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FROM: MARK A. GABRIEL, A0000
ADMINISTRATOR

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

SUBJECT: FY 2021 Administrator's Budget Guidance

I am pleased to announce the FY 2021 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 FY 2021, 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 American'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.

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

1. Investment drivers

- Tactical Action Plan – The Tactical Action Plan connects the mission and Roadmap to day-to-day activities and helps WAPA staff focus time and resources on those things that bring the most value to the agency and its customers. The Tactical Action Plan aligns

with five Strategic Target Areas that serve as WAPA's priorities and areas of focus for the next two to three years. These areas include:

- Mission-Critical Customer Services in Evolving Industry: Ensure and enhance the value of WAPA's cost-based power, transmission and related services in an evolving utility business environment.
- Asset Management 2.0: Optimize WAPA's Asset Management program to provide data-driven insight into budgeting, capital programs, prioritization and financial decisions resulting in a more resilient and reliable system.
- Grid Resiliency: Prevent, detect, mitigate, respond to and recover from natural, physical and cyber threats and disruptions to ensure safe, secure and reliable electrical energy infrastructure.
- People and Organization: WAPA's people are its most important resource. The organization is dedicated to the evolution of its people and operations to retain, develop and attract the diverse, high- performing workforce that is the cornerstone of delivering safe, secure, reliable and cost-effective energy and transmission services.

I expect investment drivers in FY 2021 to align with the Tactical Action Plan and Strategic Target Areas for WAPA.

2. Assumptions or constraints

- FTE neutral – At a minimum we will be FTE neutral and I expect existing FTEs to be repurposed to address new needs if necessary.
- Increases resulting from investment drivers must be offset.
- Justify increases over FY20 workplan – If the FY 2021 request exceeds the FY20 workplan plus inflation, I expect justifications be presented to the Senior Managers for consideration. Increases will be evaluated at the regional level for each region and at the rate system level for HQ programs.
- Inflation – Assume inflation over FY 2020 at 2% for non-federal labor and non-labor costs. Federal labor will use the most recent pay period available and inflate at 2% for FY 2019, FY 2020, and FY 2021 to arrive at FY 2021 federal labor. Wage Board (WB) and Administratively Determined (AD) salaries will be evaluated by region for the appropriate inflation percentage.
- Training and leadership development – WAPA recognizes the need for continual investment in our workforce through training and development. Consistent with FY 2020 Budget Guidance, I would like *up to* 1.5% of payroll to be budgeted for training and .5% of payroll to be budgeted for the Leadership Development Program.
- Physical Security – Physical Security budgets for capital and annual should follow the Physical Security Risk Assessments (PSRAs) and Physical Security Remediation Plans (PSRPs) or reasonable estimates if not available. I expect these estimates to be incorporated into the budget even if that means deferring other items.

- Expectation to revalidate Trust & Reimbursable work assumptions – I expect the organization to revalidate work assumptions associated with Trust & Reimbursable work so we are appropriately budgeting our resources between rate impacting work and reimbursable work.
- 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 Total Capital Committee (TCC) if necessary. The OCFO will consolidate the regional plans 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.

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. This process culminates with the CFO submitting the final FY 2021 budget to me for approval.

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

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

cc:

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