

STATEMENT OF TRACEY LEBEAU
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U.S. DEPARTMENT OF ENERGY
BEFORE THE
U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON NATURAL RESOURCES
SUBCOMMITTEE ON WATER, WILDLIFE AND FISHERIES

MAY 16, 2024

EXAMINING THE PRESIDENT'S FISCAL YEAR 2025 BUDGET PROPOSAL FOR THE
U.S. BUREAU OF RECLAMATION, U.S. FISH AND WILDLIFE SERVICE, NATIONAL
OCEANIC AND ATMOSPHERIC ADMINISTRATION, AND THE POWER
MARKETING ADMINISTRATIONS

Thank you, Mr. Chairman and Members of the Subcommittee. My name is Tracey LeBeau, and as the Administrator of the Western Area Power Administration (WAPA), I am honored to present our annual operations review and discuss our budget request for Fiscal Year 2025. Our mission at WAPA is as significant as it is complex—we are tasked with delivering cost-effective, reliable hydropower across vast regions of the Western United States. We maintain extensive transmission systems, adapt to the evolving energy landscape, and ensure the sustainability of our operations thanks to a truly outstanding workforce.

WAPA's transmission network spans 1.3 million square miles to serve a diverse population, including nearly 700 wholesale customers which are often in rural communities, including cities and municipalities, rural electric cooperatives, irrigation districts, military installations, and Tribal governments and utilities. We manage power from 57 federal dams operated by the Bureau of Reclamation (Reclamation), the U.S. Army Corps of Engineers, and the International Boundary and Water Commission. And we own, operate, and maintain one of the nation's largest transmission systems, with over 17,000 circuit miles of high voltage transmission and more than 300 bulk electric substations across 15 states. This immense responsibility compels us to continuously seek ways to enhance our operational efficiencies and ensure the reliability of our services, especially in the face of escalating environmental and energy markets challenges.

WAPA's FY 2025 budget proposal is designed to ensure the continued reliability and security of the federal power and transmission system while addressing the financial and operational challenges ahead. This budget not only supports WAPA's operational needs but also contributes to broader federal energy goals by maintaining critical energy infrastructure across the Western United States.

Today, I will outline the advancements and strategic initiatives we have undertaken in the past year, discuss the challenges we face due to changing hydrological conditions and aging infrastructure, and detail our financial strategies and requirements to continue fulfilling our mission effectively.

POWER AND TRANSMISSION

At WAPA, we administer a range of rate structures across our multiple different projects to facilitate the efficient delivery of federal hydroelectric power. Established to recover annual operations and maintenance costs as well as the original investment, plus interest, our preference and power customers shoulder these financial responsibilities, and we value their input and support as we manage costs together. Repaying the Treasury for these investments, WAPA has returned \$1.5 billion to Treasury in the last 5 years.

There are a number of notable rate matters that deserve highlighting this year:

Detailed Rate Structures and Adjustments: The Desert Southwest Region's (DSW) Boulder Canyon Project (BCP) features a unique rate structure with a base fee proportionally distributed among contractors based on power allocation. For Fiscal Year 2024, the base charge is set at \$74.3 million, marking an 11.3% increase due to heightened Bureau of Reclamation replacement costs and WAPA's operational enhancements.

This year WAPA introduced and successfully implemented a One Transmission Rate (OTR) of \$20.76 per kW-year in DSW starting January 1, 2024, for customers including the Central Arizona Project (CAP). The OTR unified the rates for several projects in DSW to a single rate, reducing administrative overhead and supporting WAPA's objectives to enhance operational flexibility and ensure fair distribution of transmission service costs. This OTR was a strategic and timely move towards a standardized rate structure maintaining project rate integrity, eliminating rate pancaking and fostering regional consistency. This major change represents a positive example of WAPA's collaboration with customers to drive efficiencies.

