

# WAPA's position on markets and industry trends

Missouri River Energy Services  
May 11, 2017 | Sioux Falls, SD

Mark A. Gabriel  
Administrator and CEO



# The world is changing



# New administration

- Formal transfer of government
- Political appointee turnover
- WLO activity
- Not much yet

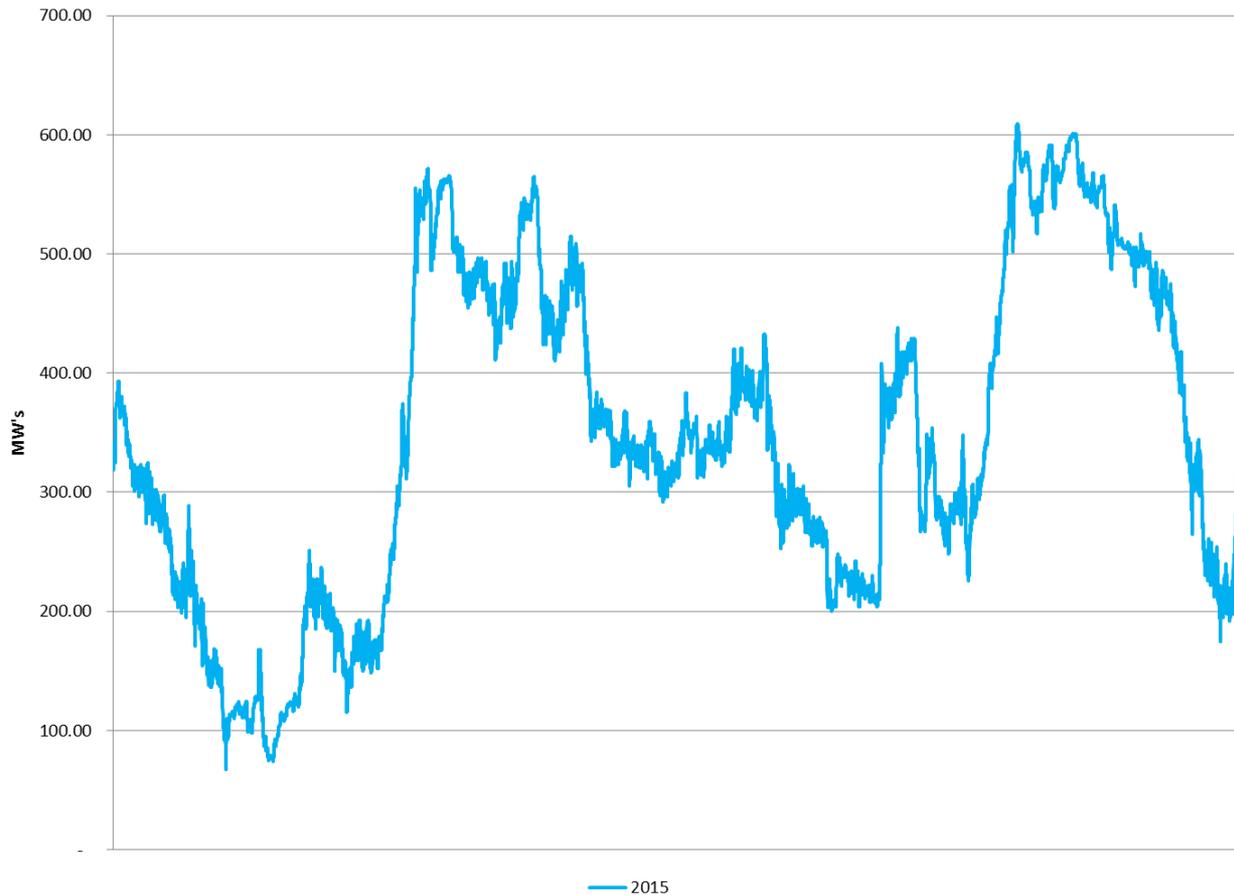


# Change is upon us



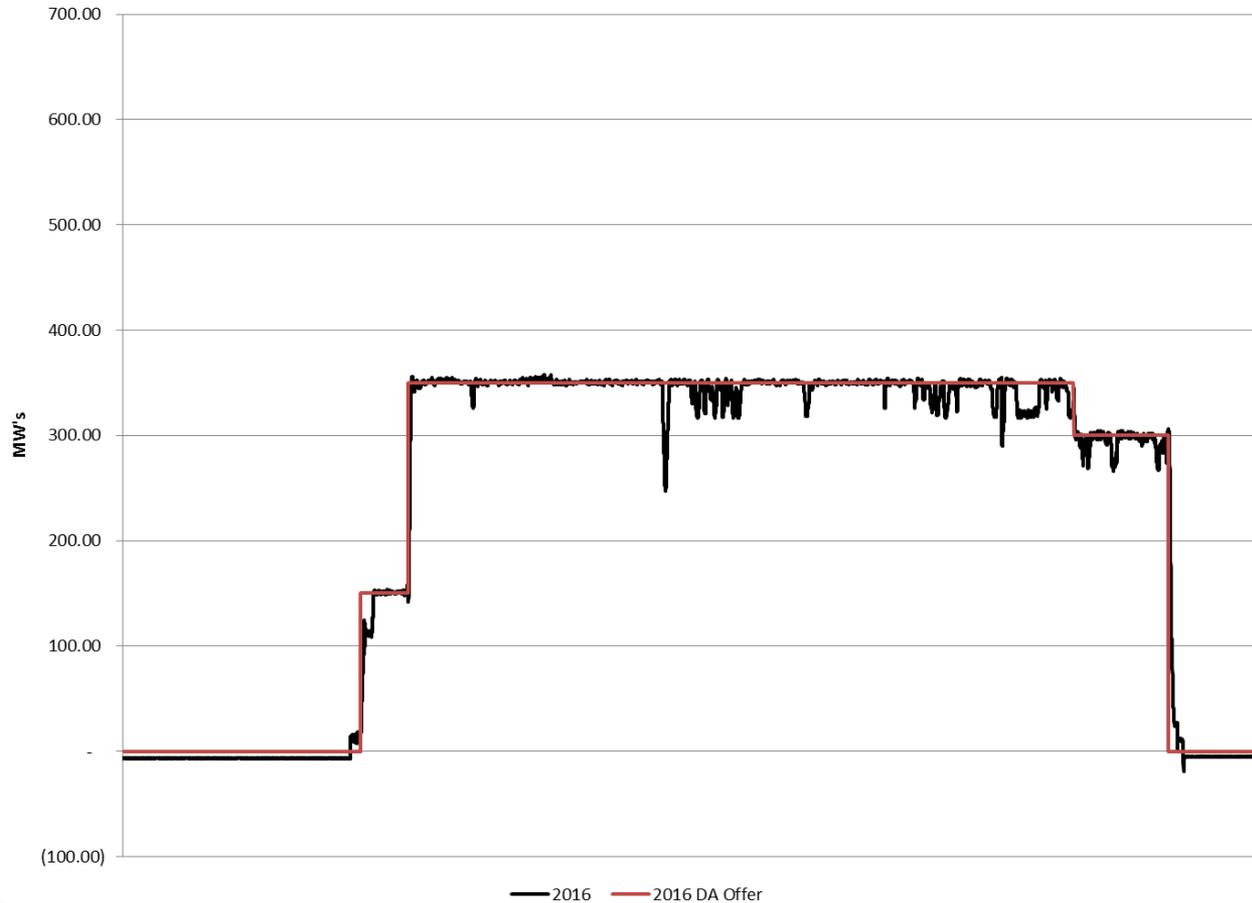
# Oahe generation: 2015

April 9, 2015 (4-second data)



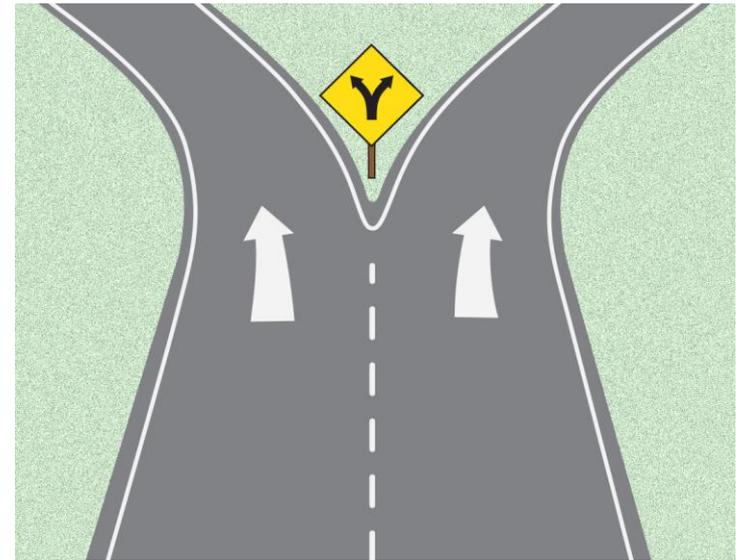
# Oahe generation: 2016

April 9, 2016 (4-second data)



