



Department of Energy
Western Area Power Administration
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RODNEY BAILEY, A0000

FROM: MARK A. GABRIEL, A0000
ADMINISTRATOR

A handwritten signature in black ink, appearing to read "Mark A. Gabriel", written over the typed name.

SUBJECT: FY20 Strategic Budget Guidance

I am pleased to announce the FY20 budget process officially begins with the budget guidance contained in this letter. This guidance is consistent with the WAPA Strategic Roadmap 2024 and Tactical Action Plans designed to navigate the changing industry environment and continue delivering safe and reliable power to our customers. As we plan for FY20, we must be mindful of how our decisions impact our core mission - to provide premier power marketing and transmission services to our customers, as well as contribute to enhancing America's energy security and sustaining our nation's economic vitality. It is imperative that we keep this vision in focus as we formulate our budget requirements.

Incremental reviews will be provided at key milestones again, culminating in a review of the overall budget to ensure our earlier strategic decisions are incorporated fully. By doing the heavy lifting in the earlier phases, this final review will be more of a tune-up rather than an overhaul. See Attachment 1 for FY20 WAPA Budget Formulation Milestones.

The following guidelines detail my expectations for your budget submissions and the subsequent implementation of those budgets in the execution years.

1. Investment drivers

- Engineering salary increases – WAPA maintenance, engineering, operations, and planning functions have been experiencing recruitment and retention issues with electrical, electronic, and civil engineers, due to the pay disparity between the Federal Government and the general industry. WAPA has been pursuing a special rate request from OPM for more than two years and has been gathering the needed data and research for more than five years. WAPA should build into its FY20 workplan the estimated salary increases for these positions.
- Leadership development – WAPA recognizes the need for incremental investment in our workforce through training and development. We have received this feedback from employees via the Federal Employee Viewpoint Survey and from our managers who have performed gap analysis identifying the need for leadership development. In FY17 our spend on training represented only .9% of payroll and I would like to see an increase in training and leadership development of up to 2% of payroll in FY20.
- Cyber Risk – Consistent with DOE’s core mission to protect the nation’s energy grid, our technology infrastructure must be capable of processing, storing, and safely securing voluminous amounts of data at varied levels of sensitivity. We need to assess WAPA’s cyber risk and build necessary investments in FY20.
- Market start-up costs – A key assumption in FY20 is the potential for WAPA’s regions to join new markets. The potential benefits of joining markets include optimized use of existing generation and transmission assets through an expanded electricity market, improved grid access, and improved planning for generation and transmission across multiple states and systems. Considering these potential benefits, I want market start-up costs to be considered in the FY20 budget request.

2. Assumptions or constraints

- Incorporate OMB reform and reduction plan principles – The plan emphasizes operating lean and more efficiently, consider program restructure or elimination, and align FTE accordingly.
- FTE neutral – At a minimum we will be FTE neutral and I expect to repurpose existing FTE to address new needs if necessary.
- Increases resulting from investment drivers must be offset by cost savings / avoidance initiatives – see opportunities below.
- Justify increases over FY19 workplan – If the FY20 request exceeds the FY19 workplan, I expect justifications be presented to the Senior Managers for consideration.
- Expectation to revalidate Trust and Reimbursable work assumptions – I expect the organization to revalidate work assumptions associated with Trust and Reimbursable work so we are appropriately budgeting our resources between rate impacting work and reimbursable work.

3. Potential cost savings / avoidance opportunities

- Organizational Approach to Markets (OAM) strategies – The potential benefits of joining markets include costs savings which should be considered in the FY20 budget request.
- Program assessments – WAPA has ongoing program assessments to ensure our programs are adding value for our customers. I want federal and contract support staff savings from program assessments as well as other assessment team projects to be considered in FY20.
- Reduction in facility footprint / cost – In an effort to reduce overhead costs, I want each region to evaluate its facility footprint / cost and propose alternatives in FY20.
- Strategic sourcing – Strategic sourcing contributes to cost savings / avoidance by leveraging federal buying power across WAPA, eliminating or reducing redundant purchases of like items and maximizing efficiencies through data analytics.

