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FROM: MARK A. GABRIEL, A0000
ADMINISTRATOR

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

SUBJECT: FY 2022 Administrator's Budget Guidance

I am pleased to announce the FY 2022 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. As we plan for FY 2022, we must be mindful of how our decisions impact our core mission – to market and deliver clean, renewable, reliable, cost-based federal hydroelectric power and related services to our customers; as well as the Department of Energy priorities – protecting our energy infrastructure and strengthening the electric grid. It is imperative that we keep our core mission and the Department's priorities 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 four 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 an Evolving Industry: In an evolving and transforming electric utility industry, WAPA will continue to evaluate, enhance and improve the services it provides to preference power and transmission customers.
- Grid Resilience: WAPA will strengthen its capabilities in physical security and cybersecurity and improve its response to events to enhance the reliability, security and safety of WAPA's assets and the nation's electric grid as a whole.
- Asset Management 2.0: WAPA will leverage its data to support a more resilient and reliable electrical system. For physical assets, WAPA will build on its existing Asset Management platform by adding new asset classes to its catalog and employing the data to provide greater insight into budget development, capital plans, financial forecasting and strategic sourcing. WAPA will improve the use of its data through enhanced tools, skill sets and management.
- People and Organization: WAPA will actively support the continuous development of its employees and organization to improve mission execution, industry alignment and workforce sustainability.

I expect investment drivers in FY 2022 to align with the Tactical Action Plan and Strategic Target Areas for WAPA.

2. Assumptions or constraints

FTE evaluation – I expect WAPA to evaluate its needs for FTE and develop a repeatable WAPA-wide process to repurpose FTE to address new needs when necessary. This evaluation will not result in changes to FTE in the FY 2022 budget assumptions. We will use the FY 2022 budget formulation timeline to gather FTE business case justifications for use by leadership in a separate FTE planning discussion. WAPA will not budget for additional FTE above its current congressionally authorized total in FY 2022.

- Increases resulting from investment drivers must be offset.
- Justify increases over FY 2021 workplan and historical execution – I expect justifications be presented to the Senior Managers for increases over the FY 2021 workplan plus inflation as well as justifying increases over historical execution. Increases will be evaluated at the regional level for each region and WAPA-wide programs.
- Inflation – Assume inflation over FY 2021 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 2020, FY 2021, and FY 2022 to arrive at FY 2022 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 2021 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.
- Information Technology (IT) Life Cycle Management (LCM) and Cost Containment: The CIO organization, in conjunction with its business partners, should prudently budget for IT LCM and related expenses with a focus on cost containment. Cost containment strategies may include (but are not limited to): 1) ongoing assessment of WAPA's IT application portfolio to assess usage, total cost of ownership, and redundancies; 2) retirement of minimally used or redundant solutions; and 3) replacement of applications with standard IT solutions across WAPA with commercial-off-the-shelf products while minimizing custom solutions where possible.
- Expectation to revalidate Trust & Reimbursable work assumptions – I expect the organization to revalidate work assumptions associated with Trust & Reimbursable work and prioritize existing workload over new Trust & Reimbursable work, subject to contractual and regulatory requirements.
- 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 2022 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.