

**Western Area Power Administration
Strategic Planning Process
Update
February 2008**

Western Area Power Administration's senior management team has kicked-off a strategic planning process. The purpose for strategic planning is to define Western-wide priorities that assure Western's continued success well into the future. This is particularly important, at this time, given the unprecedented number of new requests and mandates we are receiving as an agency. Ultimately, the team will develop an action plan that will focus Western on priorities that reflect the demands and opportunities that we are facing now and that are on the horizon.

How will customers be involved in the process?

Customers will be asked for input, at an early point and well before final decisions are made, on any ideas that could evolve into major initiatives.

Where is Western at in the planning process?

Western is now identifying specific strategies and actions that may be pursued in order to address the strain on our resources and increasing requests we are receiving for service and increasing regulatory mandates that must be met. The strategies and actions being discussed are geared toward positioning Western to successfully meet increasing core business requirements and to take advantage of opportunities to help meet the energy needs of the West.

Ideas under consideration.

1. Operations Consolidation - The management team chartered a team to perform an in-house technical study on the feasibility of consolidating operations performed in Western's Desert Southwest Region, Rocky Mountain Region and Upper Great Plains- west. The team produced a report that concludes this idea is technically feasible; however, much more study and analysis, as well as customer input, is needed before making any final decisions.

Customer meetings, to provide the most recent information on this topic and to get early customer input, are scheduled for:

- February 12 at 1:00 p.m. in Western's DSW office in Phoenix, Arizona (Conference Call, Dial-in Number: 800-857-2038, Pass-code: 50633)
- February 14 at 10:00 a.m. in Loveland, Colorado (Conference Call, Dial-in Number: 800-857-2038, Pass-code: 56068)

For those customers participating via conference call, if you have any questions or problems with the conference bridge that require immediate attention contact the MCI/FTS Operator please take the following steps:

1. Hit *0 on an active Conference connection or dial 877 855 4797
2. If asked give the pass-code listed above.
3. If asked give the "Leader Name" as Adrian Schmitz. (The "Leader" is the FTS POC at Western)

Note: To avoid background noise please use your mute button, if you do not have a mute button on your phone you can hit *6 to mute and then *6 again to get back on when talking.

Tom Boyko is leading this evaluation. A date for a final decision is not set, and the final decision will not be made without customer input. Tom's telephone number is (916) 353-4418 or e-mail boyko@wapa.gov.

2. Develop list of transmission projects most likely to be built and review impacts to interconnection support functions - The management team has reviewed a Western-wide list of transmission projects most likely to be built. In addition, they have also looked at the possible impacts of increased workload associated with these projects on support functions. Primary functions that support this work include environment, planning, project management, construction management, procurement, lands and engineering. This type of information will be updated from time to time and used as a resource for assessing workload and setting priorities. Tom Boyko is leading this analysis. His telephone number is (916) 353-4418 or e-mail boyko@wapa.gov.
3. Merchant function consolidation - The senior managers reviewed a report prepared by the team formed to look at the feasibility of merchant function consolidation as a strategy that may help Western operate more efficiently. The senior managers need more information on the purchasing and selling entity (PSE) function of each merchant office, before taking any next steps. A date for a final decision is not set, and a decision will not be made without more detailed study and customer input. Jim Keselburg is the senior manager lead for this topic. His telephone number is (970)-461-7201 or e-mail keselbrg@wapa.gov.
4. Increase percentage of craft workforce time spent on craft tasks – Based upon an initial look, appears that about 31.5%, or 120 FTE, of Western's craft workforce time is spent on administrative tasks. The management team believes that this percentage seems high. Tyler Carlson is leading an evaluation to see if there are administrative tasks that may be more efficiently performed in other ways or eliminated altogether so that our craft workforce can spend more time on craft tasks and less time on administrative tasks. The evaluation will be completed in 2008. Tyler's telephone number is (602) 605-2453 or e-mail carlson@wapa.gov.
5. Implement a renewables communications strategy – The managers have reviewed Western's accomplishments in supporting and promoting the development of renewable resources. It is evident that Western has gained a lot of knowledge, experience and success in this area. The managers agreed that Western should develop a way to share our successes and lessons learned more broadly—with industry and other stakeholders. Theresa Williams, Western's Corporate Communications Manager, has the lead for developing and implementing the strategy. It will be implemented in the first half of calendar year 2008. Theresa's telephone number is (720) 962-7051 or e-mail twilliam@wapa.gov.
6. Identify a transmission congestion relief project under Energy Policy Act of 2005 – In addition to broad pre-existing authority to construct transmission with non-Federal funds,

EPAct gives Western's Administrator authority to work with others and to obtain up to \$100 million in outside financing until 2015 for new and existing transmission facilities in national interest electric transmission corridors or to accommodate an increase in demand for transmission capacity.

