



# Summary Report: Drought & Energy Dialogue Virtual Session

**JANUARY 2023**

**WESTERN AREA POWER ADMINISTRATION  
IN PARTNERSHIP WITH THE BUREAU OF RECLAMATION**

**PREPARED BY: ELYSE MAGEN AND SETH COHEN**

**JOHN S. MCCAIN III NATIONAL CENTER FOR ENVIRONMENTAL CONFLICT RESOLUTION, A  
PROGRAM OF THE MORRIS K. UDALL AND STEWART L. UDALL FOUNDATION**

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## 1.0 Introduction & Opening Remarks

On January 5, 2023, the Department of Energy's (DOE) Western Area Power Administration (WAPA) and the Department of Interior's (DOI) Bureau of Reclamation (Reclamation) joined their Upper and Lower Colorado River Basin power customers in a virtual dialogue session to discuss the energy challenges customers are facing in this era of drought and to explore short and long-term strategies related to hydropower supply and transmission services.

In the fall of 2022, WAPA convened two similar in-person dialogue sessions in Phoenix and Lakewood<sup>1</sup>. This January 2023 session was held virtually to engage customers who were unable to travel to the first two in-person meetings. This virtual session covered the same topics as the in-person meetings; but was condensed to a three-hour online discussion. The dialogue agenda can be found as [Appendix A](#) and a list of meeting attendees appears in [Appendix B](#).

### 1.0 Welcome from WAPA

WAPA Administrator and CEO Tracey LeBeau kicked off the meeting by sharing her appreciation for customers setting aside the time to share concerns, ideas, and potential solutions. Early last year, Administrator LeBeau spoke with Reclamation's Commissioner Camille Touton about engaging customers in a dialogue to explore drought impacts on power and the transmission system. The two had worked closely together to take immediate actions, but they also wanted to work with customers to explore midterm and longer-term approaches to tackling drought related challenges.

WAPA is present in 15 states and has over 700 customers. Drought conditions have occurred in every one of the regions served by WAPA and it has been challenging to imagine how best to engage the agency's broad customer base. Administrator LeBeau had worked with the National Center for Environmental Conflict Resolution (NCECR) before, and she contacted the agency to serve as third-party neutral that could help to design stakeholder engagement and facilitate dialogue<sup>2</sup>. Together the agencies determined it would be best to start conversations with customers who depend on power from the Colorado River Basin (Colorado River Storage Project and Desert Southwest Region) where drought impacts have had severe impacts on hydropower supply.

These discussion sessions are not meant to be formal processes, and no one will be on the record. It's an informal "throw things on the wall" type discussion to hear priorities and identify possible short and long-term strategies. Administrator LeBeau underscored now was the time for power customers to bring ideas to the table. WAPA is trying to explore longer term approaches to managing the impacts of drought on power and transmission. WAPA personnel are looking at how the current drought situation is impacting operations and have begun to form some plans that they hope they won't need to operationalize. Administrator LeBeau noted that they have experienced drought in the past as an agency, but this situation feels different, more dire.

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<sup>1</sup> The first dialogue session was held on November 2 in Phoenix, Arizona and the second dialogue session was held on November 9 in Lakewood, Colorado.

<sup>2</sup> As part of this effort the National Center has worked to conduct an assessment of stakeholder (customer) challenges, and has helped to convene, facilitate, and document the drought and energy dialogue sessions.

Administrator LeBeau expressed her gratitude that Reclamation has joined WAPA the entire way through this process. It was an effort driven by collaboration and partnership. Lastly, she acknowledged the presence of some Tribes in the dialogue sessions and noted there is a plan is to have a Tribal session on drought and power, but they still haven't figured out when and where.

## 1.2 Welcome from Reclamation

Deputy Regional Director of the Lower Colorado River Basin, David Arend, shared that Reclamation is working to figure out how to best conserve water, reduce the cost of power, and ensure customers get the power they need. Reclamation staff are exploring long term efficiency and sustainability of the power plants. They are trying to navigate how they can do more with less. Reclamation is trying to maintain power and mitigate impacts to their customers. He stressed that Reclamation staff is ready to work with customers and they appreciate customers participating in these sessions and sharing their questions and concerns.