The Sierra Nevada Region's (SNR) Central Valley Project (CVP) has benefitted from improved hydrological conditions, leading to increased projected generation for FY 2024. Despite hydropower fluctuations, WAPA's Power Revenue Requirement (PRR) system protects customers from market price spikes, ensuring stable and predictable pricing. This fiscal year, the Central Valley Project Improvement Act (CVPIA) Restoration Fund charge assessed to commercial power is \$8 million, the lowest it's been in over 15 years (the highest was \$35.9M in FY 2017). In FY 2023, the CVP derived rate was \$30.74 per megawatt hour (MWh) in comparison to the market cost at \$57.28 per MWh. SNR rates were 46 percent below the market which is a significant benefit to the CVP power customers in SNR's service territory.

Project-Specific Challenges and Responses: In the DSW Region's Pacific Northwest-Pacific Southwest Intertie Project (Intertie), WAPA maintained stable rates until the OTR was implemented. The transmission service rate for the Intertie remained unchanged at \$19.32 per kilowatt-year (kW-year) to maintain cost predictability for stakeholders.

While the OTR consolidation simplifies regulatory interactions and creates a unified rate structure, some stakeholders have raised concerns about disproportionate cost distribution. WAPA is addressing these concerns through regulatory channels to ensure that the new rate structure meets federal standards and supports the needs of the broader region.

Vail-Tortolita and Southline Transmission projects: WAPA and Tuscon Electric Power (TEP) have decided to rebuild the 60-mile portion of WAPA's Parker Davis Project transmission system, the Vail-Tortolita Project, using advanced/high-temperature low sag conductors. Aluminum conductor, steel supported (ACSS) technology uses soft (annealed) aluminum, making it resistant to breaking even at higher temperatures. Using this conductor will be beneficial, especially in congested urban areas with limited infrastructure. WAPA and Southline will work together on rebuilding an adjacent 60-mile segment of the same line.

Drought: Drought impacts on generation and transmission continue to be a priority across WAPA's footprint. While hydrology improved over the last two years, those improvements fall short of normal levels with respect to energy deliveries and the impact drought is having on hundreds of WAPA's customers who must secure replacement power due to lost hydropower in the short term. Customers are also planning for long-term power replacement needs. Similar to the support WAPA provides through mutual aid in any emergency or crisis, WAPA linked arms with customers to explore and begin to implement initiatives and solutions to address the long-term drought. Drought has been described as a slow-moving natural disaster and that remains the case.

Through careful planning, transparent rate-setting processes, and continuous stakeholder engagement, WAPA is committed to providing reliable and cost-effective federal hydroelectric power. We are continually refining our approaches to rate setting, ensuring the fiscal health of our projects, and effectively meeting the needs of our customer base. Our goal is to maintain financial stability and sustainability across all operations.

MARKET INTEGRATION

WAPA's mission is to deliver clean, renewable, and reliable power, even as we navigate the complexities of modern energy markets and the imperatives of environmental stewardship. As we progress into an increasingly dynamic energy landscape, WAPA is taking decisive actions to enhance operational efficiency and adapt to new market conditions. A significant aspect of this strategy is engagement with the Southwest Power Pool (SPP) and involvement in critical federal hydropower initiatives.

SPP RTO West Membership: In a landmark decision for WAPA, I authorized the Colorado River Storage Project (CRSP), Rocky Mountain (RM) region, and Upper Great Plains (UGP) region to pursue final negotiations with the Southwest Power Pool (SPP) regarding entry to, or expansion of the Regional Transmission Organization (RTO). Final negotiations consist of WAPA working alongside SPP to develop tariff language for the WAPA terms and conditions approved by the SPP board. WAPA is also working with SPP on the implementation details of a technical solution to meet the needs of CRSP's Southern Division customers who are not in the SPP footprint. If final negotiations are successful, to include FERC approval, the SPP RTO is expected to go live in April 2026. This includes CRSP and RM executing SPP membership agreements and UGP expanding its participation, resulting in full membership as SPP RTO participants for all three regions. Full membership allows for SPP to expand its footprint as the market operator and will enable the broad operational and reliability benefits of the RTO to the west participants.

