Reflect, Recharge, Resolve
delivered at
Mid-West Electric Consumers Association
annual meeting by
Administrator and CEO Tracey A. LeBeau
Good afternoon everyone. It is an honor to be here to share WAPA’s direction and priorities for this coming year and farther in the future.

Thank you, Jim, for inviting me to speak. I know the Mid-West annual meeting is a seminal event in the Administrator’s speaking calendar.

- In many ways, it is a formal kick off to our customer engagement for the coming year, which is a priority for me and area of potential growth for WAPA as we hopefully---finally---emerge from this pandemic.

Jim gave a great introduction into my professional background, so I will share a little more about my personal life.

I am a native South Dakotan – born in Vermillion SD – both of my parents and their families were from around the Gettysburg area close to the Missouri. I still have what feels like hundreds of cousins all over the Dakotas. My mother’s maiden name was Swiftbird, which is still a small community along the river.

All this to say, I have pretty serious roots in the areas in which the Army Corps and now WAPA has had historical impact and interests and so... what we do, in the broader sense, impacts the communities I still regard as a home.

Throughout most of my life, although I’ve lived lots of places – I have lived the better part of my life in the WAPA footprint. So our mission, and the path that we walk together with the customers and communities we serve, is meaningful to me on multiple levels. That’s something I thought helpful to share with you all – like you, I get the impact we have and can have on the communities we serve.

So that’s a little more about me; here is what I see for WAPA this coming year.

I see this year as a rebuilding and growth year, to borrow a concept from sports teams. I am also a big sports fan—another fun fact.

Great teams eventually have to change, unless they involve Tom Brady. Eventually he, too, like all great talent moves on to bigger and better things, and the championship team must spend time getting back to the fundamentals,
welcoming and growing a set of new players and developing strategies that work best for them in a new dynamic.

It’s a normal and necessary cycle in sports to introduce fresh perspectives, nurture innovation and continue to make forward progress rather than stagnate.

It is also a good analogy for what is occurring at WAPA this year. A lot of what you will hear today is about defining and cultivating WAPA’s strategy and way forward with new leadership and in a new world.

Before I start talking about our future, I would like to take a moment to recap our most recent accomplishments.

Last week, we released the FY 2021 Annual Report, which shares our achievements in digestible anecdotes.

The report’s theme, Balance, represents the many ways we adapted to changes in the industry and the world while also pushing forward:

- WAPA’s ability to balance service and progress allowed the organization to continue to safely provide reliable, cost-based hydropower and transmission to our customers and the communities we serve.  
- As we adapted and evolved in this extraordinary world, it was critical for us to embody strength, resilience, unity and leadership while also being mindful of our enduring mission, reliability, regional differences and collaborative culture with our customers.

This year’s report highlights many examples of the organization demonstrating balance in challenging times, including a focus on safety, reliability and customer service.

If you wish to learn more about WAPA’s achievements in FY 2021, the report is available online at wapa.gov.

This year’s theme is “Reflect, Recharge and Resolve,” which illustrates our commitment to honor our legacy, renew our strategy and our connections, and move forward in a time of exponential change.
We will **Reflect** on the many challenges and opportunities facing us today, drawing on lessons from the past and recent accomplishments to guide our way forward.

- We will also celebrate WAPA’s 45-year anniversary, which will be officially recognized on December 21, 2022.
- Over this year we will commemorate many of the milestones and successes – and yes, occasional triumphs in difficult times – that have made WAPA the outstanding organization it is today.
- We will highlight our novel and powerful partnerships with customers as we evolved and succeeded together, for we would not be here if not for our mission and our customers.
- We will also recognize our employees – the true momentum and excellence behind everything WAPA does.
- We expect these activities to kick off early next year.

The second element in our theme is **Recharge**, and after two historic years, it is time to move decisively toward our new normal.

- This part of the theme progresses from last year’s theme of Balance where we recovered our equilibrium and sought stability for our employees and customers.
- This year we will focus on setting a new guiding direction for the organization by establishing a new strategic plan.
- We will also recharge our connections with customers after two years of primarily virtual meetings.
- Recharge also applies to modernizing and upgrading the grid, ideally resuming the projects we have deferred due to the pandemic.
- Last, and by no means least, we will define and implement the future workplace environment, targeting a hybrid approach of telework and in-office work.
  - Moving to a hybrid workplace will require us to evaluate and adapt our current culture to one that is more flexible, modern and fluid than the traditional workplace.
  - I truly believe we will need to embrace a progressive work environment to retain and recruit valuable employees that will elevate WAPA to greater heights.
The final element in this theme is **Resolve** – a commitment to move decisively once we agree on a direction and to collectively support that decision.