## 1.3 Discussion Framework: Meeting Logistics

Customers and agency representatives were randomly grouped into smaller dialogue groups. Each virtual breakout group was facilitated by personnel from the National Center and had a designated WAPA representative who was charged with reporting out what customers and agency staff in their group discussed. The discussions were organized around five central themes: (i) products/services (ii) assets; (iii) funding and rates; (iv) communication and coordination; and (v) and general ideas and concerns.

Many of the points raised do not fall neatly in just one category as these themes are interrelated and interconnected. In the following summary, the National Center team has grouped similar comments and themes and distilled requests or personal anecdotes into bullet points that convey recommendations, questions, and concerns.

## 2.0 Discussion Topic: Products/Services

Customers were asked to share ideas related to power or transmission services that would be valuable during the drought and any ideas related to potential replacement power options. Prevalent themes included a need for adequate energy supply, an expressed desire for renewable energy sources, and support for WAPA to further explore working with Regional Transmission Organizations.

As a service to its customers, WAPA procures energy on the market. Yet when WAPA is out on the market to address energy shortages, it is also competing with some of its customers. WAPA is inadvertently driving prices up while less energy is being delivered to customers. One utility reported that it is paying up to 300% of what it was paying a few years ago. Recently, some traditional forms of generation have been closed down. A customer suggested slowing down the closing of traditional energy forms (non-renewables) until energy supply challenges are resolved.

Customers are also struggling to meet their green energy requirements. They are having to replace lost hydropower with fossil fuels. DOE continues to warn agencies and customers about global warming and the need for solutions. There was discussion about opportunities for development of renewable resources if DOE could funnel grant and loan dollars into WAPA and or their customers.

Customers expressed a feeling that the WAPA transmission system is not being fully utilized. A WAPA representative noted that it seems RTOs are more important than they have been in the past to customers. RTOs have the power to help free up some transmission options as they can increase access and minimize costs while maximizing assets.

*The following is a bulleted list summarizing comments shared during the breakout groups:*

- There is a high value placed on having a diverse portfolio.
- Customers are turning to and relying on natural gas because they are not getting their full share of hydropower.
- There are some challenges to integrating hydro and solar power. It's important to use energy at the right times.
  - Prices are negative 4% to 5% of the time. There was a request to schedule hydro accordingly during those hours.
- Having access to wind and solar energy (especially when hydro is not running) is beneficial even though there is a feeling among some agency representatives and customers that these energy sources cannot make up for the lost hydro.
- Tribes have special grants to build renewable energy projects but have run into some roadblocks.
  - A Tribal representative shared that they were a recipient of funding to do a large-scale solar project but had to decrease the size due to transmission constraints. The Tribal utility would like to see more support from WAPA and Reclamation in realizing these alternate energy initiatives.
- Smaller customers can't afford to build projects let alone purchase renewable energy. However, they might be able to sign up for a project set up by WAPA. The government can help facilitate land leases and look at customer interest.
  - COVID and supply chain challenges have made recent efforts more challenging.
  - Some expressed concerns regarding the lengthy DOE grant process given the urgency of the current drought situation. It would be ideal if DOE could fast track a renewable energy project (for the region).
  - There is land available near DOE facilities for project development.
  - WAPA made huge investments with hydropower; some suggested the agencies do it again with nuclear energy.
- There is a Mead substation nearby that could be used for project development.
  - WAPA representative acknowledged the need to understand the level of interest at the Mead substation and explore how to scale and connect interested entities.
- A customer requested increased transmission capacity.
  - They are out on the market looking for additional power but are constrained in their purchasing ability due to the current transmission capacity.
- Transmission is valued by customers and they want to see continued investments in WAPA's transmission system.
  - Customers requested the agencies jointly examine transmission and generation impacts.
- Customers are curious about opportunities to backstop generation capacity.

### 3.0 Discuss Topic: Assets

Customers were asked to share their thoughts on maintaining assets during the drought.

Customers weighed the pros and cons of maintenance upkeep, with some arguing that the agencies are potentially just creating a deferred maintenance situation and they would prefer to avoid the systems from falling into a state of disrepair. Customers seemed to agree on the importance of maintaining WAPA's transmission system, even without any hydropower to transmit.