Integrating into an RTO presents challenges, particularly in navigating governance and operational control changes. However, WAPA remains committed to ensuring these transitions uphold our mission and meet the needs of our stakeholders while mitigating associated market and cost risks.

TRANSMISSION SERVICES

Our transmission services function undertakes strategic projects and initiatives to enhance infrastructure, integrate renewable energy sources, and maintain safety and reliability in the face of environmental challenges and community needs.

One of our significant projects is the Trinity Public Utilities District (TPUD)-WAPA Right-of-Way Project, a collaborative effort with Trinity Public Utilities District in Northern California. This project focuses on expanding the right-of-way and enhancing vegetation management to mitigate wildfire risks and improve electrical reliability for communities in vulnerable areas. Such initiatives are critical as they directly impact our ability to maintain service integrity in regions prone to natural hazards.

Additionally, the Rail Tie Wind Project, located south of Laramie, WY, is a 504-megawatt wind energy development that exemplifies WAPA's role in facilitating the integration of renewable energy. This project involves interconnecting to WAPA's Ault-Craig transmission line and highlights our commitment to supporting sustainable energy sources while supporting Tribal partners and adhering to environmental and regulatory standards.

Integrating a diverse mix of renewable and conventional energy sources presents complex challenges, particularly in maintaining system reliability and managing extensive regulatory environments. These challenges require sophisticated strategic planning to balance technical, economic, and environmental considerations.

WAPA's planning efforts also aim to address the aging infrastructure within the network. Modernization is paramount to keeping pace with technological advancements and regulatory requirements. This involves upgrading physical infrastructure and adopting innovative technologies and practices that enhance operational resilience and efficiency.

NATIONAL SECURITY

WAPA is honored to have partnered with Beale Air Force Base (Beale) in California to provide redundant 230-kilvolt (kV) bulk electric system feed to improve reliability to Beale and bolster reliable operation of the base's critical national security mission. In addition to its critical national security role, Beale is also located in a Tier III high fire risk area. WAPA's interconnection will be outside the risk area and will utilize steel pole structures. This project is on schedule albeit challenged with supply chain issues facing much of the industry.

SAFETY AND SECURITY

WAPA remains steadfast in its commitment to ensuring the highest safety and security standards across all facets of its operations. Our expansive network, which includes four control centers, over 300 substations, and more than 17,000 miles of transmission lines, requires a vigilant and proactive approach to manage the myriad risks associated with such a vast infrastructure. Our commitment extends beyond mere compliance; it is about safeguarding communities, employees, and the systems that power the nation.

SCADA Modernization: Another WAPA initiative is the Common SCADA/EMS Vendor Project. This project aims to standardize SCADA (Supervisory Control and Data Acquisition) and EMS (Energy Management System) across all WAPA regions, enhancing our operational efficiencies and cybersecurity measures. By streamlining these systems, WAPA will boost overall system management capabilities, ensuring that operations are secure and adaptable to the evolving energy landscape.

Cybersecurity Initiatives: In the realm of cybersecurity, WAPA has adopted a robust framework that prioritizes the protection of our critical infrastructure. Our cybersecurity initiatives are rigorously designed to mitigate risks and defend against potential breaches. We undertake comprehensive audits endorsed by authorities, including the DOE, OIG, and NERC, to ensure our defenses remain impenetrable. Furthermore, WAPA participates in national-level training and simulations, such as the DOE CyberFire and GridEX exercises, which prepare our team to handle emerging cyber threats effectively.

Our ongoing cybersecurity enhancements, including the implementation of a Zero Trust Strategy and advancements in Multifactor Authentication and data encryption, have significantly fortified our systems. These measures align with recent executive orders and are crucial for maintaining the integrity and reliability of our operations.

