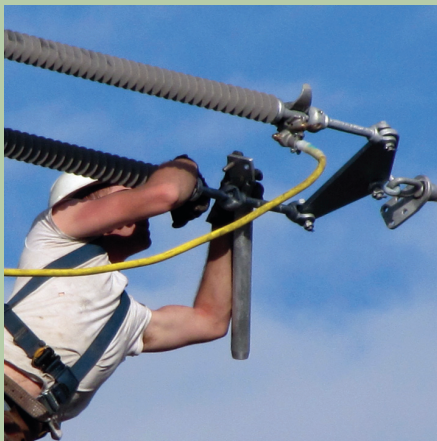


2011

WESTERN AREA POWER ADMINISTRATION **STRATEGIC PLAN**



**WESTERN WILL CONTINUE TO
PROVIDE PREMIER POWER
MARKETING AND TRANSMISSION
SERVICES TO OUR CUSTOMERS,
AS WELL AS CONTRIBUTE TO
ENHANCING AMERICA'S ENERGY
SECURITY AND SUSTAINING OUR
NATION'S ECONOMIC VITALITY.**

ADMINISTRATOR'S MESSAGE

For a strategic plan to be useful, it needs to be a living document that is periodically reviewed and updated to reflect the changes in the world around us. Just as the Department of Energy recently updated its plan, Western's senior leadership team took a fresh look at the goals outlined in our last plan. This revision fine tunes and updates our strategies to ensure we are aligned with DOE's goals and are working to secure a sustainable, clean reliable and secure energy future for our customers, the American people and future generations.

As I've visited with customers, interested parties and employees across Western's service territory, I've seen the fruitful collaboration between Western, customers and others to embrace the complex challenges facing utilities. I've seen our ratepayers' continuing commitment to meeting consumer needs for affordable and reliable power even with constrained resources. In turn, even with the challenges of a decade-long drought, we have met our commitments to our customers and achieved excellence in critical operating areas. I'm proud of what we're doing, but I know we can't sit back and rest. There is much more to do.

Our core mission remains marketing and delivering clean, renewable, reliable, cost-based Federal hydropower to our firm electric service customers. To do this, we must also address the challenges before us and strive for maximum benefit from our resources. We are working to ensure we remain nimble to keep pace with industry trends and issues that continue to confront us and our customers at a faster and faster pace—be they regulatory, budgetary, legislative, environmental or other initiatives not yet imagined.

Reliable and affordable electricity remains a key factor in our economic and national security. Electricity drives the U.S. economy and has a significant impact on our quality of life and the viability of our communities.

In addition to meeting our core mission and critical operating priorities, Western remains committed to doing its part to support the Department of Energy's efforts to

diversify America's energy supply, improve energy efficiency, address environmental and climate change and modernize our energy infrastructure. Our efforts are reflected in these strategic priorities:

- Carry out our core mission in a safe, secure and reliable manner.
- Maintain financial stability in the face of uncertain appropriations.
- Operate, maintain, improve, upgrade and expand the transmission system for the reliable delivery of energy to our customers.
- Maintain strong compliance programs.
- Conduct a Western-wide Operations review.
- Continue to support renewable energy development through the Transmission Infrastructure Program
- Explore renewable integration opportunities.
- Formalize an asset management program and enterprise risk management program.
- Evaluate and plan for climate change impacts on Western's core mission.
- Investigate the viability of Western-wide transmission products and services.
- Explore cost-effective clean energy and storage options.
- Hire, develop and retain high performance employees.

In examining these strategic priorities, we took a hard look at the landscape and wrestled with how to continue to meet our customers' needs by protecting the value of the Federal hydropower resources, ensuring the reliability and availability of Western's transmission system, and providing clean, reliable, cost-based energy. To meet these goals we must be leaders in clean energy and support the future economic competitiveness in our region.

All of us at Western are dedicated to meeting these commitments to our customers and the nation.



Timothy Meeks

September 2011

MISSION

Market and deliver clean, renewable, reliable, cost-based Federal hydroelectric power and related services

GOAL 1

Provide reliable, cost-based power and transmission services to our customers, thereby reducing their vulnerability to supply disruption and increasing flexibility to meet consumers' needs for electricity.

GOAL 2

Contribute to creating a more reliable, flexible and robust U.S. energy infrastructure, ensuring our efforts are funded and paid for by the beneficiaries.

GOAL 3

Ensure Western has the organizational capabilities, people and resources to satisfy growing demands.

The following approaches ensure we stay on track to providing clean, affordable, renewable energy to consumer-owned utilities across the West:

GOAL 1

Provide reliable, cost-based power and transmission services to our customers, thereby reducing their vulnerability to supply disruption and increasing flexibility to meet consumers' needs for electricity.

STRATEGIES: CORE MISSION FOCUS

- Provide cost-based and high-value power marketing services.
- Develop, operate and maintain the transmission system necessary to deliver reliable firm electric and project use power to our customers at the lowest possible cost consistent with sound business principles.
- Protect and maximize the value of Federal resources for the benefit of our firm electric service customers, factoring in the impacts of climate change on our resources.
- Reserve sufficient capacity in the Federal transmission system to deliver firm electric service and project use power, factoring in the impacts of climate change on our resources.
- Participate in decision making processes with natural resource agencies and other regulatory bodies where the decisions will affect Federal hydropower resources.
- Actively participate in industry reliability and industry restructuring initiatives in Federal, state and industry forums and transmission studies, advocating for customer benefits.
- Assess Western-wide Transmission Products and Services.