*The following is a bulleted list summarizing comments shared during the breakout groups:*

- There is a decreased willingness of power customers to pay operations and maintenance costs as power production declines.
- There was suggestion to consider mothballing units and to explore generation adjustments at Glen Canyon.
- A Reclamation representative shared that while the drought is reducing generation at Glen Canyon, there are other issues at play. Reclamation has environmental concerns to address and does try to focus on when they release water to help power needs. If Glen Canyon goes to minimum power pool it restricts how much water gets to Lake Meade. Reclamation reminded customers that they have to think about the river as a whole, and how one interest area may impact the other.
- There was frustration about by-pass releases and a request that water be saved and used for peaking hours/days.
- There is concern about any deferment of maintenance to a purchase power budget.
  - Suggestion to explore longer-term contracts rather than engaging on the spot market.
- There was a request for WAPA to present a high-level depiction of the systems condition, including both the transmission system and conditions of generation.
- Multiple customers expressed a strong desire to move other renewable energy sources through WAPA transmission lines.
  - A customer shared that they don't think they can build anything before 2027 and they need energy in the interim. They have wind capacity but no transmission system available.
- It would be great to see WAPA open up transmission for customer use that is not currently being put onto OASIS.
- Some customers have worked on Senator Kelly's bill and are in favor of its agenda.

### 4.0 Discussion Topic: Funding and rates

WAPA and Reclamation asked customers to share ideas regarding how operations might be funded during an extended drought and the consequential impacts of rates. While there may be statutory authorities that limit what is possible for WAPA and Reclamation to implement, there appeared to be general agreement among participants that cost allocations should be reconsidered. There needs to be relief for power customers, otherwise they may have to walk away from their contracts. Customers also expressed the importance of predictability.

*The following is a bulleted list summarizing comments shared during the breakout groups:*

- There needs be more resources in the West. There is competition for all the same resources. When prices gets to \$1500 there is “price avoidance.” Anything WAPA can produce is a “cost avoidance.”
- Non-reimbursable funding is critical – this is Federal infrastructure. Customers feel representatives in Washington aren’t making this connection.
- Utilities can now enjoy tax benefits if DOE can stand programs up in the next two years.
  - There are many shovel-ready projects that just need funding.
- Long term purchase power agreements could create revenue stream that may keep the basin solvent.
- The weight of this situation is causing some of WAPA’s customers to begin to collapse, which may cause the system and agency to collapse.
  - Suggestion to supplement rates and help keep power customers afloat.
- WAPA needs to be more creative in what they include in the rate (e.g., suggestion to freeze on additional hires.)
- There was some sentiment that the issue of rates feels “too late.” The purchase power hits are here – 15% (20 million in Hoover alone).
- Suggestion to focus on keeping purchase prices low and allowing customers to access to the transmission system to find cheap power.
- Desert Southwest might want to consider net zero funding.
- Rates are the biggest unknown/issue for some customers right now.
- Suggestion to focus on keeping rates low and utilizing assets that WAPA has to allow customers to access generation on their dime – customers take the risk, not WAPA. This would keep rates low, enable customers to use the asset, and allow funds to be solvent.

## 5.0 Discussion Topic: Communication and Coordination

Customers were asked how WAPA, and Reclamation, could better communicate on drought and hydropower impacts to their customers and with policymakers. Generally, most customers felt that the agencies do a good job communicating with stakeholders, but they would also like to have more data and forecasting for long-term planning. Themes from the discussion included the importance of working together to tackle communication lapses, providing digestible communication materials that are easy to locate, and further engaging Native Nation customers and smaller customer entities.

In each of the dialogue sessions the current drought situation was compared to a slow-moving hurricane. It’s important to help policymakers understand the magnitude of this drought situation on both water and energy in the West. Customers are willing to help, but they are waiting for agencies to reach out and let them know what they can do to help take actions and to educate others. There is a feeling that some members of Congress, as well as some decision makers at DOE, may not understand the impact of the current situation on smaller communities who rely on power. A customer expressed that it may take a produce shortage for people to understand the impacts of the drought.

Some discussion participants said reports produced by agencies are very technical, and critical information is not easy for customers to find. There was a request for the Colorado River Storage Project to have a better repository of information (perhaps modeled off of Desert Southwest region) and to

provide more digestible information. It was noted that the assessment and dialogue session reports produced by the National Center could serve as tools in illustrating the magnitude of this challenge for policymakers and others.

Customers requested better education and outreach to Tribal communities on available programming. There was also discussion of a whole government approach when working with Native Nations, including comprehensive communication on water use. Having one unified voice might help strengthen communication efforts with Native Nations.

