

# APPA PMA Task Force

WESTERN AREA POWER ADMINISTRATION



## Administrator panel

February 27, 2018

Washington D.C.

Good afternoon. It is great to be here with all of you. Thank you for the opportunity to offer an update on the extraordinary work WAPA has been doing amid changing and challenging times.

I am coming up on my fifth anniversary as administrator and I could not be more proud of what the organization has done. The hydropower resource continues to offer great value, and the value WAPA offers its customers has never been greater.

WAPA recently celebrated its 40<sup>th</sup> anniversary. It was a natural time to reflect on our organizational accomplishments. There are many, but I want to share three with you today.

### Accomplishments

- Most recently, we lowered rates for customers in nine states—for the second year in a row. This decrease affects 415 utilities—more than 50 percent of our customers. Two factors contributed to this:
  1. We have had a few good water years, and
  2. Strong partnerships with our customers led to the diligent repayment of historic drought costs.

For another group of customers—almost 20 percent—rates have

remained stable for a ninth year. This is a result of tight management of operation and maintenance costs, as well as reduced purchase power needs due to water releases from Glen Canyon Dam.

We are able to provide this level of service because we work closely with customers to understand their needs and seek mutually beneficial solutions.

- In October, after a nine-year remarketing effort, we welcomed 31 new electric service customers, including 23 Native American tribes, to receive power via 50-year contracts from the Boulder Canyon Project. Our BCP customers serve one million consumers who will now benefit from the stability of low-cost, clean, renewable, reliable federal hydropower.
- To ensure WAPA continues to maximize the value of the services it provides, we look in all corners of our organization to reduce costs and increase efficiency. In September, we surpassed \$50 million in saved or avoided costs through our Continuous Process Improvement program, which was launched in 2014. The program leverages three types of projects to streamline operations and identify cost-avoidance strategies. The “Just Do It” projects—ones that are implemented by employees innovating on their own—make up almost half the total savings or avoidance achieved since the program’s inception.

### **Big issues**

WAPA, like the other PMAs sitting here today, is no stranger to the need to be responsive to large-scale issues facing our industry. We are seeing industry change in the past couple years that had not been seen in the 50



years prior. We are doing all we can to be agile and prepared so that we remain well-positioned to carry out our noble mission as the landscape changes around us.

- Nothing demonstrates that more than our move to join the Southwest Power Pool in 2015, becoming the first PMA to fully join a market. Organized markets are expanding and developing within our footprint, bringing the potential to affect many facets of our business.

WAPA evaluates benefits, costs, risks and opportunities associated with market-related developments, each of which are considered on a region-by-region and case-by-case basis to ensure we continue to deliver the most value for our customers.

Our Loveland Area Projects and Colorado River Storage Project are members of the Mountain West Transmission Group. In September, Mountain West announced its intention to continue discussions with Southwest Power Pool after determining that membership in SPP would provide opportunities to reduce customer costs and maximize use of resources and the grid. The announcement came after substantial analysis, including a transmission cost-shift study, a projected market benefits study and an evaluation of proposals provided by four existing independent system operators on the costs of either managing a joint tariff or joining their regional market.

Each member of Mountain West will make its own decision about whether or not to join. As you can imagine, there are many moving pieces and lots of coordination required. We expect to make an organizational decision soon.



- In recent years, getting things done and maximizing the value we offer has required not only partnership, but public-private partnerships specifically. Public and private organizations each bring unique strengths toward infrastructure development and modernization. We have made significant inroads in our “P3” efforts, recently making three noteworthy announcements at the end of January:
  - We signed a participation agreement on the Southline Transmission Project—a new critical energy infrastructure effort that will support grid reliability and facilitate renewable energy development in the Desert Southwest.

The Southline project combines upgrades to WAPA's existing electrical infrastructure and construction of new transmission lines to provide about 1,000 megawatts of transmission capacity along a 360-mile path between southern New Mexico and Arizona.

The project will interconnect with numerous existing substations, improving reliability, relieving transmission congestion, meeting increased energy demand and facilitating construction of new sources of generation.

- We announced a partnership with Duke American Transmission Company, the Bureau of Reclamation and the San Luis Delta-Mendota Water Authority for construction of the San Luis Transmission Project. SLTP will provide transmission service to the Bureau of Reclamation to power their water deliveries from the



Central Valley Project to agriculture and water customers in the Central Valley and Bay Area.

