

# BPA Strategic Objectives

Updated February 2012

## OVERVIEW

The purpose of this document is to describe BPA's long-term strategic objectives and their use.

### Definition

*Strategic objectives* are the major, long-term outcomes we pursue across our entire business to fulfill BPA's mission and vision.

### Purpose

Strategic objectives describe the picture of future success or a specific *destination* we must reach and then are used to focus our resources and efforts on getting there. The overall purpose of our strategic objectives is to uphold the "four pillars" of our vision for the Northwest power and transmission system: System reliability, low rates, environmental stewardship and regional accountability.

### Organization

As shown on page 2, our objectives are organized into four interdependent dimensions or "balanced scorecard"<sup>1</sup> perspectives: *Stakeholder, Financial, Internal Operations, and People & Culture*. These four perspectives are used to help gauge our health and progress across all dimensions of our business and organization in a balanced way.

### Development and Execution

To navigate the ongoing challenges and opportunities we face, and to set a course for the future, BPA leadership regularly:

- assesses the drivers of change affecting BPA in our industry, national and regional environment;
- confirms and adjusts the agency's long-term direction, including strategic objectives;
- elevates related strategic priorities and initiatives for special focus;
- establishes annual performance targets for the agency and in each business unit's balanced scorecard to drive execution toward meeting our objectives and priorities;
- links these targets to the individual performance contracts of our management team to align efforts and resources across the agency; and
- measures and calibrates our performance in executing against these targets.

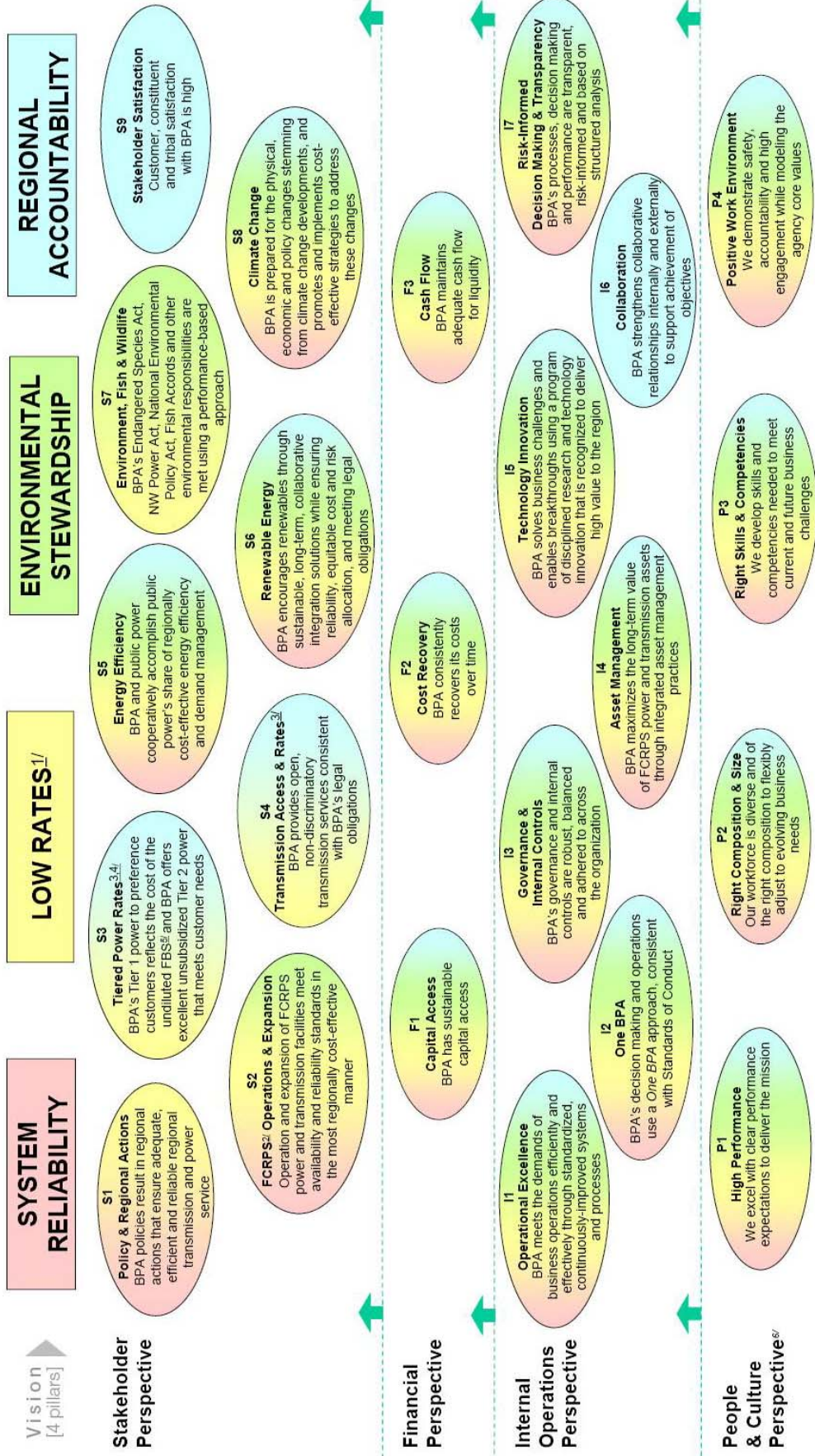
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<sup>1</sup> Definition: "The balanced scorecard is a strategic planning and management system that is used extensively in business and industry, government, and nonprofit organizations worldwide to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals. It was originated by Drs. Robert Kaplan (Harvard Business School) and David Norton as a performance measurement framework that added strategic non-financial performance measures to traditional financial metrics to give managers and executives a more 'balanced' view of organizational performance." ([www.balancedscorecard.org](http://www.balancedscorecard.org))