*The following is a bulleted list summarizing comments shared during the breakout groups:*

- There was a request to have repository of relevant agency documents.
- Customers noted that Reclamation's 24-month studies are helpful.
- Customers emphasized the importance of everyone working together to find solutions (Boulder Canyon has an ad hoc working group– suggestion that the Colorado River Storage project develop a similar group).
- Customer and agencies need to share the impacts of the loss of generation with policymakers.
- Customers place high value on any forecasting the agencies can share.
- There was a request to create a good road map going forward.
- Customers would like to see more transparency around all power sources and the mix that WAPA is using. They also want to access power sources.
- A full-year forecast would be helpful.
  - A Reclamation representative responded that there is there is a projection that does provide an outlook for 2 years out – if reservoirs continue to operate at their current manner. It is updated every month but that data is provisional. It can change significantly between April-July based on run off and limited data that we have.
- Tribal communities are looking for a whole of government communication approach. It's not just water or hydro supply, it's more than that. In an ideal world, there would be a way for Federal agencies to tell a story on how water is essential to life. It's important for everyone to re-think water use and getting out in front of that is critical.
  - There is a need to address the problem of aridification in plain terms.
- A WAPA representative shared that they must be careful to not be seen as lobbying, but this doesn't preclude customers from reaching out to policymakers.

## 6.0 Discussion Topic: General

Throughout the dialogue session the customers were asked to share experiences and concerns the government agencies might not be aware of regarding how the drought is impacting them and their communities. Power customers spoke about the economic challenges they face. For example, in Arizona, communities are paying higher prices for power and they are getting less service water. As a result, they are having to buy more power to meet their agricultural needs. The projected reduction in power in the West may amount to one hundred million dollars a year. This means less money to spend at the grocery store, hardware store, etc. There are significant rippling economic impacts.



Agencies and customers alike spoke to the need to be bold, flexible, and collaborative. Solutions to the drought challenge are present but everyone seems to be trying to solve this problem on their own. There is a lot of time spent on worrying about potential risks and “what ifs” but there is a need now to get started and lean into the potential risk.

*The following is a bulleted list summarizing comments shared during the breakout groups:*

- Some utilities shared that they did not receive much interest when issuing “Requests for Information” and “Requests for Proposals.”
- Energy developers are bypassing local and smaller markets.
  - Smaller utilities cannot compete with larger organizations who are putting down 50 million dollar buy-ins for projects. Finding resources to supply the load is getting harder.
- There are customers that rely on WAPA’s balancing authority to provide contingency reserves and those are getting scarcer. Pricing information on contingency reserves is important to transmission customers.
- Some utilities are experiencing a double hydro loss as they are not only losing Federal hydropower, but they are also losing some of their own hydro as their hydro is run of the river.
- Price increases have a big impact on the agricultural sector. The more insight they can have on future impacts, the better they can prepare. Customers want to know ahead of time if costs are expected to increase halfway through growing season.
- Rural utilities are extremely price sensitive, and they are having to transfer higher rates onto their economically disadvantaged customers.

## 7.0 Final Reflections and Next Steps

Power Manager Nick Williams (Reclamation) shared that during his breakout group session, a customer asked about operations when Reclamation refills Lakes Powell and Mead, for planning purposes. Operations of these reservoirs are set by rules and guidelines based on hydrology and downstream water demand. There are the current guidelines that apply for Lake Powell and Lake Mead in place through 2026. The lower operating tier of the guidelines could result in Glen Canyon levels falling below minimum power pool. Reductions to annual volume deliveries are not sufficient to deal with the drought. Hoover Dam is not imminently facing that same situation. To address operations at lower reservoir levels and lower annual deliver volumes a supplemental EIS is under development to supplement existing guidelines. Information for the supplement EIS is available on Reclamation’s website (see link <https://www.usbr.gov/ColoradoRiverBasin/SEIS.html>) The SEIS will examine scenarios of delivering less water than what is currently available.

To conclude the session, Administrator LeBeau spoke to the breadth of customers who are affected by this drought, and the impacts that go beyond just the cost of energy. She would like to collect additional specific information on drought and hydropower impacts, such as the effects on food supply and food security. Administrator LeBeau noted that before the holidays she travelled with Dionne Thompson, WAPA’s Senior VP and Assistant Administrator for Corporate Liaison, to Washington, D.C. to spend time speaking with the energy committee. She understands that the current situation really is an emergency, and she has been careful about how she describes this drought; however, she has been consistent about referring to it as a natural disaster. In other disasters and emergency situations, there is a need to have a unity of voice. She heard some real energy in these sessions behind the theme of “message alignment.” A takeaway from today’s session is the importance of everyone getting on the same page.