- We will collaborate with customers as we evaluate our options for the future, ensuring we protect our historic mission and obligations to customers while preserving and strengthening our value and relevance in the future.
- The industry is moving quickly. It is important we gather and examine what information we can to make informed, data-driven decisions, but we must weigh that against the risk of postponing decisions for the sake of waiting for incremental information that may or may not provide additional guidance.
- We must make intelligent and thoughtful decisions on our future, and at the same time ensure we are not left behind by the quickly shifting tides of industry.

One prime example of this is our evaluation of market offerings in the West. DSW has initiated implementation work to join the CAISO Western EIM in April 2024. That is on track. We will also continue our evaluation of SPP RTO – West membership for UGP-West, Rocky Mountain and CRSP.

- We identified a need to update the Brattle study work done on this effort and are working through those additional updated areas of analysis and modeling.
- We are confident it will not throw our initial schedule too off track but it will add some time, but necessary time to ensure questions and concerns are addressed.
- We did this because parameters have changed since the Brattle study was done in support of the Mountain West Transmission Group. There are a different set of players and a different environment than even three to four years ago.
  - It is important for us to fully understand what membership may mean to our different regions and our customers in this situation before we decide our path.
- It is worth noting that there are also many new market offerings and initiatives that have popped up in the last couple months. We continue to monitor developments with our available resources, but our approach is that it is important we remain focused on the exploratory commitments we
have made unless something material changes... then we will of course address it, in collaboration with you and our stakeholders.

When we look at implementing our theme of “Reflect, Recharge, Resolve,” we have two key priorities.

First, we commit to continued partnerships and collaboration with our customers, the generating agencies, the Department of Energy, and of course, our own employees – from the managers to the crews to the new arrival.

- We remain steadfast in delivering on our mission and serving customers with renewable, reliable and affordable federal hydropower and transmission services. That is the legacy upon which we were built and our key to a successful future.
  - We will continue to focus on stability and reliability in our rates, operations and culture.
  - That means anticipating, preparing and pivoting in the changing world to preserve the value of WAPA and take advantage of the opportunities before us.
    - We will address the big issues – the existential questions being posed to us as an organization—matters like rise of markets in the West, the impacts of drought and adverse conditions and financial planning.
  - We will also focus on reliability and system resilience, continuing to mature our asset management, reliability-centered maintenance and aviation programs to effectively and efficiently maintain and harden the grid against possible threats be they natural or intentional.
    - A mature asset management program and refined life cycle management process will enable data-driven decision making regarding our assets.
    - This will help us responsibly invest in the right equipment at the right time to maximize our reliability and resilience within our resources.
    - Part of this objective also includes seeking new partnerships and leveraging existing ones to explore implementing new protective technologies and hardening the system.
• Finally, this priority represents a continued commitment to collaboration and transparency.
  ○ We have made great strides in transparency over the past five years: developing The Source, evolving and sharing our 10-year capital plans and engaging proactively with customers as we look into market constructs and other activities.
  ○ More than a decade of system and financial information is publicly available online, fulfilling the desires of our customers to see more of this kind of information from WAPA.
  ○ We are ready to double down on collaboration and transparency. We will continue to improve our engagement with customers, including with our new strategic plan.

Our second key priority this year is improving our organizational resilience:
• Many people have elected to retire after decades of service to WAPA and the nation.
• We are committed to developing the workforce of the future, growing our future leaders and ensuring the crucial core values and tenets of this organization remain intact during a time of employee transition and change.
• We are going to advance our safety-focused organizational culture, embracing inclusion, diversity, human performance improvement and just culture.
  ○ These are synergistic concepts if we do it right.
  ○ Many of our employees work in one of the most dangerous professions in the world. It is our obligation at WAPA to protect them and provide a safe space physically and psychologically.
  ○ Other employees face an increasingly busier workplace constrained by any number of resources, and they, too, have a right to a safe and inclusive workplace where they feel empowered, heard and productive.
  ○ We will also pursue optimal work-life balance strategies and cultivate innovation to focus on customer service and ensure we have the right opportunities and flexibilities to respond effectively to whatever challenge may arise.
• I am confident, thanks to the incredible employees at WAPA and the strong partnerships we have with our customers, that WAPA will navigate the many twists and turns in the energy industry and serve America for a long time to come.

Now I would like to switch directions a little bit and focus on WAPA’s vision long term.

Yesterday we held our all-customer meeting, which was the second one we have held virtually.