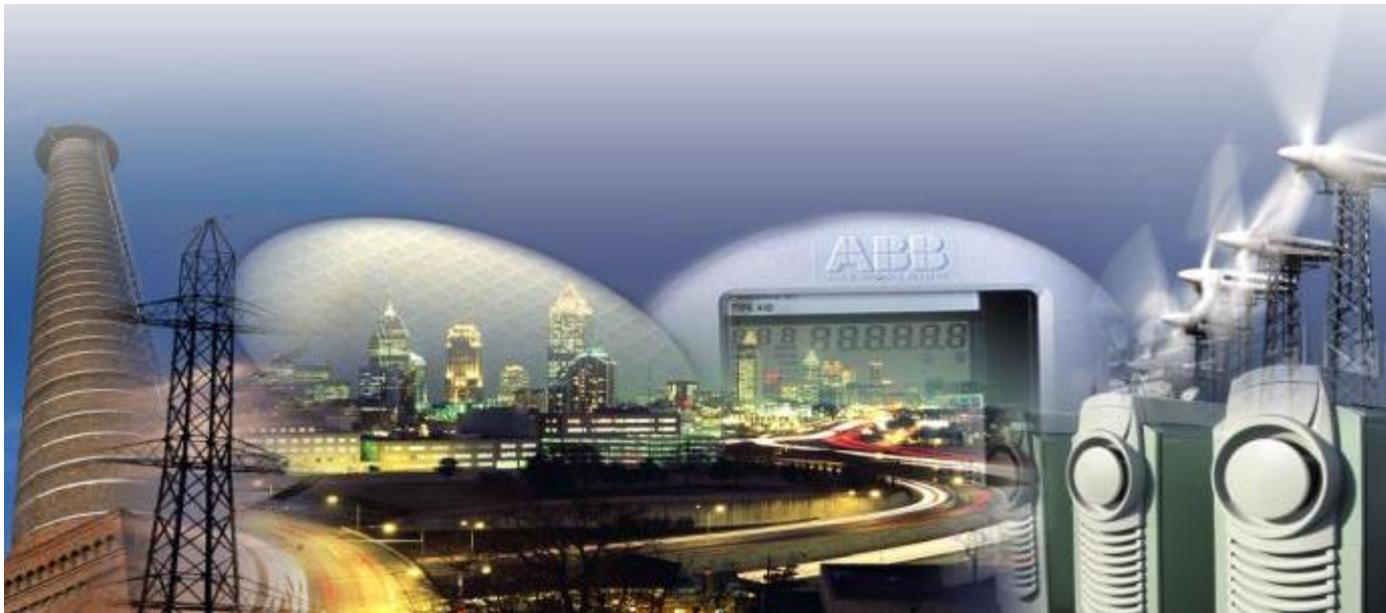
# Change brings challenges

- 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

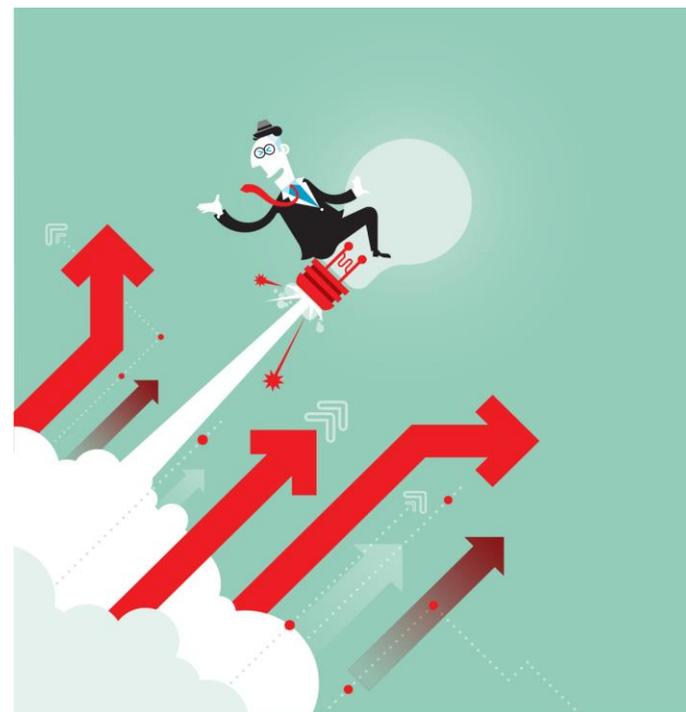
4.92 billion wireless devices globally / 66% penetration

