

# Reflections of Five Years

Delivered to  
Mid-West Electric Consumers Association



**Western Area  
Power Administration**

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In two weeks I will have had the honor of leading WAPA for five years. And, what a five years it has been. Thinking back to my first few months on the job and the turmoil we enjoyed:

- Tension and suspicion reigned
- Concerns that key employees would be leaving
- Fear that asset management coupled with tribal knowledge was a bad thing
- Our “Access to Capital” initiative
- Discontent among WAPA employees and union issues
- Battles between CSO and the regions
- Battles between the regions for resources
- The thinking that markets would destroy the value of WAPA and conversely how we need to immediately join a market
- The Metcalf attack... The increase in break-ins including Liberty, Ault and the Valencia Plant
- NERC cyber requirements
- NERC physical requirements

#### **Immediate action items**

I used to keep a list on my desk that ran eight pages and contained more than 150 problems that needed attention. This is no exaggeration. These items kept me up at night. And we have worked together, methodically, to chip away at them and tackle them one by one.

In preparing to meet with you today, I took a look back at my first formal comments to you in 2013 and the promises I made. They included:

- Developing a Strategic Roadmap
- The importance of collaboratively constructing solutions
- Being adaptable in response to pressures on the hydropower resource
- Preparing for the coming of markets
- Improving our relationships at DOE
- Working to control costs
- Keeping up with physical and cybersecurity issues
- Recognizing the value of your support as we serve customers

We stand here today in a vastly different place having shifted our focus from the past to the future, having gained ground across a broad range of critical issues and having developed tools and technology that will continue to move this organization forward in the face of great opportunity in the shifting energy landscape.

#### **Leveraging past, envisioning future**

We are leveraging the experience and relationships of the past with the vision for the future. This includes:

- Trusting our people



- Listening to our customers
- Being proactive rather than reactive
- Increasing operational and financial transparency
- Lifecycle management using the model tools of asset management
- 10-year planning
- Consolidating efforts where it makes sense—and is required—and exercising local control where it is logical

I am proud of the way this organization has been transformed. The senior team, and many layers of WAPA, are now led by new people. We have had a 90-percent transition in senior management over the past five years. We have continually improved, avoiding more than \$50 million in costs. We are more cyber and physically secure. We continue to lower rates and focus on the future. We are better prepared today and more realistic as we attack issues before they become problems. We continue to work on our culture. We have tools in place to help us be better, work smarter and increase the value we bring to our customers and the communities they serve.

I have to thank you, our customers, for supporting these changes... even though I recognize some of them have been hard. It can be difficult to transition from the past and accept what we need to do for the future. But that is what I have asked...and it is what you have delivered. I appreciate the creative tension that has made WAPA a better organization and commit to ensuring that enlightened self-interest serves us all.

Most importantly, I have to applaud the WAPA staff for their amazing resilience, attitude and abilities.

### **Congressional testimony**

When I testify tomorrow I will discuss:

- The privilege of operating, maintaining and safeguarding our \$4.3 billion in assets
- How we have maximized the value of hydropower through fiscal management, planning and innovation
- Specific actions we have taken to both improve the resilience of our system and defend against cyber attacks
- The critical nature of our service to military installations and national laboratories
- The value of—and our expertise in—black start capabilities
- How we are leveraging public-private partnerships to increase reliability and revitalize infrastructure in the West
- Our programs that increase efficiency, reduce risk and avoid costs by monitoring, evaluating and improving processes across our enterprise
- And of course, I will discuss our accomplishments around rates, Boulder Canyon remarketing, asset management, the Power Repayment Study and our Purchase Power and Wheeling Program... And how these achievements—and many others—collectively translate



to increased reliability, contained costs and being responsive to customer's diverse needs amid our changing industry.

### **Mountain West/Southwest Power Pool update**

A week ago, on March 13, the Southwest Power Pool board approved moving to the next phase of Mountain West Transmission Group's potential membership in SPP.

SPP will now begin preparing the organization to accept Mountain West participants, which includes internal processes and a public stakeholder process. Until now, all negotiations have been confidential.

This approval is a milestone for Mountain West to continue RTO membership discussions. We have not made any decision on membership, and look forward to continuing discussions with SPP staff.

### **Peak Reliability update**

As you all likely know, it looks like Peak has peaked. On February 26 we gave notice that our three balancing authorities will be departing Peak Reliability Coordinator, effective Sept. 2, 2019.

We are actively working with participants to ensure we do not need them anymore.

Our Upper Great Plains West and Western Area Colorado Missouri balancing authorities are looking to receive reliability coordinator services from Southwest Power Pool beginning in fall 2019. Our Western Area Lower Colorado BA is considering both SPP and the California Independent System Operator as potential providers for RC services. Our sub-balancing authority, WASN, is evaluating options.

As you know, our balancing authorities cover an expansive area in the West. Each has unique circumstances and requirements that must be considered when seeking the best reliability coordinator for our operations and our customers. As we explore options, grid reliability and cost implications to our customers remain our top priorities.

As new opportunities continue to arise in this dynamic energy frontier, it is our duty to examine the potential impacts to our customers and our costs. WAPA will continue to pursue the most beneficial, responsible and reliable courses of action for our customers and the millions of citizens they serve in the West.

### **Transparency efforts**

Over the past five years, we have continued to increase the amount of financial and operational information we share. We continue to seek the right balance of providing useful information to meet the needs of customers and stakeholders.

This builds off of years of providing budget execution and work plan information. We are now sharing and talking about the cost side of the equation, too. We look forward to working with customers to leverage this information to improve our collaborative transparency efforts.



We launched The Source website two years ago. You can find operational and financial information in one convenient location. We continue to build and develop The Source based on feedback from customers, and have a considerable expansion scheduled for May.

Speaking of financial transparency, I am pleased to share with you that we released our Fiscal Year 2017 audited financial statements on March 9. Of course, you can find them on The Source.

Bill let me know that you would be interested in hearing about any potential changes in the PMA reporting structure at the Department of Energy and the status of our 2018 and 2019 budget requests.

### **2018/2019 PPW budget status update**

Regarding the 2018 Purchase Power and Wheeling budget: As a result of adverse Congressional Budget Office scoring, Congress is looking at reducing WAPA's offsetting collections for Purchase Power and Wheeling from \$309 million to \$179 million.

If our offsetting collection authority is reduced in 2018, we will look to our unobligated balances to cover any shortage. That is what the unobligated balances are for. It is why these are so important. To date, we have had low PPW expenses and we have sufficient balances on-hand to cover anything unexpected for the balance of the year.

The 2019 President's Budget includes WAPA's full funding request for PPW receipt authority of \$306 million.

If 2019 and future years continue to be constrained by the CBO scoring, drought will consume the balances we have on hand, and eventually negatively affect our ability to continue delivering on our mission and meeting our contractual obligations to customers.

### **Final thoughts**

What will the next five years bring? We have seen glimpses. We know the changes and challenges will continue. I am confident we are better positioned than ever before to navigate whatever the future holds.

This partnership is imperative for success... for your customers and for WAPA. What we do here together is the epitome of WAPA's core value to "Seek, share and partner."

By the way. That list I used to keep on my desk... It is much shorter now, in fact, I no longer need to write it down. I can count the issues on one hand.