Administrator LeBeau thanked everyone for participating and sharing their ideas. As a result of the information learned during this dialogue effort a process may now be needed to list and prioritize issues. She said there seems to be consensus that we can form some working groups around specific areas and think about what the parameters are and next steps. WAPA doesn't just want help from customers, they need it.

## Appendix A: Agenda

Time	Topic
Meeting starts at 9:00 am	<p><u>Meeting Overview:</u></p> <ul style="list-style-type: none"> <li>• Welcome</li> <li>• Agenda Overview</li> <li>• Discussion Overview               <ul style="list-style-type: none"> <li>○ Approach: Virtual plenary</li> </ul> </li> </ul>
	<p><u>Discussion Topics:</u></p> <ul style="list-style-type: none"> <li>• General (What the agencies need to understand about current drought impacts on customers)</li> <li>• Products/Services (Power and Transmission; Replacement Power considerations)</li> <li>• Assets (Hydro Generation; Transmission System considerations)               <ul style="list-style-type: none"> <li>○ Approach: Facilitated Breakout Groups</li> </ul> </li> </ul> <p>Report out from groups, plenary discussion, Q&amp;A</p> <ul style="list-style-type: none"> <li>○ Approach: Virtual plenary</li> </ul> <hr/> <p>Break (15 min)</p> <hr/> <p><u>Discussion Topics:</u></p> <ul style="list-style-type: none"> <li>• Funding consideration and Rates impacts</li> <li>• Communication and Coordination               <ul style="list-style-type: none"> <li>○ Approach: Facilitated Breakout Groups</li> </ul> </li> </ul> <p>Report out from groups, plenary discussion, Q&amp;A</p> <ul style="list-style-type: none"> <li>○ Approach: Virtual plenary</li> </ul>
This session and the meeting adjourn 12:15	<p>Final Reflections and Next Steps</p> <ul style="list-style-type: none"> <li>○ Approach: Virtual plenary</li> </ul>

## Appendix B: Meeting Participants

- Ali Amirali
- Adam Arellano
- Amy Mignella
- Anna Hohag
- Ben Olbrich
- Bidtah Becker
- Brent Osiek
- Cassy Sykes
- Charles Cowan
- Chris Lawrence
- Chuck Cahoy
- Clay MacArthur
- Clifford Barrett
- Craig Pyper
- Curtis Parsons
- Dan Walter
- Dana Goodson
- Daniel Yap
- Darren Buck
- David Arend
- David Pitcher
- Deane Burk
- Dionne Thompson
- Edwin Reyes
- Elden Krause
- Elston Grubaugh
- Elyse Magen
- Emily Brandt
- Erik Johnson
- Francisco Munoz
- Glenn Steiger
- Hank Adair
- Heather Cole
- Jack Murray
- Jackie Brown
- Jaimie Galayda
- Jared Griffiths
- Jorge Canaca
- Jim Steffens
- Jeff Lindsay
- John Chua

- Jordan Garcia
- Joseph Stubitz
- Kristan Lai
- Kate Ellis
- Kelly Nguyen
- Kelton Andersen
- Ken Lomayestewa
- Ken Saline
- Laura Marino
- Len Schilling
- Leslie James
- Linda Jacobson-Quinn
- Mark Cook
- Mark Smith
- Mendis Cooper
- Michael Curtis
- Monique Mullenau
- Max Spiker
- Nancy Garcia
- Nicholas Lanaro
- Nick Williams
- Phil Bashaw
- Ralph Hitchcock
- Rene Fleming
- Bob Martin
- Rodney Bailey
- Russ Jones
- Sabrina Barber
- Scott Henry
- Seth Cohen
- Shane Sanders
- Steph Kavanaugh
- Steve Beuning
- Stevie Espinosa
- Tim Vuong
- Tina Dobbs
- Tina Shields
- Tracey LeBeau
- Uyen Le
- Veni Venigalla
- Yankton Johnson

The Facilitation Team:

- Elyse Magen
- Seth Cohen