# BPA Strategic Objectives 2012-2017



<sup>1/</sup> Consistent with sound business principles.  
<sup>2/</sup> Federal Columbia River Power System (FCRPS): The transmission system constructed and operated by BPA, the hydroelectric dams constructed and operated by the U.S. Army Corps of Engineers and the Bureau of Reclamation in the Northwest, and nonfederal generation capability acquired by BPA under long-term arrangements. The transmission and power systems are separately managed and financed, but as much as possible, the facilities are operated as an integrated power system.  
<sup>3/</sup> Power and transmission rates are kept as low as possible consistent with sound business principles while achieving BPA's objectives.  
<sup>4/</sup> Tier 1 power rates are below market for comparable products.  
<sup>5/</sup> Federal Base System.  
<sup>6/</sup> Refer to the BPA Talent Management Strategy for more information on P1-P4, P1, P3, and P4 reflect BPA's commitment as well as individual responsibility for achieving these objectives.

## Stakeholder Perspective

**S1 – Policy & Regional Actions.** BPA policies result in regional actions that ensure adequate, efficient and reliable regional transmission and power service.

BPA develops policies and facilitates collaborative actions to produce the best outcomes for regional consumers and their requirements for adequate, efficient and reliable electricity. This reflects BPA's broad mandate and ongoing intent to advance innovative, regional solutions that balance diverse stakeholder interests. BPA will continue its active leadership, facilitation and participation in industry policy and implementation venues, including but not limited to: BPA public policy and decision-making processes; state, regional and West-wide planning and resource adequacy initiatives; national reliability entities; and similar channels to ensure the best outcomes for the region.

**S2 – FCRPS Operations & Expansion.** Operation and expansion of FCRPS<sup>2</sup> power and transmission facilities meet availability and reliability standards in the most regionally cost-effective manner.

FCRPS operations are increasingly complex and challenging. The Northwest transmission grid and federal power system are now operated in ways not historically envisioned, due to dramatic changes in markets, generation resources and transmission patterns. These changes are placing increasing stress and congestion on the grid and creating new requirements for flexibility and capacity in the power system. Expanding and upgrading the aging FCRPS power and transmission infrastructure is key to sustaining reliability.

BPA is committed to ensuring transmission availability and reliability through new transmission construction and upgrades and will facilitate an increase in the supply of non-federal capacity services to integrate wind and other generation resources consistent with sound business practices and cost causation principles. Likewise, with the need to integrate large amounts of variable generation into the transmission system, BPA will continue to examine and adjust its system and coordination capabilities to ensure the grid continues to operate reliably.

BPA is committed to ensuring generation availability and reliability through infrastructure investments in ongoing hydro-efficiency projects with the U.S. Army Corps of Engineers and Bureau of Reclamation. Infrastructure investments include replacements and upgrades with these partners and at the Energy Northwest Columbia Generating Station nuclear plant. BPA will continue to improve ways of meeting competing demands on the system, including the following: Altering power production related to fish-related operations as well as obligations for irrigation, flood control and navigation; and providing balancing reserves for wind within physical and statutory limits.

