

**Engaging in a world of change**  
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In recognition of the significant strides we have taken to strengthen our relationships with customers and stakeholders and enhance the value of WAPA, our theme this year “Engaging in a World of Change.”

- The partnerships and common goals we share are the foundation of a stable and progressive WAPA that is ready to take on the opportunities and challenges in the evolving energy industry.

It is no coincidence that three of our six core values are directly tied to engagement:

- Listen to understand, speak with purpose.
- Seek. Share. Partner.
- Respect self, others and the environment.

Engaging at all levels pays dividends to WAPA and customers; it is vital we are present in discussions about the energy industry and with people who can control our destiny with or without our input.

We have, through frequent and respectful discourse and collaboration, found ways to better understand our customers, manage the many opportunities before us and develop better tools for communicating and working together that yield tremendous results.

We must make a concerted and purposeful effort to engage in the new energy industry and with our customers. It is through engagement that we will understand firsthand the needs, challenges and opportunities before us so we can optimally position ourselves to meet those needs in the future.

**Accomplishments since 2013**

We have achieved much since 2014. None of these successes were achieved in a vacuum, and all required dedication, respect, communication, professionalism and a staggering amount of knowledge and expertise across the board.

- Returned about \$2 billion to the Treasury, helping pay down that debt and ease pressure on cash flow.
- Rates have held steady or declined for 80% of our customers.
- The Continuous Process Improvement Program topped \$93 million this year in mostly cost avoidance.
- Using drones and helicopter-assisted maintenance, we can avoid costs, reduce time spent on maintenance projects and avoid environmental impacts.
- Created a three-pronged reserve balance strategy to support purchase power and wheeling, capital expenditures and operations and maintenance.
- Created and expanded upon an asset management program to help us make the right investments at the right time and the right place.



- This program contains information on eight critical asset classes.
- Added real-time engineers to dispatch centers to meet a compliance requirement and the real-world need to evaluate system conditions more frequently and comprehensively.
- Increased our employee satisfaction in virtually every area for the past five consecutive years.
- Leveraged unique hiring capabilities for hard-to-fill positions.
- Embarked on new and more modern recruitment efforts to motivate people to apply to WAPA.
- Improved retention of employees by adding new work-life programs for employees, like telework and flexible hours (for applicable positions), ensuring career progression opportunities and offering leadership development programs.

### **New requirements in the new decade**

The more efficient we become, the better we will be able to hold down rates and meet the changing requirements. Cost savings and avoidance through continuous improvement allows us to redeploy limited resources to other pressing priorities, ensuring we are spending money and time on the right programs and requirements, including:

- Spending about \$160 million of investment into our system each year.
- New records managements laws and regulations.
- Continued scrutiny and demands of integrated vegetation management and reduced vegetation and powerline interactions
- New long-term contracts for CRSP, DSW Parker-Davis and SN.
- Increased need to protect our physical and cyber systems from threats.
- The rise of markets in the West.
- New Critical Infrastructure Protection standards from the North American Electric Reliability Corporation.
- Ever-growing demand for more network capacity.
- Responding to and hardening against the wildfire threat.

### *Wildfire prevention and mitigation*

WAPA's territory crosses significant swaths of wildfire-prone land: from mountainous wooded areas, to national forests and parks, to desert to prairie grasslands.

- Each environment requires different proactive wildfire and vegetation management approaches.

At WAPA, the safe and secure operation of our transmission system is of the utmost importance to the agency and our employees. We are committed to doing what is right and what is safe, including and especially when operating and maintaining the organization's transmission system.

WAPA has evaluated its operational risk and vulnerability to wildfires across the enterprise. Our thorough vegetation management programs mitigate unnecessary risk, but more can be done.

We are reviewing our programs for adequacy and accuracy given what we now know about wildfire prevention.



- Preventing wildfires is a team effort. We are collaborating with our state and federal partners to ensure we are doing what we can to prevent fires caused by powerlines, mitigate the impact of fires on our equipment and provide support to firefighting efforts.

Around WAPA,

- Sierra Nevada in northern California is voluntarily complying with state laws and has developed a Wildfire Mitigation Plan that includes five annual inspections of our lines in high fire risk areas. SN is also continuously coordinating with CALFIRE and other utilities, and we are participating on utility ad-hoc committees on wildfire prevention.
- In Rocky Mountain's territory, we are partnering with the U.S. Forest Service to gain access and conduct machine clearing in rights-of-way in two national forests in Wyoming and Colorado.
- Finally, in Desert Southwest, we have been working to implement the right prescription and contracts to reclaim easement areas to permit only low-growth vegetation under lines in Arizona, Nevada and southern California.