Source: Hootsuite, January 2017

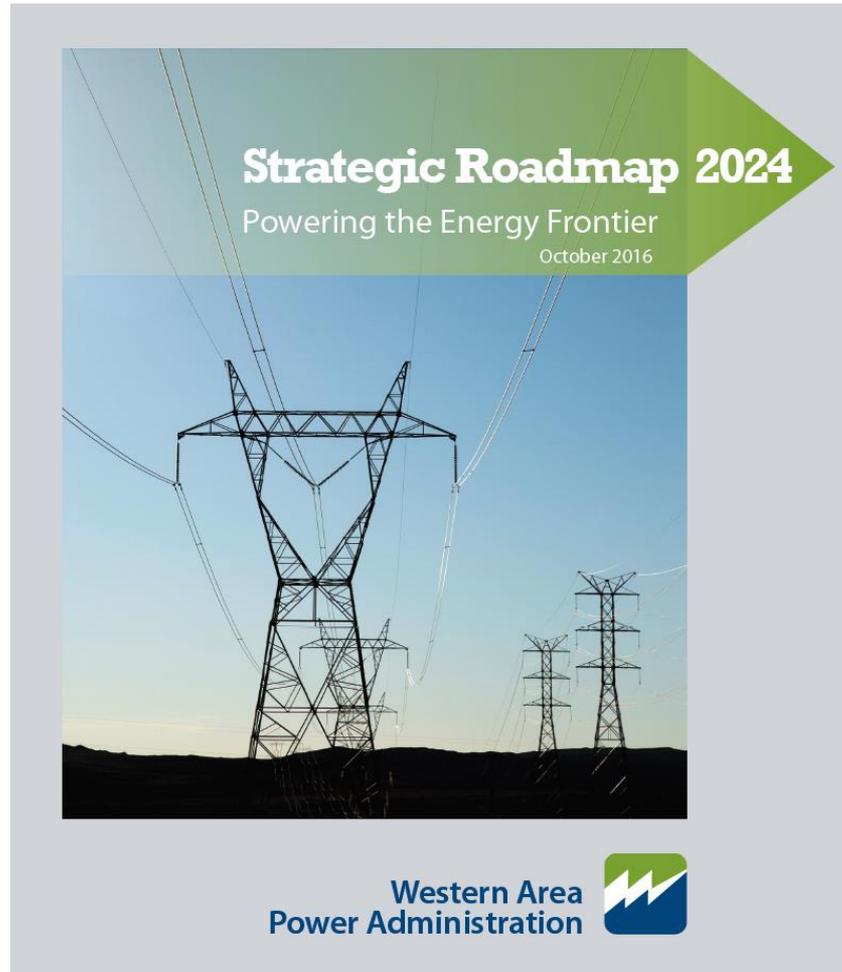


# Radical thoughts ...

- 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?



