East River Energize Forum

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Administrator & CEO

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Balancing Broad System

- Distributed organization
- Multiple systems
- Competing demands
Western’s Three Lines of Business

Federal Hydropower
- Markets 10,505 MW of power from 56 dams
- Buy and sell power to provide firm electric service

Transmission System & Service
- 17,000 miles of transmission lines
- Operate 4 balancing areas
- 15-state operating region

Transmission Infrastructure Program
- Independent $3.25 B borrowing authority
- Projects must facilitate renewables
- Projects must have a nexus in Western’s footprint
Western’s Focus – Roadmap 2024

Evolution of Services
Mutually Beneficial Partnerships
Business, Technology and Organizational Excellence

Powering the Energy Frontier

Mission
Market and deliver clean, renewable, reliable, cost-based Federal hydroelectric power and related services
Upper Great Plains

- Market power from eight powerplants
- 123 substations
- 7,875 miles of transmission
- 277 firm electric service customers and 42 irrigation/rural water customers
- 9,008,000 MWh of firm energy delivered
Rate Pressures Outside Western

- Security Enclave Enhancements
- Mt. Elbert Powerplant Renegotiation
- Asset Management
- SPP Participation
- CRSP Billing

Average Costs:
- Cyber
- Physical
- IT
- Finance System
- Personnel

Upward Pressures

Western Area Power Administration
Business Excellence

• Compelled to do more
  – Cost Controls
  – Evolving industry = increasing demands
• Rethinking processes for efficacy
• Broad base to support $4B assets
• GAO Audit: Committed to Congress to finalize and implement unobligated balances strategy
• Customer partnership critical piece
## Cost Containment

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<th>2015 Completions</th>
<th>2016 Targets</th>
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<td>Budget Formulation</td>
<td>Federal Register Notice</td>
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<td>IT Access</td>
<td>UGP Heavy Equipment Scheduling</td>
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<td>Finance System Planning</td>
<td>HQ Invoice Processing</td>
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<td>Information Technology</td>
<td>Recruitment Incentives</td>
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<td>Accounts Receivable Renewals</td>
<td>Revised 10 Year Capital Investment Plan Prioritization</td>
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**Total cost avoidance for FY15:** $6.9M

TBD
Risk Matrix
Budget Appropriations Over Time

“Flat Budget”
NERC CIP Version 5

Now 40,000 + hours of effort

Transition Effort Hours by Standard

- CIP-002-5.1, 660hrs
- CIP-003-7, 925hrs
- CIP-004-7, 2720hrs
- CIP-005-5, 2840hrs
- CIP-006-6, 1200hrs
- CIP-007-7, 5762hrs
- CIP-008-5, 160hrs
- CIP-009-6, 2760hrs
- CIP-010-3, 2640hrs
- CIP-011-3, 2304hrs
Western Total Projections, FY16
$1.4B
Pick-Sloan FY16
$562M Total

- Generating Agencies O&M
- Visitor Center
- WAPA O&M (excluding Overheads)
- HQ Overheads
- Region Overheads
- Purchase Power and Wheeling
- Principal
- Interest
- Other
Westernwide Accomplishments

• Joined SPP RTO
• Wind PEIS
• Fall Protection
• TIP: ED5-PVH and Southline
• Boulder Canyon Remarketing
• 133 Structure Replacements
Move to SPP

- Moved Integrated System into SPP
  - Co-own IS with Basin Electric Power Cooperative and Heartland Consumers Power District
  - Adds 2500 MW of hydro from Western

- First PMA to move into RTO

- SPP provides greater flexibility
  - Creates more options for buying and selling
  - Reduces constraints in delivering power
  - Helps keep costs low for customers
2021 Power Marketing Initiative

• Customer Updates:
  – Tribes: all 25 Tribal FES contracts have been offered – six executed
    • 19 Tribal contracts offered > one year ago
    • No bill crediting contracts offered to date
  – 15 Great River Energy cooperative members’ contracts
  – Remaining customer contracts: ten under development
  – Near term focus is on addressing Western and Customer membership in SPP
  – Interconnection Agreements now coordinated with/through SPP
  – IAs signed by customers, but not executed by Western before 10/1/2015, will be re-offered to customers to include a new required SPP signature block and acknowledgement language. Those IAs include:
    • City of Lakota, ND, City of Flandreau, SD, City of Pierre, SD
Changing Markets
Energy Imbalance Markets

Warren Buffett's PacifiCorp considers joining California ISO

By Gavin Bade | April 14, 2015

California's power grid operator, PacifiCorp win OK for Western market

Arizona Public Service to Participate in Energy Imbalance Market

APS Sees Economic Benefits to Customers by Participating in Flexible Market

For Western States Transmission, Will There Be Strength in Unity?

Industry News > Energy

Folsom agency that manages California power may get a big boost from Portland

Apr 15, 2015, 5:32am PDT
Committed to Transparency

• Lowest possible rates consistent with sound business principles
• Critical to focus on the big issues we are all facing
• Need customer support to meet your changing needs
• Participation in meetings is critical—as is your engagement in the customer survey process
## 2016 Targets and Goals

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<tr>
<th>Measure</th>
<th>Example</th>
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<tr>
<td><strong>Power, Transmission and Related Services</strong></td>
<td>Conduct Customer Survey, measure feedback, establish baseline</td>
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<td><strong>Partnership and Innovation</strong></td>
<td>Identify and implement continuous process improvement opportunities for cost savings</td>
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<td><strong>Energy Infrastructure</strong></td>
<td>Improve reliable operations for Bulk Electric System through increased monitoring of standard requirements</td>
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<td><strong>Safety and Security</strong></td>
<td>Establish metrics focused on reducing levels of physical security risk.</td>
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<td>OSHA Days Away: measure Westernwide rate of injuries leading to days away (e.g. of success DSW 5-yr record)</td>
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<td>Further improve cyber security responses</td>
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