We had a strategy-focused session to start defining our collective and individual needs and industry trends going into the future.
• Most importantly, we dedicated the bulk of the meeting to thoughtful facilitated discussions regarding our future as we plan beyond Strategic Roadmap 2024.

It was a fruitful and illuminating discussion and we have much to follow-up on. It was also a great start to our customer collaboration on WAPA’s strategic plan.

As we approach our new plan,
• We’re building off the refresh of our mission and vision from earlier this year.
• Our objective is to have a new plan in place by the end of 2022.
• This strategic plan will be in place until 2030.

Some of you might be wondering about an eight-year strategic plan. There are a few reasons why we are doing this:
• Most importantly, 10 years is too long for a useful strategic plan in our industry.
  o We’ll be discussing some of the changes and opportunities we are facing this morning, including drought and markets, but in 10 years, we will likely be facing a completely different situation we cannot predict today.
An eight-year window allows WAPA to adjust faster to external drivers than a decade-long plan.

- In addition, 2030 is a key milestone year ending what has started as a tumultuous and unprecedented decade.
  - It will be a good time to reflect on where we have been and where we want to go for the next span of time.

We are involving our customers in the earliest stages of this process. WAPA’s leaders provided their insight at workshops last week, which was the first substantial step we have taken to gather employee input.

- Yesterday’s all-customer meeting was the first step in customer engagement. We will continue to reach out to various customers to gain their perspectives and insight about upcoming issues, opportunities, challenges and needs in the future and how WAPA can best support you in your endeavors.

As we develop our new strategic plan, we will keep you informed at every step in the process.

- WAPA and customers started this incredible journey to serve the West with federal hydropower and we will continue to travel this road together into the energy frontier.

To conclude, I wanted to provide a quick update on various activities underway at WAPA. First is the purchase power and wheeling funding in the Bipartisan Infrastructure Law.

We received $500 million to help us meet our contractual obligations to deliver energy when real-time generation from federal resources is insufficient.

This number was directed by our appropriators after they had declined our appeal for incremental PPW authorization in FY 2022.

- It roughly approximates the $400 million WAPA sought in the appropriations process but was denied over the past 4 fiscal years plus the $100 million of PPW costs incurred in February 2021 as a result of the Polar Vortex.
The $500 million of PPW funding will be treated the same as if WAPA had been authorized to withhold receipts totaling this amount over past years.

- The funding is limited to PPW costs and is reimbursable, as all PPW expenditures have been, with interest accruing at the time PPW costs are incurred for amounts not repaid within 12 months.

It was made clear to us that the Infrastructure and Jobs Act was not a vehicle for long-term drought recovery or to satisfy other operating needs beyond PPW funding.

- However, the Senate offices WAPA engaged with expressed support for addressing drought recovery in future legislation, if we and customers decide to pursue that route.

A special thank you to those of you who proactively communicated about the need for and importance of this authority, providing context and the sense of real-world impacts of how this authority supports the needs of the customers.

I recognize that avoiding a repeat of the polar vortex is an important issue for UGP customers.

- While we can’t control the weather, we can prepare better for a possible next time. The PPW reserve, as it exists currently, is perhaps not the best stopgap measure for these types of extreme, short-term events.
- In this world of 100-year events every couple of years, we will have to work together to find new, stable and reliable solutions that provide customers the energy they need without breaking the bank or violating government finance laws.
- Senior VP and UGP Regional Manager Lloyd Linke is committed to working with customers to find new solutions and ideas. Mitigating this issue is one of his priorities for this year.

We are also focusing on the Justice 40 initiative. President Biden has committed to deliver 40% of the overall benefits of climate investments to disadvantaged communities.
• The idea behind the initiative is that communities of color and low-income have should be the first to benefit from the clean energy evolution as they have borne the brunt of pollution to the air, water, and soil in their communities.

WAPA plays an important role in serving disadvantaged communities; in fact, the Federal Power Program was created explicitly to provide underserved rural communities with at-cost power.
• About 500 customers are covered under the Justice 40 program today.
• This year, we will work with DOE to determine how we can track the benefits WAPA provides and what more we can do to support these communities, including in procurement actions, finance considerations, tribal consultation, Technical Assistance Program, customer outreach, Integrated Resource Plans and possibly through existing customer contracts.

I want to thank you all for your continued support and engagement with WAPA. The partnerships we have with our customers are the bedrock on which our collective successes are built, and I aim to strengthen these relationships in preparation for a valuable and relevant future.

Being here—in person--has been a great experience. This coming year, I also look forward to traveling more soon and am excited to begin meeting with customers. If you would like to meet with me, drop me an email and we can coordinate a visit.

Thank you again. Enjoy the rest of your lunch.