STRATEGIES: COST CONTROL AND MANAGEMENT

- Request and use alternative sources of financing to supplement our appropriations to accomplish our core mission while implementing specific annual cost management targets.
- Work with customers to establish mechanisms to provide future financial stability by appropriately addressing both the financial and political implications of large purchase power and wheeling expenses.
- Partner with customers to implement alternative financing mechanisms that ensure Western's core program funding needs are met, ensuring reliable delivery of cost-based hydropower.
- Establish lowest cost rates for each project consistent with sound business principles and that are responsive to customer needs and cost-recovery requirements.
- Prepare well-justified and documented annual budgets that meet Western's program requirements and result in securing adequate funding to accomplish Western's mission.
- Implement common tools, common business practices and consolidate systems.

STRATEGIES: PARTNERSHIPS

- Establish effective partnerships by providing valuable products and services.
- Deliver transmission and resource management services upon request and at cost.
- Guarantee open, non-discriminatory access to surplus capacity on Western's transmission system.
- Consider additional opportunities to partner with tribes and other customers in transmission expansion projects and tribal renewable energy development.
- Actively participate in or host industry workshops, conferences and planning forums to exchange information on regional power and transmission opportunities and technologies.
- Engage customers through periodic meetings to provide up-to-date information on Western achievements and project progress.

STRATEGIES: OPTIMIZE SCARCE RESOURCES

- Increase efficiency and minimize costs while meeting increasing work requirements without sacrificing reliability or power delivery services.
- Collaborate with firm electric service customers and generating agencies on work plan priorities, ensuring optimum use of our resources to support our core mission.
- Stabilize funding capability for operations and maintenance and capital projects.
- Stay engaged to influence and adapt to industry changes.
- Implement a Western-wide enterprise risk management policy, identify key vulnerabilities and develop mitigation plans.
- Formalize an Integrated Asset Management Program to ensure the best long-term value for customers and preservation of system reliability under constrained resources.
- Improve our technology infrastructure and strengthening our security measures.
- Automate, streamline and simplify tasks so personnel can focus on mission critical priorities.

STRATEGIES: RENEWABLE RESOURCES PROMOTION

- Champion renewable resource education through Western's Renewable Resources and Energy Services programs that are funded by its beneficiaries.
- Evaluate Western's resource portfolio to determine the potential benefits of making long-term renewable energy purchases to supplement Federal hydropower resources, minimizing purchase power and wheeling expenses.
- Encourage customers' voluntary use of renewable resources and energy efficiency measures.
- Promote the environmental benefits and value of clean, renewable, non-carbon emitting Federal hydropower.
- Facilitate transmission construction that helps deliver renewable resources to market through the Transmission Infrastructure Program.

GOAL 2

Contribute to creating a more reliable, flexible and robust U.S. energy infrastructure, ensuring our efforts are funded and paid for by the beneficiaries.

STRATEGIES: TRANSMISSION SYSTEM RELIABILITY

- Meet the increasing demands on resources driven by transmission growth, compliance requirements and industry/market changes.
- Ensure reliability and availability of Western's transmission system by meeting or exceeding national and regional operating criteria and reliability requirements.
- Conduct internal and external benchmarking that identify best practices and assist in achieving operational excellence.

STRATEGIES: TRANSMISSION PLANNING AND CONSTRUCTION

- Ensure Western has the capability to plan for transmission upgrades and construct critical reliability transmission projects that are paid for by beneficiaries.
- Acquire and maintain the resources and capabilities to support construction projects based on project-specific needs; continue to prioritize construction and rehabilitation projects each year.
- Improve the accuracy of future workload and staffing projections associated with likely transmission reliability and expansion needs.
- Use a business case analysis to evaluate the benefits, costs and risks of our participation in transmission projects against Western-wide criteria.
- Develop, implement and comply with evolving transmission and reliability compliance requirements, as appropriate.
- Continuously improve management of Western's transmission queues to assist applicants in getting needed transmission built in a timely and cost-effective manner.

GOAL 3

Ensure Western has the organizational capabilities, people and resources to satisfy growing demands.

STRATEGIES: INTEGRATED MANAGEMENT

- Strengthen Western's organizational structure and capabilities to support Western's mission and achieve Western's strategic goals.
- Establish, communicate and monitor specific annual organizational goals and targets.
- Effectively integrate safety and security practices throughout Western; appropriately respond to all reported safety or security concerns.

STRATEGIES: HUMAN CAPITAL

- Attract, recruit, develop and retain a safety- and reliability-focused, highly productive, customer-oriented and diverse workforce.
- Pursue an open-ended, Western-wide recruitment process for engineers to identify a pool of qualified applicants that managers can draw upon to meet specific staffing demands.
- Streamline programs and processes to enable Western to quickly recruit a qualified, diverse workforce and explore additional direct hire authority.
- Select individuals whose technical abilities, competencies and personal goals best match job and organizational objectives.
- Maximize leadership development, apprentice and trainee programs to meet continuing needs.



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