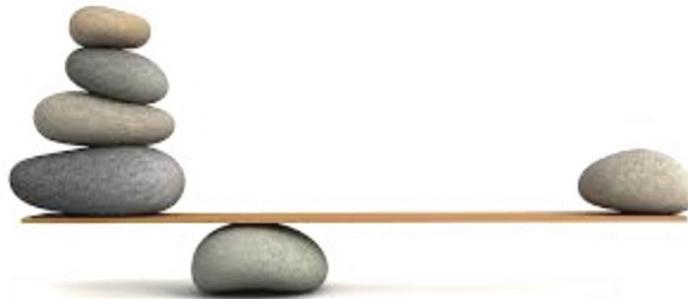
# Shift in strategic thinking

- 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

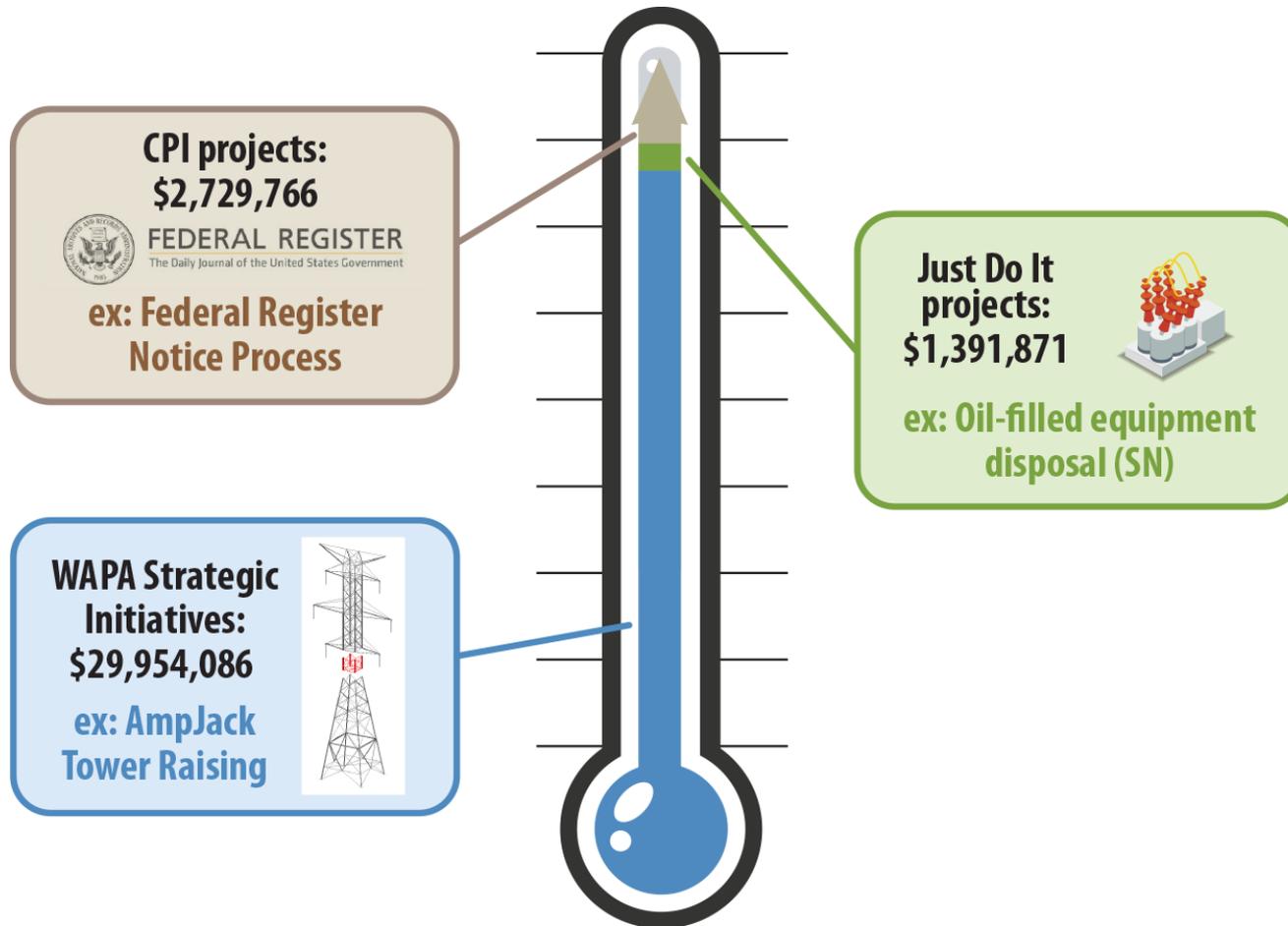
- Increased CIO engagement
- Quarterly reporting
  - Increased detail
- Includes technology **and** operational technology
  - Ex. relays, comm, radios ...
- Technology Acquisition Justifications
  - # TAJs almost doubled
  - No additional resources



