- Other
 - communication equipment
 - miscellaneous

Current Budget Reporting Levels

Program Direction:

- Salaries & Benefits
- Travel
- Support Services
- Other Related Services

Purchase Power & Wheeling:

- Central Valley Project
- Pick-Sloan Missouri Basin and Other Programs

Utah Mitigation and Conservation

Previous Budget Structure FY 2009 and Prior (No Net Zero)

5 Control Levels

Construction & Rehabilitation

Operation & Maintenance

PPW

Program Direction

Utah Reclamation & Mitigation

Current Budget Structure FY 2010 & FY 2011 (With Net Zero)

7 Control levels

Construction & Rehabilitation

Operation & Maintenance (Annual)

Operation & Maintenance (Capital)

PPW

Program Direction (Annual)

Program Direction (Capital)

Utah Reclamation & Mitigation

Proposed Budget Structure FY 2012 & Beyond (With Net Zero)

4 Control Levels

Annual

Capital

PPW

Utah Reclamation & Mitigation

Appropriations Committee Display Proposed

	(\$000)
	<u>Budget Request</u>
WESTERN AREA POWER ADMINISTRATION	
Annual expenses	187,244
Capital investment	174,397
Purchase power and wheeling	543,622
Utah mitigation and conservation	<u>7,627</u>
Subtotal	912,890
Less alternative financing	-271,895
Offsetting collections (P.L. 108-477, P.L. 109-103)	-350,919
Offsetting collections (P.L. 98-381)	-4,212
Offsetting collections (annual expenses)	<u>-180,306</u>
 TOTAL, WESTERN AREA POWER ADMINISTRATION	 105,558

Possible Budget Reporting Levels

Annual Expenses:

- Regular O&M
- Program Direction
 - salaries & benefits
 - travel
 - support services
 - other related services

Capital Investments:

- Replacements and Additions
 - electrical equipment
 - communications equipment
 - capitalized movable equipment
- Transmission Lines and Terminal Facilities
 - continuing work
 - rehabilitation starts

Possible Budget Reporting Levels

Capital Investments (continued):

- Substations
 - continuing work
 - rehabilitation starts
- Other
 - communication equipment
 - miscellaneous
- Program Direction
 - salaries & benefits
 - travel
 - support Services
 - other related services

Purchase Power & Wheeling:

- Central Valley Project
- Pick-Sloan Missouri Basin and Other Programs

Utah Mitigation and Conservation

Advantages of Proposed Budget Structure

- ▶ Flexibility – 4 vs. 7 control levels
 - Allows Western to respond to system and program changes or needs as they arise during the year
- ▶ Clarity and simplicity
 - Budget structure ties more closely to the appropriations language
 - Projects are fully funded within one control level
- ▶ Oversight maintained
 - Customers and Congress receive current report level information

Next Steps

- ▶ Work with customers on proposed changes
- ▶ Finish coordination with other PMAs
- ▶ DOE concurrence
- ▶ OMB concurrence
- ▶ Appropriations Committees concurrence
- ▶ Incorporate into FY 2012 budget