Physical Security: Physical security threats remain a top concern across the country and at WAPA. We have seen a near three-fold increase in incidents these last few years, from surveillance to theft to threatening behavior near our facilities. WAPA is vigilant and on alert while continuously assessing the threat landscape facing our assets and systems.

WAPA's strategy involves a comprehensive assessment of vulnerabilities, ensuring the resilience of facilities and infrastructure. Regular risk assessments, compliant with North American Electric Reliability Corporation Critical Infrastructure Protection (NERC CIP) standards, and constant surveillance identify and mitigate potential threats. Our focus on updating security methodologies and enhancing collaboration with stakeholders ensures that physical security measures are practical and adaptive. WAPA collaborates closely with industry and agency counterparts on threat information, response and recovery planning, and threat mitigation strategies for both physical and cybersecurity.

Recovery is an integral component of resilience and ensuring operations are put back into place in the most safe and timely manner possible. WAPA has shared over the years its continuing concern regarding the potential for multiple, simultaneous or cascading failures of bulk electric components on the system due to an attack or series of attacks. We have evaluated and continue to evaluate strategies for establishing or participating in reserves of high voltage transformers and likewise continue to encourage the public, the industry and Congress to reprioritize this important issue.

Wildfire Prevention and Vegetation Management: Addressing environmental challenges, particularly wildfires, is paramount, given their frequency and severity in the regions we serve. WAPA's Integrated Vegetation Management (IVM) Program is essential for reducing vegetation around transmission lines and mitigating wildfire risks. WAPA's proactive approach includes updating wildfire mitigation plans annually, incorporating the latest technologies and best practices to enhance preparedness and response capabilities.

Collaborations with local stakeholders and agencies play a vital role in the effectiveness of wildfire mitigation strategies. These partnerships are crucial for ensuring the safety and operational stability of the transmission network and protecting the communities that depend on it.

As WAPA continues to navigate the complexities of maintaining a secure and reliable energy infrastructure, our commitment to safety and security remains unwavering. Through continuous improvement, advanced technology, and strategic partnerships, we are dedicated to upholding the highest safety and security standards to protect infrastructure and the communities we serve. Our ongoing efforts in cybersecurity, physical security, and wildfire risk management are integral to the mission and fundamental to the trust placed in WAPA by customers and the 40 million people we serve.

ASSET MANAGEMENT

WAPA's Asset Management (AM) Program supports the reliable and efficient delivery of power. This program integrates comprehensive field knowledge with systematic criticality assessments to guide risk-based, data-driven capital planning and maintenance decisions. Our strategic approach is designed to optimize the management of WAPA's most crucial assets, ensuring that our operations continue to meet high standards of reliability and efficiency.

The primary goals of our Asset Management Program include improving asset management practices aligned with ISO 55001 standards, increasing the valuation of our assets, and prioritizing investments and operational activities. This comprehensive strategy is crucial for effectively communicating asset-related information to diverse internal groups and stakeholders, ensuring all parties are informed and engaged in our processes.

Under the Asset Management Program, WAPA successfully completed its seventh annual asset risk assessment, focusing on key components such as transformers and breakers. Additionally, we continued condition-based health analytics for our transmission lines. These initiatives were bolstered by the adoption of new IT tools, which has improved our data collection and analysis processes, thereby enhancing transparency and providing deeper insights into asset conditions.

Supply Chain Management and Security: The Supply Chain Risk Management (SCRM) program is integral to WAPA's cybersecurity and procurement strategies, especially when paired with federal initiatives and standards such as Executive Order 14028 and NERC CIP-013. Our actions have included comprehensive vendor assessments and incorporating robust SCRM standards into operations, enhancing the security and reliability of WAPA's technology and supply chains.

Looking to the future, the AM Program is poised for further growth and refinement. In FY2024, WAPA will perform a maturity assessment, a crucial step in the journey to align WAPA practices with industry best practices and prepare for future technological trends. This proactive approach is not just a strategy, but a necessity in a rapidly evolving energy environment. It is this forward-thinking mindset that will continue to maintain and advance WAPA's operational capabilities.