# Lifecycle considerations



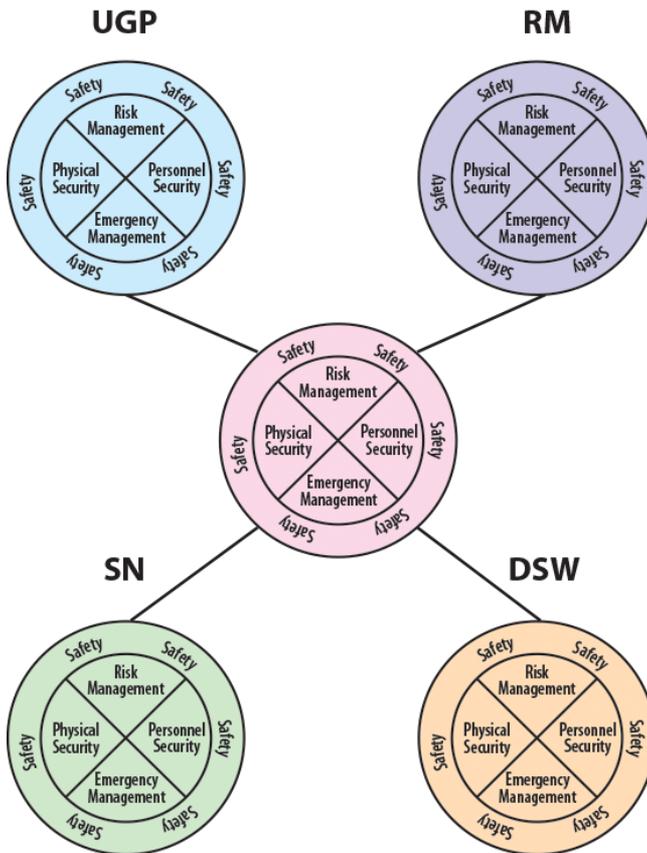
# Cost containment



**Total WAPA Cost Savings and Avoidance: \$34,075,723 as of March 31, 2017**

# Consolidation - Security

3 years ago

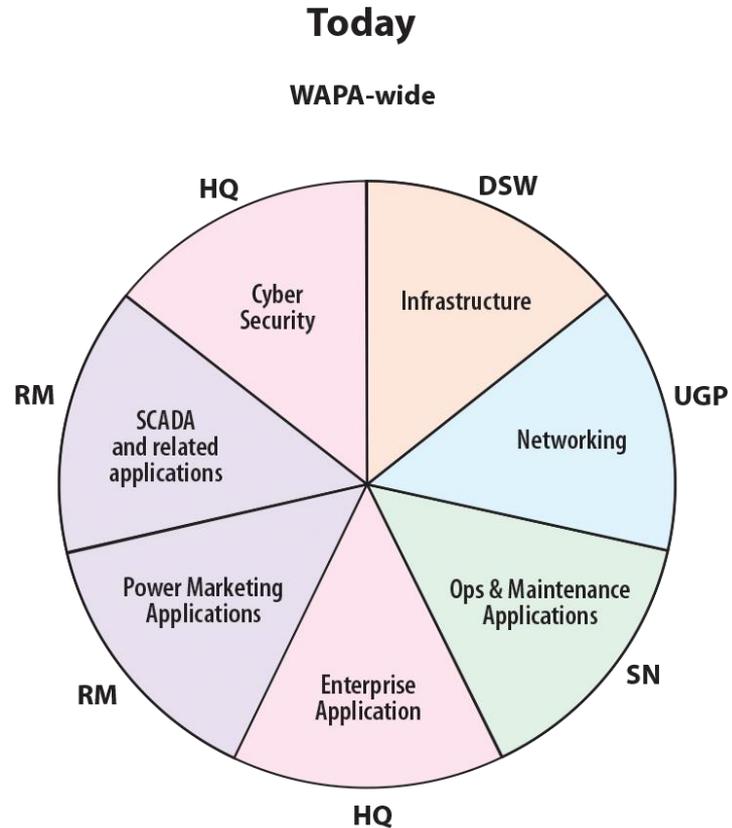
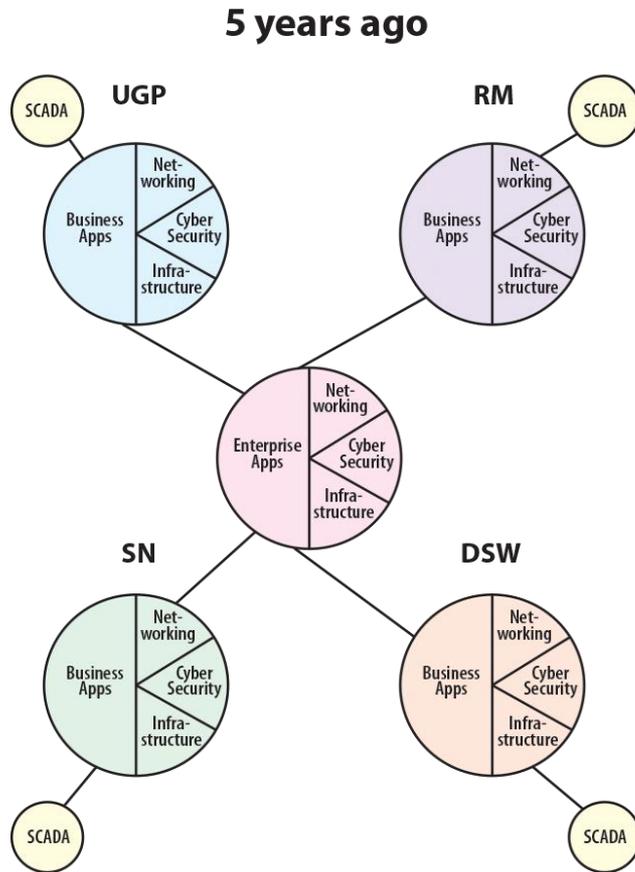


