

APPA Legislative Rally March 2, 2021

2020 was a historic year, bringing with it an unexpected level of change and disruption.

- This virtual rally demonstrates that.

Responding to COVID-19 has presented a major evolutionary step for WAPA, and indeed all government agencies and utilities, to deploy innovative new processes, procedures and tools in line with the 21st century.

Over the course of the year, we adapted and persevered against the backdrop of adversity and uncertainty to continue successfully delivering on our mission in 2020.

It brings me great pride to say that we were able to:

- Accomplish our mission
- Provide industry leadership for responding to COVID AND
- also achieve our annual performance targets for the fiscal year
- all while about 75 percent of our employees worked from home for most of that time.

Our accomplishments last year were many as we adjusted to a new way of working and living.

Rather than go over them all, I encourage you to peruse our FY 2020 Annual Report entitled “Engaging in a world of change,” as that is exactly what we did.

Beyond the pandemic, the industry continues to experience rapid change. This was reaffirmed to me at the virtual Morgan Stanley Annual Seminar for Power and Utility Officers on December 3.

- This event is the personal highpoint for my personal and industry growth each year.

Some key takeaways from last year’s event include:



- Environmental/Social/Governance, or ESG, is not a trend; it is how the world now views our space. \$30 billion of investment is pouring into ESG/Sustainability Bonds every month. It is expected by investors.
- Greening of society will continue at a faster pace than ever before.
- Governance, especially after recent management failures at FirstEnergy, SCANA and elsewhere, raises the importance of the transparency.
- More focus on Inclusion and Diversity as a core value.
- Big Oil is becoming Big Energy.
- Surprisingly, there was no discussion of upgrading and modernizing the transmission system or developing smart grid technologies, despite the fact that the grid will be integral to reliably achieving low-carbon and green-energy goals in the future.

The PMA's collective missions align well with ESG tenets, putting us in a desirable position compared to other utilities.

- We provide low-carbon energy at affordable prices. We are highly transparent and collaborative.
- WAPA's core values reflect many ESG-related principles including respecting self, other and the environment and doing what is right and safe.
- Our public power customers are able to meet their commitments to consumers to provide community power at lower rates than for-profit utilities and meet renewable penetration goals.
- Our governance is the envy of big corporations in terms of engagement and social consciousness.
- Thanks to our culture and values, our choices are easier when we are confronted with obligation versus doing what is right.

In recognition of the change around us as well as marking a milestone in our journey to a relevant and valuable future, we are starting a refresh of our Strategic Roadmap.

Our existing Roadmap has helped guide our organization for the past 7 years, and we have achieved many of the Critical Pathways and Tactical Action items we identified as priorities in 2014.



Although 2024 appears to be in the far-distant future, developing a new Roadmap now will ensure we have time to engage with our employees, customers and other stakeholders to define a shared future vision.

The first step in our strategic refresh was to refine and renew our mission and vision, which we accomplished last year.

- Our updated mission is: Safely provide reliable, cost-based hydropower and transmission to our customers and the communities we serve.
- And our new vision is: Empowering communities, securing a resilient energy future.

As you can hear, there were no substantive changes to our mission statement. It remains focused on delivering reliable, cost-based hydropower and transmission with an added a customer reference and emphasis on our strong safety culture.

- Our vision statement is more focused, clear, and concise.

Renewing our strategic journey is one of the many activities we will focus on this year, a year we have defined thematically in a single, simple word: Balance.

Achieving balance is a challenge many of us are likely pursuing, and not just at work but also in our personal lives.

The industry, too, needs to find balance. I would argue that the energy industry today is unbalanced.

- It values energy over capacity, leading to severe unintended consequences for system reliability as we have seen in multiple parts of the country in the past several months.
- The desire to protect the idea of traditional utilities and resistance to change are stifling creativity and innovation to accommodate a new energy frontier, while technologies are growing at the edge of the system without utility input.
- We have scores of megawatts of new generation coming online every year and next to no new transmission to deliver it because the transmission side of the equation is not financially stable.
- We value the idea of markets as solutions to problems instead of addressing the root of the systemic issues we are seeing in operations.
- We are operating the system balance closer and closer to the edge.



- Hydropower, as one of the few baseload generating resources left, is not properly valued.