In October, the management team set a goal of identifying a transmission project that could be developed under this authority and that could involve renewables. After a specific transmission project is identified, Western (DSW) will issue a solicitation of interest from others who are interested in developing the project. It's likely that the project will cross congestion points along the Colorado River. The time frame for issuing the solicitation is mid calendar year 2008. Tyler Carlson is leading this initiative. Tyler's telephone number is (602) 605-2453 or e-mail carlson@wapa.gov.

7. Identify ideal transmission system injection points for new generation - In October, the team agreed to explore what it would take to identify ideal transmission system injection points for new generation onto Western's transmission system. This would be a way for Western to help industry focus in on promising areas for the addition of new generation and to address reliability issues. Tony Montoya and Jack Dodd are identifying resources required for this type of study and the potential for non-reimbursable funding. Tony's telephone number is (720) 962-7071 or e-mail tmontoya@wapa.gov. Jack's telephone number is (202) 586-5581 or e-mail jack@wapa.gov.
8. Explore renewable energy purchase request for interest – The managers have agreed to look into the feasibility of issuing a request for interest in entering into a long term purchase of renewable energy to firm project resources. A small team has been formed to develop the criteria and a draft RFI. The team met in January and has begun the project. Tim Vigil is the Project Manager. Brad Warren is the senior manager sponsor. Brad's telephone number is (801) 524-6372 or e-mail warren@wapa.gov.
9. Resources and transmission marketing services – In October the managers discussed the opportunities and benefits of expanding the resources and transmission marketing services that Western already provides, at cost, for some customers (excluding merchant services.) The benefits of expanding these services include furthering our capabilities, gaining more knowledge into the market, and enhancing our relationships in the industry. A resource management and marketing services toolkit will be developed by mid-calendar year 2008. Tyler Carlson has the lead for this topic. Tyler's telephone number is (602) 605-2453 or e-mail carlson@wapa.gov.
10. Portfolio risk management by project - The managers reviewed information on risk management techniques employed by each regional office in the area of purchase power. They agreed to adopt best practices identified for purchase power. They also agreed that the topic of risk management deserves more attention at the senior management level and that discussions about risk management should be broadened to include other areas of our business. Tim Meeks, Harry Pease and Tony Montoya will work together to define next steps. Contact information for Tim is (720) 962-7077 or e-mail tmeeks@wapa.gov, for Harry

is (720) 962-7500 or e-mail pease@wapa.gov and for Tony is (720) 962-7071 or e-mail tmontoya@wapa.gov.

11. Decision-making process—new large projects – Due to the increasing requests for Western to support new transmission projects, the managers agreed in October to revisit the process Western uses to decide whether or not, as an organization, to move forward with new large projects. The management team reviewed information and options for what decision-making processes to use. Discussions on this topic are on-going. Harry Pease is the lead and his contact information is (720) 962-7500 or e-mail pease@wapa.gov.
12. Financing and cash flow - Increasing Purchase Power costs due to the ongoing drought and additional reliance on customer advance funding because of inadequate appropriations are having a negative impact on Western's cash flow. The team agreed that Western should continue to pursue alternative ways to finance our program needs to create more flexibility in our cash flow. Harry Pease is the lead and his contact information is (720) 962-7500 or e-mail pease@wapa.gov.

Organizational Structures and Capabilities

The managers are still just starting to look at what overall organization structures and organizational capabilities (knowledge and skills) need to be in place to support where Western is headed, based upon the strategies and actions discussed above. Resource needs that have been identified include:

1. High priority staffing areas include regulatory policy and transmission planning.
2. The managers recognize that there is a need for more resources for Western to serve as agent for others in renewables development. They reviewed information that shows what increased services Western could provide in this area with relatively small additional FTE. This need is being tabled until all needs are identified and priorities can be set.
3. In October, the managers discussed the critical shortage of planning engineers throughout the industry. They agreed to pursue an open-ended, Western-wide, recruitment for engineers that would be indefinite in quantity and time, cover various engineering job series, and would cover duty stations throughout Western's service area. The goal is to identify a pool of engineers that managers can then draw upon to meet specific demands. Frances Telles, Western's Human Resources Manager, is leading implementation of a plan that has been approved by the senior managers.

Issues about organizational structure and capabilities will be among the last decisions to be made since they depend upon the decisions made on the above issues. Tony Montoya is leading this strategic planning topic. Tony is (720) 962-7071 or e-mail tmontoya@wapa.gov.

Questions? Please contact the above topic leads or Tim Meeks, Western's Administrator, at (720) 962-7077 or e-mail tmeeks@wapa.gov.