WAPA’s position on markets and industry trends

Missouri River Energy Services
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The world is changing
New administration

- Formal transfer of government
- Political appointee turnover
- WLO activity
- Not much yet
Change is upon us

WIND-PENETRATION RECORD
54.22% AT 00:55
ON MARCH 19, 2017
Oahe generation: 2015

April 9, 2015 (4-second data)
Oahe generation: 2016

April 9, 2016 (4-second data)
Change brings challenges

- Aging infrastructure
- Increased regulation
- Intermittent resources
- Decreased hydro production
- More customer-side resources
- Changing markets
- Security
Fundamental change

The challenge for the utility of today is not only what is real but what is perceived as real.
Home tech drives benefits

4.92 billion wireless devices globally / 66% penetration

Source: Hootsuite, January 2017
Radical thoughts ...

- kWh is dead
- All-you-can-eat electricity
- Time-of-purchase rates NOT time-of-use rates
- Flexing your distribution system with customers
- Utility is the network provider
What are we doing about it?
Shift in strategic thinking

- Broader perspective
- Data-driven decisions
- Industry impacts to customers
Increasing requirements

- Investments in Security
- NERC requirements
  - CIP version 5
  - Audits, mock audits
  - Alerts
  - Standards
  - FAC-003 & FAC-008
  - NATF peer reviews
- FITARA
- FISMA modernization
- OMB Circular A130

- New endangered species
- DHS binding operational directives
- OSHA requirements
  - Fall Protection 100% attachment
  - Transient over-voltage compliance
- Formalized grounding cable procedures
- GPR monitor for t-lines
Physical security

- Consolidated office in 2013
- All-hazards approach
- Assessing all subs
  - 203/319 complete
- Nearly tripled expenses since 2013
- 40,000 hours on CIPv5
Cybersecurity impacts

- Increasing threats
- Increasing requirements
- Audit load
- Management oversight
- Increasing security program scope
FITARA

• Increased CIO engagement
• Quarterly reporting
  – Increased detail
• Includes technology and operational technology
  – Ex. relays, comm, radios ...
• Technology Acquisition Justifications
  – # TAJs almost doubled
  – No additional resources
Lifecycle considerations
Cost containment

CPI projects: $2,729,766

FEDERAL REGISTER
The Daily Journal of the United States Government

ex: Federal Register Notice Process

Just Do It projects: $1,391,871

ex: Oil-filled equipment disposal (SN)

WAPA Strategic Initiatives: $29,954,086

ex: AmpJack Tower Raising

Total WAPA Cost Savings and Avoidance: $34,075,723 as of March 31, 2017
Consolidation - IT

5 years ago

- SCADA
- UGP
- RM
- DSW
- SN
- Business Apps
- Networking
- Cyber Security
- Infrastructure

Today

- WAPA-wide
- HQ
- DSW
- UGP
- RM
- Networking
- Cyber Security
- Infrastructure
- SCADA and related applications
- Power Marketing Applications
- Ops & Maintenance Applications
- Enterprise Application

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Transparency
Unobligated balance strategy
Unobligated balance strategy

- Enacting strategy
- $328 M returned to Treasury in FY 2016
- $895 M returned over past five years
- 3 months + 21 days + 2 years
UGP rate reduction

- **2017** - 5 mil/kWh firm power rate decrease resulted in about $9 million
- **2018** – upcoming decrease will result in another almost $8 million

Western Area Power Administration announces proposed rate decrease to its firm power customers in the Pick-Sloan Missouri River Basin next year due to the repayment of drought costs. Read the full release at [https://go.usa.gov/x5fWA](https://go.usa.gov/x5fWA)
Mitigating PPW

• Joining SPP was a big step
• Strategy depends on water conditions
• Collaborated with Mid-West
• Targeting $393 million reserve in 2020
Key takeaways

Focus on value and business excellence.
Be aware of industry trends and changes.
Continue delivering on mission.
Contact/follow me

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