FY 2025 BUDGET REQUEST

WAPA's success and operations are supported through management of three program and financing accounts: Construction, Rehabilitation, Operation, and Maintenance (CROM); Falcon and Amistad Operating and Maintenance Fund; and the Colorado River Basins Power Marketing Fund. Only CROM and Falcon and Amistad program and financing accounts request funds from appropriations.

CROM is the largest account and includes four components: Construction and Rehabilitation (C&R); Operation and Maintenance (O&M); Purchase Power and Wheeling (PPW); and Program Direction (PD). C&R results in replacement, upgrade, and modernization of the electrical system infrastructure with an eye towards continued reliability, improved connectivity, and increased adaptability to the grid.

For FY 2025, WAPA requests a total budget authority of \$1.787 billion, predominantly sustained through offsetting collections and alternative financing arrangements, which comprise 94% of the total funding. The budget supports critical operations, maintenance, and enhancements across WAPA's extensive transmission system and associated infrastructure.

Appropriations and Funding: WAPA's Construction, Rehabilitation, Operation, and Maintenance (CROM) require a significant portion of the budget, totaling \$1.178 billion, with \$101 million (approximately 6% of total mission costs) coming from direct appropriations. The majority of CROM funding is sourced from offsetting collections (\$777 million) and alternative financing (\$301 million).

Operational Increases:

The projected increase in Operation and Maintenance (O&M) funding is crucial for addressing routine and strategic infrastructure needs across WAPA's transmission network. A significant portion of this increase—approximately \$32 million—is allocated specifically for the replacement and upgrading of transmission lines, which includes the reconductoring of the DSW Gila Knob 161-KV and the RMR Alcova-Casper North/South lines. These upgrades are essential for improving reliability and safety within the network. The Gila Knob project will employ both conventional and advanced high-temperature low sag conductors, enhancing the line's ampacity and resilience to high temperatures without compromising its structural integrity. Additionally, this project includes replacing existing wood structures with light-duty steel H-frames over 15 miles and steel monopoles over five miles. This hardens the infrastructure against climate-induced turbulent weather and consolidates transmission paths to free up land and minimize environmental impact.

Stable Construction and Rehabilitation Funding: The Construction and Rehabilitation (C&R) budget remains static at \$0, reflecting no projects classified under this category for FY 2025.

Program Direction and Support:

WAPA's Program Direction (PD) funding has risen by \$25 million from \$295 million in FY 2024 to \$320 million in FY 2025, maintaining a workforce of 1,521 full-time equivalents. This increase supports essential workforce expenses related to the operation, maintenance, construction, IT, and physical security of WAPA's high-voltage transmission system,

including compensation for sophisticated control systems like SCADA. These systems are crucial for real-time operational management and ensuring grid reliability.

Purchase Power and Wheeling Adjustments: The Purchase Power and Wheeling (PPW) budget is adjusted to \$688.3 million, down from \$715.8 million in FY 2024, influenced by reservoir levels and weather impacts.

CRSP Basin Fund: WAPA's FY2025 budget request for the Colorado River Basins Power Marketing Fund account is estimated at \$584 million with no request from appropriations, funded instead through offsetting collections. CRSP carries out WAPA's mission in Arizona, Utah, Colorado, New Mexico, Nevada, Wyoming and Texas, selling about 5,300 gigawatt hours to cities and towns, rural electric cooperatives, Native American tribes, irrigation districts and federal and state agencies. WAPA works with sister agencies, such as the Department of the Interior's Bureau of Reclamation, and other stakeholders, to address challenges in the basin while supplying critical power to customers. As CRSP does not rely on separate appropriations, the basin fund is an essential component of the success of the Colorado River Storage Project for both WAPA and Reclamation.

CHALLENGES AND RISK MANAGEMENT

Financial Sustainability: The reliance on a blend of offsetting collections and alternative financing highlights WAPA's innovative approach to funding but also underscores the vulnerability to fluctuating market conditions and hydrological changes.

