

## *Western plays important industry role—now and in the future*

**O**n Jan. 11, I had a chance to meet with our Upper Great Plains employees in Billings and share my vision of Western's role in the power industry today and in the future. I'd also like to share this with you.

Despite the recent turbulence and change in the electric power industry, I see a secure future for Western. As the rules of the game continue to change, so will our roles. But our mission of bringing fairly priced power to our customers will remain and potentially take on greater importance.

As the owner and operator of the nation's third largest high-voltage transmission system, Western is the backbone of the West's energy grid. With this stature in the industry, we'll be a major player in any regional transmission organization that may develop. Any RTO we might join must permit Western to continue fulfilling its legislated obligations to serve preference customers and repay the Treasury.

Through our three control areas, we influence not only transmission, but also power scheduling and marketing. Given our 15-state, 1.3 million-square-mile service territory, we have a sizeable influence in those arenas. For example, we enhanced our good reputation by diverting surplus power to California at critical times during that state's ongoing energy crisis.

Our ability to work with customers to reduce or reschedule their loads during peak periods also has been recognized and appreciated by the California Independent System Operator. Because we are hydropower-based, we have the flexibility

to meet urgent peak energy needs, while at the same time offering some stability to the wholesale market through our customers' cost-based, long-term contracts. This is a winning combination now and will be so tomorrow.

As this year unfolds, we find ourselves in extremely "interesting times." The marketplace is in turmoil—and it's not just California. The ripple effects of California's soaring wholesale power costs are impacting our entire service area. Collectively, our purchase power and wheeling program costs have tripled. In some regions, like the Upper Great Plains Region, purchase power and wheeling funds are nearing depletion. Others like the Sierra Nevada Region, Rocky Mountain Region and the Colorado River Storage Project Management Center are struggling month-by-month to balance revenues taken in against those expended on purchase power.

To meet this challenge, we're developing a strategy to marry several creative funding approaches. Much of my energies this spring will be working with DOE and OMB staff and our customers to develop more flexible funding mechanisms for Western.

Another important task is to help bring our new Energy Secretary and the new administration up to speed on the issues facing Western. Secretary Abraham is new to the electric power industry, and he's walked into a veritable rattlesnake's den. Our staff will work closely with DOE to make sure the secretary quickly gains an understanding of the power industry and the vital roles the Federal power marketing administrations play.



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