Closer to WAPA, we need to:

- balance the needs of our employees with the needs of WAPA
- balance the needs of our customers with one another and with the needs of our system, now and in the future
- Balance reliability and resilience
- Balance the needs in vegetation management with financial and environmental costs
- Balance our resources against our many competing organizational priorities, which is the goal of the workload planning initiative.
- And make system investments based on data driven from our asset management program balancing competing priorities

In 2021, we will continue to focus on markets, balancing the benefits and costs of the many opportunities before us.

- On Feb. 1, we successfully transitioned Upper Great Plains – West, Rocky Mountain and the Colorado River Storage Project into the Southwest Power Pool Western Energy Imbalance Service.
- On March 25, Sierra Nevada plans to join the California Independent System Operator Western Energy Imbalance Market.
- Desert Southwest anticipates selecting their path forward in energy imbalance management sometime this spring.
- We are also actively participating in potentially expanding the SPP RTO into the Western Interconnection and the CAISO EIM Governance Review.

Given all of the prospects for markets today, it is imperative we review these developments individually and holistically so we understand how the parts and the whole will affect WAPA and our customers.

Our decisions regarding our future and specifically markets will serve the best interests of WAPA, the regions and our customers based on the unique needs and circumstances of each locality.



Contributing to market developments is not the only thing we are doing to ensure the continued success of our mission in the energy frontier.

We are pursuing a number of activities, including

- a fiber pilot project with three customers,
- the Standardized Budgeting and Reporting Initiative
- improving system resilience
- developing an advanced workload management approach
- maturing how we strategically use data to inform our investment strategies and
- participating in the Hydropower MOU, among other things.

During all this work, we remain committed to our core mission, beneficiary pays and lowest rates consistent with sound business principles.

I would remiss if I did not mention the effect Winter Storm Uri had on our system and in our regions.

The majority of our UGP territory is a member of the SPP Regional Transmission Organization. Starting Feb. 15, the storm's frigid temperatures forced a number of generating resources offline, especially natural gas, and left SPP unable to meet the 42 GW of demand in its territory.

On Feb. 16, SPP directed WAPA to begin shedding load to protect the grid and consumers from widespread, uncontrolled, and dangerous long-term power outages. These rolling outages affected 21 WAPA customers in UGP for an average of 55 minutes and as long as 122 minutes.

- This was the first time SPP had implemented rolling outages in its 80-year history.

To alleviate the pressure on the grid, WAPA and the Corps of Engineers worked together to squeeze every available megawatt out of the seven dams in the Missouri River between Feb. 15 and 18. In total, the Corps and WAPA provided 27,150 megawatt-hours above our normal hydropower schedules into SPP, which is enough to supply between 720,000-820,000 homes with power.



This was a herculean effort on the part of both agencies to keep energy flowing and prevent the loss of life. As we saw in Texas, that claim is not hyperbole. Electricity is a necessity to our way of life, like food, water and shelter.

WAPA and SPP learned many lessons from this event, especially regarding advanced and frequent communication with our customers. Overall, however, the response was a success: the grid did not collapse, load shedding and conservation appeals helped, all available resources were generating and the market drove up prices when megawatts were scarce. The same is true in Texas.

The system's weaknesses were also revealed. First, every form of generation can be disrupted by extreme temperatures. Second, a deregulated, competitive market discourages long-term capital investment in reliability and resilience measures. Finally, costs move in both directions in competitive markets, and electricity will flow to the highest bidder, not where it is needed the most.

The question facing the industry and lawmakers now is now not whether energy markets work, but whether we are capable of living with the results.

Power and gas markets throughout the U.S. are marvelously efficient in driving out inefficient generating units, increasing financial liquidity and expanding the sale of energy to new parties.

- But should electricity, and to a lesser extent natural gas, participate in free markets? Unlike pork bellies and orange juice, trading electrons has consequences far greater than the availability of bacon or screwdrivers; as we have witnessed in Texas, it costs lives.
- That is the question for this year.

As you all are likely aware, I am leaving my position as Administrator and CEO at WAPA for an opportunity in United Power, Colorado's largest rural electric cooperative and member of NRECA.

- The interim acting administrator will be Senior VP and DSW Regional Manager Tracey LeBeau.

I have truly enjoyed working with APPA and all its members to secure a place for public power in the energy frontier.

Thank you all for supporting WAPA and our critical mission. Keep in touch.

Stay safe, remain socially distanced and wear your mask.