SLTP is a proposed 85-mile, 230-kilovolt line in northern California that will bring 600 megawatts of power to Reclamation's San Luis Pumping Plant.

By supplying power to federal water deliveries at sustainable and affordable rates, SLTP will support agriculture and water customers responsible for growing the majority of produce in the U.S. The public-private partnership maximizes the benefits of building critical energy infrastructure while simultaneously meeting the electricity needs of extremely important agricultural and water customers.

- We executed a letter agreement with SunZia setting forth terms and options for our future potential participation in the proposed 500-mile, 500-kV line that will enable the delivery of 3,000 megawatts of primarily wind energy from New Mexico to Arizona. The agreement allows SunZia to potentially apply for construction financing through WAPA's borrowing authority.

We are excited about the opportunity to assist in the development of critical energy infrastructure in the Desert Southwest that will deliver clean energy resources to growing markets.

- Over the past few years we have been growing our Asset Management program, and it continues to become increasingly important to our



organizational strategy and planning. We are hiring a leader to take the program to the next level ensuring that our asset management efforts are further embedded into our planning and decision making.

Making the shift will require tools, new processes and a culture change. We have the data on key elements, but we need to push further. My vision for asset management is a complete integration of all assets to understand necessary investments for just-in-time capital projects.

Our Asset Management priorities right now are to assess risk to transmission facilities, identify areas where reliability is jeopardized and maximize the value of our assets.

### **Relationship with DOE**

We continue to work closely with the Department of Energy demonstrating both our expertise and the value we provide. This was evident during the power restoration effort in the wake of hurricanes Maria and Irma. WAPA deployed 42 people from nine states to support the effort. The work we did in response to the devastating hurricanes in the U.S. Virgin Islands and Puerto Rico is important. Our work made a difference. It touched people. It exemplified our mission and our values.

In fact, our work continues, at least for a short while longer. We still have two engineers on the ground in Puerto Rico offering advice and technical assistance to the U.S. Army Corps of Engineers. They are scheduled to come home on Friday.

Our crews worked across difficult terrain amid challenging conditions. For more than 60 days ... they sacrificed time with their families to assist this



restoration effort.

I had the opportunity to tour the area and see the work they performed. It was an absolutely transformative experience. I have a renewed sense of pride for WAPA's expertise, our leadership, our resourcefulness and our craftsmanship.

In addition to what we were able to offer the communities we served, here is what we gained:

- More diverse experience
- Increased improvisational skills working under challenging circumstances
- A reminder of how truly important our work is as we supported tens of thousands of Americans

Our work in the Virgin Islands reminded me of the value of common work practices. Crews from every region were able to come together and work together flawlessly because they all use the same operational processes. We are now reminded of how seamlessly we can perform combined crew work and joint projects—the type of jobs that save customers money, further increasing the value WAPA brings to the communities we serve.

I could not be more proud of our organization and the partnerships that made it all possible.

### **Commitment to transparency**

It is no secret that WAPA is a complex organization, both operationally and financially; we are geographically expansive with customers as diverse as the territory we cover. Long before any legislation was proposed, I had been working to increase our organizational transparency efforts. Our customers



had been asking for it and we were responding.

We launched “The Source” almost two years ago. It is a website dedicated to displaying operational and financial information in one convenient location. We have continued to build and develop the site and have some exciting additions planned for rollout in the next few months.

We have worked closely with congressional representatives to ensure that the data we will be sharing is consistent with the WAPA Transparency Act. But let me be clear, from the beginning our plan was to continue to work toward meeting the requirements of what was outlined in draft even if the legislation never passed.

We welcome the opportunity to share and discuss our information and look forward to working with customers to leverage this information in existing transparency efforts.

### **Impact of Continuing Resolutions**

Like our sister organizations, we continue to be challenged by operating under continuing resolutions. We understand that CRs are inevitable, and we work diligently to minimize their impact within our sphere of control. Although appropriations represent only a small portion of our funding, the CRs do constrain our capital appropriations, leaving us unable to move forward with some procurement actions and construction efforts.

It has been my pleasure to be here with you today. It is evident to me that partnership is at the center of everything we do. Thank you again, for creating a space for me and my PMA counterparts to address your taskforce.