Today

WAPA-wide



# Consolidation - IT



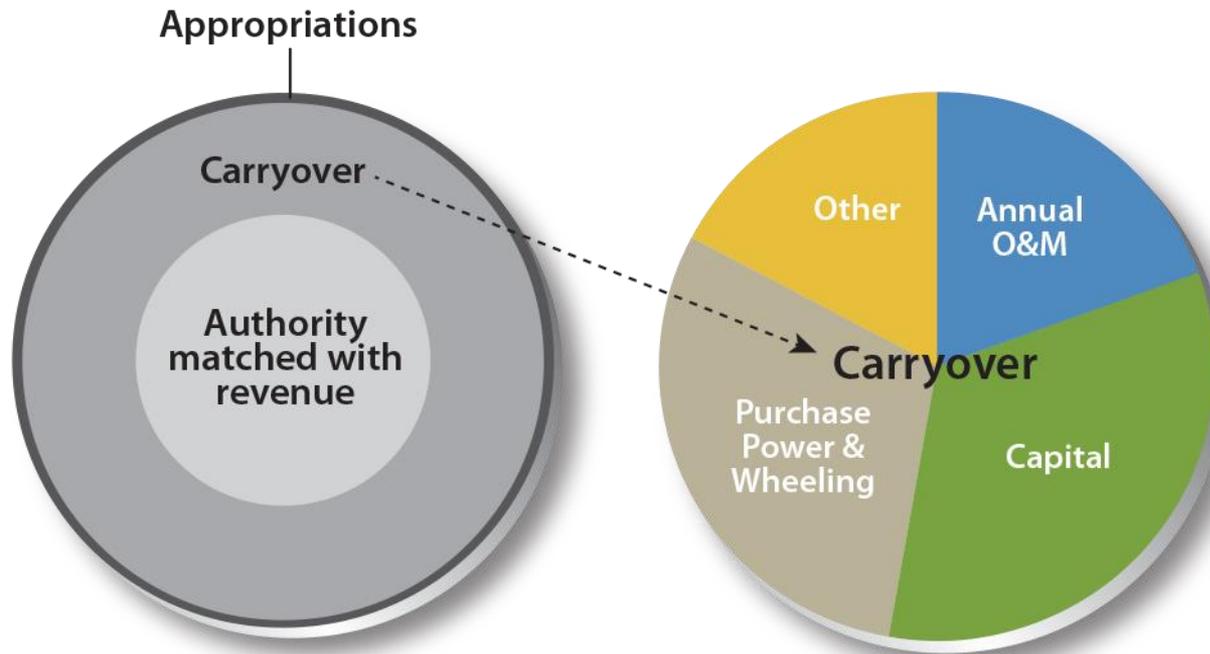
# Transparency

**INTERNAL AUDIT AND COMPLIANCE (IA&C) - WESTERN AREA POWER ADMINISTRATION**  
**Internal/External Audit Tracking**  
**January 13, 2017**

Source	Audit Status	Report Name	Report No.	Area Reviewed/Subject Matter
1	IA&C	Assurance Memorandum Completed	2014 A123/Federal Managers Financial Integrity Act	Financial and operational controls testing
2	IA&C	Final Report Issued	Western Area Power Administration's Recording of the Electric California Independent System Operator Report - Desert Region	Electric Power Training Center's Revenues and Expenses
3	IA&C	Final Report Issued	Internal Control Weaknesses in the Desert Southwest Region's Purchase Card Program	CAISO 2014 Scheduling Coordinator Self Audit Report
4	IA&C	Final Report Issued	Internal Control Weaknesses in the Rocky Mountain Region's Purchase Card Program	Government Purchase Card Program
5	IA&C	Final Report Issued	Internal Control Weaknesses in the Rocky Mountain Region's Purchase Card Program	Government Purchase Card Program
6	IA&C	Final Report Issued	Internal Control Weaknesses in the Rocky Mountain Region's Purchase Card Program	Government Purchase Card Program
7	IA&C	Final Report Issued	Internal Control Weaknesses in the Rocky Mountain Region's Purchase Card Program	Government Purchase Card Program
8	IA&C	Final Report Issued	Internal Control Weaknesses in the Rocky Mountain Region's Purchase Card Program	Government Purchase Card Program
9	IA&C	Final Report Issued	Internal Control Weaknesses in the Rocky Mountain Region's Purchase Card Program	Government Purchase Card Program
10	IA&C	Final Report Issued	Internal Control Weaknesses in the Rocky Mountain Region's Purchase Card Program	Government Purchase Card Program
11	IA&C	Final Report Issued	Internal Control Weaknesses in the Rocky Mountain Region's Purchase Card Program	Government Purchase Card Program
12	IA&C	Final Report Issued	Internal Control Weaknesses in the Rocky Mountain Region's Purchase Card Program	Government Purchase Card Program
13	IA&C	Final Report Issued	Internal Control Weaknesses in the Rocky Mountain Region's Purchase Card Program	Government Purchase Card Program
14	IA&C	Final Report Issued	Internal Control Weaknesses in the Rocky Mountain Region's Purchase Card Program	Government Purchase Card Program
15	IA&C	Final Report Issued	Internal Control Weaknesses in the Rocky Mountain Region's Purchase Card Program	Government Purchase Card Program
16	IA&C	Final Report Issued	Internal Control Weaknesses in the Rocky Mountain Region's Purchase Card Program	Government Purchase Card Program
17	IA&C	Final Report Issued	Internal Control Weaknesses in the Rocky Mountain Region's Purchase Card Program	Government Purchase Card Program
18	IA&C	Final Report Issued	Internal Control Weaknesses in the Rocky Mountain Region's Purchase Card Program	Government Purchase Card Program
19	IA&C	Final Report Issued	Internal Control Weaknesses in the Rocky Mountain Region's Purchase Card Program	Government Purchase Card Program
				Travel Expenses

