

East River Electric Power Cooperative September 7, 2016

At WAPA we remain laser focused on maintaining our goal of being effective stewards of your money, our partnership, and our nation's assets.

We are dedicated in our promise to continue delivering on our mission, proving valuable resources while strengthening the system all of us rely upon to provide low cost, renewable hydropower.

We track our progress forward through our Strategic Roadmap. Our focus on the Roadmap's first Pathway of business, technology and organizational excellence is yielding results that both improve system efficiency and work to keep your rates low.

- Our Continuous Process Improvement process is just 18-months old, but has already found more than \$9 million in cost savings. Due to this inaugural success, we are expanding our efforts to implement employee-led process changes across all of WAPA.
- We continue to meet growing changes in cyber and physical security in a cost-effective manner. One example is our move to multi-factor authentication, which saved us real dollars, especially as compared to other organizations implementing a similar structure.
- WAPA spent just \$265,000 to achieve this CIP requirement versus the DOE's Office of the Chief Information Officer, which spent \$1,191,692; Los Alamos National Lab who spent \$777,360; Sandia National Laboratories that spent \$1,826,682 and the Thomas Jefferson National Accelerator Facility, which spent \$650,700



- Our IT Evolution has netted us \$5 million in savings—and continues to allow WAPA to leverage purchasing power in both broad areas such as middle-ware and through something as simple as Microsoft Office, where we are taking advantage of the DOE enterprise license, allowing us to lower costs by 80% from the retail license price.

Similarly, the second Pathway on our Roadmap, Mutually Beneficial Partnerships, helps WAPA maintain an efficient system and lower costs.

- You are all aware the drought adder reduction is projecting a 3-5 mill/kWh estimated reduction to the Pick Sloan Eastern Division firm power rate. We are looking to finalize this in early October or shortly thereafter. To date, the rate reduction is still on schedule to go into effect in January 2017.
- You are all also aware that we are nearing our one-year anniversary of joining the Southwest Power Pool, another cost saving initiative we implemented in partnership with you, our customers.
- SPP provides greater flexibility by creating more options for buying and selling. This reduces constraints in delivering power and helps keep costs low for customers. The original Alternate Operations Study predicted about \$11.5 M of net benefits in initial year savings and cost avoidance. We now believe the savings will be even greater.
- Another proactive move is our recent work with the Midwest Electric Consumers Association and Western States Power to ensure there are sufficient dollars in our unobligated balances to financially weather drought expenses in the future. This has also



required us to work closely with the DOE and GAO to achieve a win-win solution for all stakeholders.

The third pathway involves understanding the evolution of services as the industry continues down its path of great change. We will continue to work to understand those services and areas where WAPA has a key role and those areas where we do not.

- Our customer services survey has yielded a number of interesting results, many of which involve maintaining and increasing our communications. To that end:
 - We have redesigned WAPA.gov to make it easier to find information about what we offer
 - Created the Customer Circuit to keep all of our customers up on the latest developments
 - Debuted “The Source” a one-stop shop for everything WAPA, all presentations, speeches, materials.
- The expansion of markets across the West is requiring WAPA and its customers to think of the industry in a different way. Just as we collaboratively made the decision to join SPP on the eastern side of the system we are working with customers in the RMR and CRSP regions on the Mountain West Transmission Group effort and are continuing to analyze the CalISO in California and the Desert Southwest.

Administration Change

My first three years here at WAPA have been fantastic. We have rebuilt our relationship with the Department of Energy and formed a strong alliance with the current Administration and Congress. This is evidenced by our active role in the Quadrennial Energy Review, movement on the Strategic Transformer Reserve and FAST Act protective provisions in the transportation bill keeping critical energy infrastructure information protected.

We endeavor to achieve the same goals under the next Administration, whichever it might be.

It is incumbent upon us all to educate leaders about the importance of our mission and of our operations so we may continue to fulfill our promise to you, our customers: that we will deliver on that mission well into the future.

This is a lesson and a message made stronger when we deliver it together. Our success is your success. We ask for your support in improving all of our processes and understanding that the entire organization is aimed at maintaining your resources and the low rates you enjoy today so we can enjoy them affordably in the future.

So, as we move into a new political climate in the coming year, I look to our partnership as a means to carry on our shared objectives for powering the energy frontier.