Infrastructure and Service Reliability: With aging infrastructure and escalating supply chain costs and severe weather events, WAPA is challenged to maintain service reliability and compliance with regulatory standards without sufficient capital funding.

Strategic Investments: The budget supports strategic investments in infrastructure resilience and cyber and physical security enhancements crucial for protecting the grid against emerging threats.

CLOSING STATEMENT

Thank you for the opportunity to present the FY 2025 budget and operational priorities for WAPA. WAPA is at a critical juncture, facing both challenges and opportunities as we strive to maintain the reliability and affordability of our power and transmission services across the Western United States. Our commitment is to continue enhancing our infrastructure resilience, advancing technological innovation, and ensuring the security of our energy systems against physical and cyber threats. The agency continues to work with Congress, customers, and other stakeholders to secure the necessary support to effectively fulfill its mission.

Thank you again for your trust and support. I look forward to our continued partnership in achieving these vital goals, and I am ready to address any further questions you might have.

Appendix 1

WAPA Funding Overview

(dollars in thousands)

	FY 2023 Enacted	FY 2024 Enacted	FY 2025 Request	FY 2025 Request vs Enacted (\$)	FY 2025 Request vs Enacted (%)
Construction, Rehabilitation, Operation and Maintenance (CROM)					
Operation and Maintenance (O&M)	85,229	130,131	170,617	40,486	31%
Construction and Rehabilitation	47,189	0	0	0	0%
Purchase Power and Wheeling (PPW)	715,824	715,824	688,345	-27,479	-4%
Program Direction (PD)	277,287	295,039	319,946	24,907	8%
Subtotal, CROM Program	<u>1,125,529</u>	<u>1,140,994</u>	<u>1,178,908</u>	<u>37,914</u>	<u>3%</u>
Alternative Financing	-341,552	-343,184	-300,850	42,334	-12%
Offsetting Collections, Colorado River Dam Fund	-9,404	-9,521	-11,075	-1,554	16%
Offsetting Collections, Annual O&M and PD	-200,841	-213,417	-241,111	-27,694	13%
Offsetting Collections, PPW	-475,000	-475,000	-525,000	-50,000	11%
Rescission of prior year balances	0	0	-17	-17	NA
Total, CROM	98,732	99,872	100,855	983	1%
Federal FTEs	1,201	1,200	1,215	15	1%
Falcon and Amistad O&M Fund					
Offsetting Collections, annual O&M	7,928	8,297	8,210	-87	-1%
Offsetting Use of Prior Year Balances	-6,102	-3,197	-6,297	-3,100	97%
Alternative Financing	0	-3,000	0	3,000	-100%
Alternative Financing	-1,598	-1,872	-1,685	187	-10%
Total, Falcon and Amistad	228	228	228	0	0%
Federal FTEs	0	0	0	0	0%
Colorado River Basins Power Marketing Fund (CRBPMF)					
Equipment, Contracts and Related Expenses	178,927	454,857	500,538	45,681	10%
Program Direction	79,539	80,381	83,693	3,312	4%
Subtotal, CRBPMF Program	<u>258,466</u>	<u>535,238</u>	<u>584,231</u>	<u>48,993</u>	<u>9%</u>
Offsetting Collections	-258,466	-535,238	-584,231	-48,993	9%
Total, CRBPMF	0	0	0	0	0%
Federal FTEs	308	311	302	-9	-3%
Transmission Infrastructure Program Discretionary					
Offsetting Collections	6,600	6,600	6,698	98	1%
Offsetting Collections	-6,600	-6,600	-6,698	-98	1%
Total, TIP Discretionary	0	0	0	0	0%
Federal FTEs	12	10	4	-6	-60%
Total, WAPA (net Discretionary BA)	98,960	100,100	101,083	983	1%
Federal FTEs	1,521	1,521	1,521	0	0%