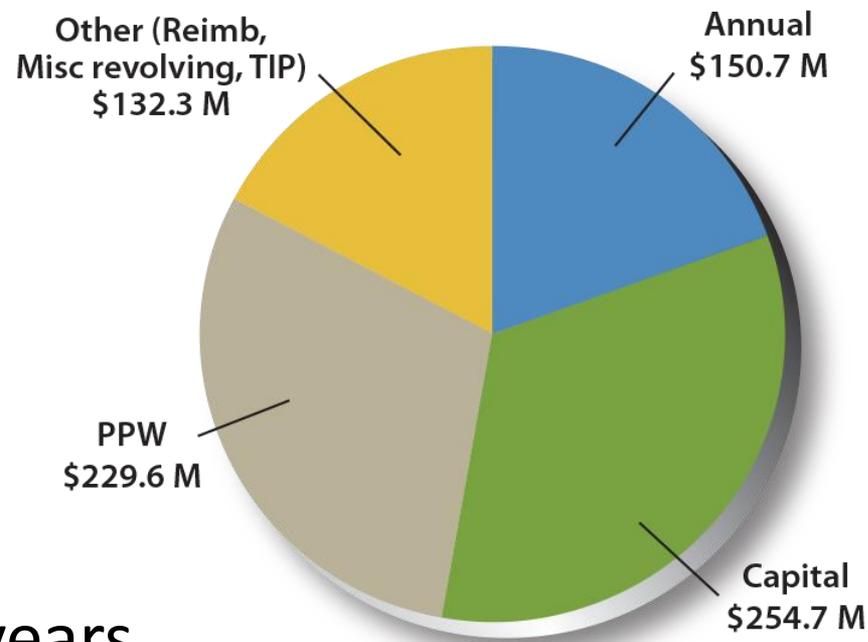
Page 1 of 4

# 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



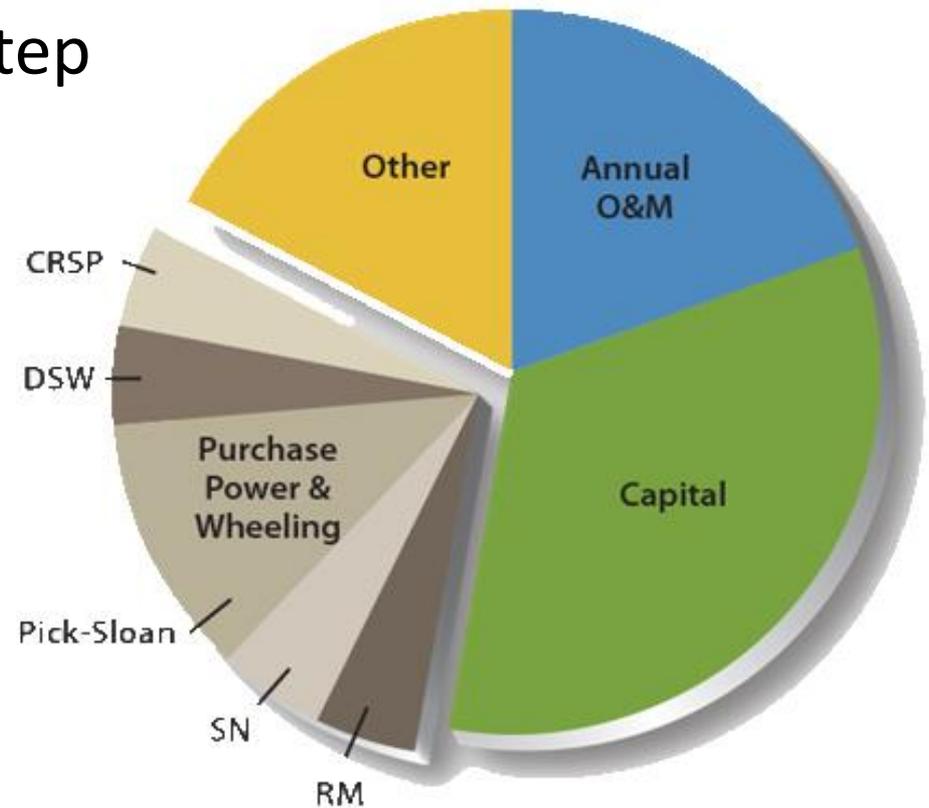
**Western Area Power Administration**

4d

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>

# 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

**Mark A. Gabriel**

720.962.7705

[gabriel@wapa.gov](mailto:gabriel@wapa.gov)



[wapa.gov](http://wapa.gov)



[@westernareapow](https://twitter.com/westernareapow)  
[@MarkAGabriel](https://twitter.com/MarkAGabriel)



[Mark Gabriel](https://www.linkedin.com/in/markgabriel)



[WesternAreaPower1](https://www.youtube.com/channel/UC...)