Standard Guidance

- COLA out-year estimates: Consistent out-year rate WAPA-wide to be determined by WAPA finance.
- Rate Impacts: Our customers expect nothing less than aggressive cost containment. This means we have to rethink how we operate and identify ways we can gain large economies of scale in the budget year without sacrificing our mission. To ensure cost containment, any requested increase over FY19 workplan needs to be justified.
- 10-Year Capital Planning and Asset Management: WAPA will consolidate the regional 10-year plans in early fall and review the scope and financing for sustainability. This includes both C&R program requirements and capital O&M (RRADS). The MDCC will be tasked with WAPA-wide prioritization of the regional C&R program projects and prioritization of RRADS will be accomplished by the WMMC if necessary. The OCFO will consolidate the regional plans by November for senior review and approval. WAPA will make the approved WAPA-wide plan available to stakeholders no later than December for review and comment. It is critical that the Asset Management data available be used to the fullest extent possible in defining the capital needs, and the priorities for appropriated financing. I expect that each of your 10-year capital plan submissions demonstrate the integration of the Asset Management data.
- Evidence of Partnerships and Collaboration: The success of the budget and WAPA relies heavily on increasing partnerships and collaboration across WAPA regions, functions, and customers. Greater collaboration generally leads to common understanding, shared tools, shared human resources, and cost efficiencies. WAPA has a number of leadership councils and teams that have the capacity to positively influence cross-organizational cost containment initiatives that produce cost savings and cost avoidance. I want each of you to articulate planned successes (i.e., cost savings or cost avoidance) in your respective budgets arising from developing partnerships.

360° Budget Review

Incremental Budget Review: The budget calendar continues to include a number of additional strategic review opportunities for WAPA's 10-Year Capital Investment Plan, Program Direction, O&M , and Purchase Power and Wheeling submissions. The Senior Management Team will review the submissions for strategic alignment, cost containment, funding sustainability, and risk management/mitigation.

Final Review: Lastly, after all of the above requirements are complete, the OCFO will distribute the final budget to the Administrator and senior management team for one final, holistic review and accept any final suggestions for modifications. This process culminates with the CFO submitting the final FY20 budget to me for approval.

If you need assistance, or have questions, please direct them to Dennis R. Sullivan, Senior Vice President and Chief Financial Officer, 720-962-7500 or DSullivan@wapa.gov or Colin Marquez, Vice President of Budget and Analysis, 720-962-7434 or CMarquez@wapa.gov.

I thank you and your teams for the tremendous effort and support in moving WAPA ahead during a constrained budgetary time.

Attachments:

FY20 WAPA Budget Formulation Milestones
Approved FTE for FY20 Formulation

cc:

C. Marquez, A8400
E. Green, A0200
C. Kimbrough, A7400
R. Johnson, B1000
L. Mathieu, G1000
K. Petty, J1000
B. Sadler, L8000
M. Locke, N1000
T. Albright, B8000
E. Redhair, G8000
L. Maass, J8000
J. Nations, N8000

Budget Formulation Milestones for FY 2020

October	
•	Administrator discusses with the Senior Leadership team strategic guidance for the FY20-24 budget and FTE formulation cycle
•	Regions/HQ submit Capital TYP to OCFO
November	
•	MDCC provides WAPA prioritized Capital TYP project list to OCFO
•	Seniors complete review of Capital TYP and provide feedback to OCFO
December	
•	WAPA-wide Customer Meeting, including Capital TYP and FY20 Budget Guidance
•	HQ Budget provided to the Seniors and Regions
January	
•	Senior comments and recommendations on HQ Budget due
•	Regions enter HQ Budget direct charges into BFIT
•	Burden calculated
February	
•	Regions/HQ provide Annual O&M, PD, RRADS, and C&R data to OCFO (via BFIT)
•	HQ Budget indexing due
•	Regions/HQ present O&M and PD workplan to Seniors
March	
•	Seniors complete review of O&M and PD data and provide feedback to OCFO
•	Regions provide PPW to OCFO (via BFIT)
•	Regions provide Outyear data (all funds) to OCFO (via BFIT)
April	
•	Regions/HQ present workplan data to customers
•	Regions/HQ submit budget for FY20 and outyears and all supporting documentation electronically to OCFO, with Regional Manager approval email. Email shall include a preliminary analysis of the rate impact of the budget request. BFIT data entry must be complete and approved for the budget year submission
May	
•	Seniors complete review and Administrator approves entire budget, with feedback to OCFO
•	FY20 Budget ready for submission to DOE

Approved FTE for FY 2020 Formulation

Region/Organization	Allocation FY 2017 1/ FTE	Budget Year 2018 FTE 2/	Budget Year 2019 FTE 3/	Formulation Year 2020 FTE
HQ	390.0	390.0	389.0	389.0
UGP	344.0	344.0	344.0	344.0
DSW	214.0	214.0	214.0	214.0
RMR	343.5	343.5	343.5	343.5
CRSP	44.0	44.0	44.0	44.0
SNR	176.0	176.0	176.0	176.0
TIP	8.0	8.0	8.0	8.0
WAPA Reserve	1.5	1.5	2.5	2.5
TOTAL	1,521	1,521	1,521	1,521

1/ Does not include overhires.

2/ FY18 FTE justified in FY18 President's Budget Request but not yet enacted.

3/ FY19 FTE planned DOE/OMB/Congress request.

The chart above reflects FY17 allocation and planned/ budgeted FTE for FY18 and FY19, which includes internal moves for reorganizations between Regions and revalidation.

Should there be any questions in reference to the above chart, please contact Craig Ferguson, 720-926-7443 or CFerguson@wapa.gov