### **Looking forward**

We have three large initiatives facing us this year:

- Rise of markets
- Communicating the value of hydropower
- Creating a transmission strategy

### **Markets in the West**

The world around us continues to change. Records in renewable penetration are being made regularly. The bottom has fallen out of the coal industry far quicker than most have expected, and natural gas is now facing challenges to its future role in the energy industry.

The energy industry in the Western Interconnection is becoming more complex. Markets are no longer coming to the West; they are here. They are inside the front door, and this time, they will not leave.

The major initiative this year, besides keeping the lights on and the power flowing to customers, will be working to accommodate the markets.

We will spend our time preparing for the move into energy imbalance markets or services and looking at the next steps, which are sprinting at us from the horizon. We will be moving faster as an organization and Interconnection than we ever have before.

- Two regions and the management center will begin using the Southwest Power Pool's Western Energy Imbalance Service in February 2021.
- Our California region, along with other members of the Balancing Authority of Northern California, will be joining the California Independent System Operator Western Energy Imbalance Market in April 2021.
- Finally, the Desert Southwest region is currently studying the energy imbalance options with neighboring utilities to determine which option fits their needs.



In terms of markets, WAPA is a major player. Any serious market initiative in the West would have to involve WAPA due to our sprawling transmission system.

We have power as WAPA. We have influence to shape the future of the energy industry, even without load.

- It is our responsibility and obligation to use that power and influence to benefit our mission and our customers.
- We must be involved in the other matters that affect WAPA, the grid and our customers. Failing to do so is equivalent to failing at our mission because we must proactively carve a place for preference power in the future. That place is not guaranteed.

We must take steps to be as prepared as possible for markets. Despite our influence, if WAPA becomes an obstacle to markets in the West, we will be left behind to our and our customers' detriment.

### **Value of hydropower and WAPA**

As beneficiaries and champions of hydropower, we need to do more this year and in the next few years to promote the positive story of the role the dams play in energy supply and grid stability in the 21st century.

As baseload generation resources continue to retire, hydropower and by extension WAPA, will become more critical.

- Hydropower is the ultimate form of electricity: it is both renewable and reliable, a combination not available in any other generation source.
- It is also clean and affordable with the flexibility and availability to stabilize grid operations.
- Hydropower is the proverbial goose that laid the golden egg: it pays not only for itself through power rates, but also supports the other critical missions of the dams.
- It is the ideal partner to wind, solar and (potentially) battery storage, and it provides backbone base resources that allow for system stability and improved river and dam operations.

The challenge for society is to quantify the value of hydropower beyond traditional means.

- How do ensure customers' access to federal hydropower remains protected and affordable in this changing world?
- How do we ensure the capacity, reliability, black start capabilities and other operational benefits of hydropower—ignored in today's market structure—are appropriately and adequately compensated?
- And how do we convince well-meaning environmentalists and conservationists of the value of the dams in today's society while also respecting their objectives of preserving species and ecosystems?



## **Transmission strategy**

Finally, this year we will create a transmission strategy that establishes a vision for re-investing and rebuilding our transmission assets.

As I mentioned before, we are not behind on transmission reinvestment or maintenance. With support from customers, we are continuously re-investing in our system to the tune of \$160 million per year.

However, we need to take a holistic look at the system and the changes in technology and demands to ensure we are preparing a reliable, smart, flexible and resilient grid ready to tackle the 21st century—one that can adapt to and thrive with distributed energy resources, a dearth of capacity and traditional sources of grid stability and sophisticated cyber threats that affect all utilities.

This strategy will:

- define and align a vision for WAPA’s transmission that meets customer, market and national security needs;
- align with the Tactical Action Plan priorities of Asset Management 2.0 and Grid Resilience;
- and make strategic use of tools such as GIS and Maximo, advanced modelling techniques and asset management data—loads of data.

## **Engaging with DOE & other federal agencies**

We also continue to engage with the Department of Energy and Office of Management and Budget on the value of WAPA and the preference power-PMA partnership. We have great support from the new leadership in DOE, and I am confident we will build upon the progress we have made so far.

- We have submitted a report on Purchase Power and Wheeling to Congress, sharing its criticality to the viability, flexibility and stability of the hydropower program.
- We have coordinated and gained support for increased appropriations from DOE starting in fiscal year 2021 and are currently coordinating that increase with OMB.
- Finally, we have submitted the American Broadband Initiative fiber assessment to DOE in December 2019.
  - DOE is working to assemble a consolidated report to include SWPA’s feasibility assessment.

This is an exciting time to be part of the energy industry.

I am confident that together, WAPA and customers will continue the collaborative and fruitful discussions and activities to make our intertwined futures a continued success. We may not always agree, but with respectful dialogue, continuous engagement and understanding of everyone’s needs, we can continue to navigate this changing world and define a relevant and valued future for all of us.