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<sup>2</sup> FCRPS stands for Federal Columbia River Power System. It encompasses the transmission system constructed and operated by BPA and the hydroelectric dams constructed and operated by the U.S. Army Corps of Engineers and the Bureau of Reclamation in the Northwest. Each entity is separately managed and financed, but as much as possible, the facilities are operated as an integrated power system.

**S3 – Tiered Power Rates.** BPA's Tier 1 power to preference customers reflects the cost of the undiluted FBS<sup>3</sup> and BPA offers excellent unsubsidized Tier 2 power that meets customer needs.

BPA will keep rates as low as possible consistent with sound business principles and BPA's other objectives. Starting in FY 2012, BPA will begin selling power, at cost, to its preference customers under a Tiered Rates Methodology (TRM) that is incorporated into BPA's 18-year Regional Dialogue power sales contracts. These contracts, which were signed in 2008, are intended to preserve the low-cost power benefits of the federal system for preference customers. Given that the output of low-cost power from the federal system is limited, and given that preference customer loads are expected to exceed the power available from the existing federal system, BPA developed the TRM under which preference customers are allocated rights to buy defined quantities of power at a Tier 1 rate based on the cost of the existing federal system. In addition, preference customers may buy additional power from BPA at a Tier 2 rate reflecting BPA's cost of acquiring additional power. The Tier 2 rate will not be subsidized by the existing low-cost Tier 1 system. In this way, tiered rates will provide a price signal to utilities regarding the cost of load growth, and customers will have choice in determining whether to acquire incremental Tier 2 service from BPA or from other providers. Tiered rates will also incentivize customers to capture all cost-effective energy efficiency to minimize purchases above the Tier 1 level. BPA will offer Tier 2 rates and products that are designed to respond to customer needs and will provide information on Tier 2 options early enough for customers to make well-informed choices between Tier 2 and nonfederal sources. BPA will include as much Tier 2 pricing certainty as possible, consistent with legal requirements and risk protection.

**S4 – Transmission Access & Rates.** BPA provides open, non-discriminatory transmission services consistent with BPA's legal obligations.

BPA is committed to providing open access transmission services to all customers as described in the BPA tariff filed with the Federal Energy Regulatory Commission (FERC) and consistent with BPA's legal obligations while observing the FERC Standards of Conduct. BPA will provide service at cost-based rates that are as low as possible consistent with sound business principles, while making investments to maintain reliability, manage congestion, and provide transmission and related services for the delivery of power including renewable resources.

**S5 – Energy Efficiency.** BPA and public power cooperatively accomplish public power's share of regionally cost-effective energy efficiency and demand management.

Electric energy efficiency is BPA's first priority resource for meeting power needs. Capturing cost-effective energy efficiency will reduce costs to consumers, reduce risks and help achieve carbon emission reductions. BPA will work closely with its preference customers to help them achieve their portion of the regional targets for energy efficiency. Demand response has significant potential to help meet increasing capacity needs as intermittent resources, such as wind, are added to the system.

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<sup>3</sup> FBS stands for Federal Base System. It refers to the resources BPA uses to serve the firm energy loads of its customers, including FCRPS hydroelectric projects and resources acquired by BPA under long-term contracts, such as the output of the Columbia Generating Station, a non-federal nuclear plant.

**S6 – Renewable Energy.** BPA encourages renewables through sustainable, long-term, collaborative integration solutions while ensuring reliability, equitable cost and risk allocation, and meeting legal obligations.

By the end of 2011, 6,500 MW of wind energy was operating in the PNW, and RPS standards in the PNW and California are projected to necessitate as much as 10,000 MW of renewables by 2020. BPA has provided significant support to PNW renewable growth through innovative policies and regional processes, including establishing a network open season for transmission interconnection requests. Together, these and other policies have worked to create more efficient and reliable delivery of wind energy on the grid and to the market. Variable resources are now a major component of the region's resource base.

Success also poses new challenges and BPA has already experienced situations where the limited supply of Federal hydro system reserves for balancing variable energy has been exhausted. The continued growth of wind requires BPA and the region to jointly understand and manage the costs and risks that come with increased variability in the region's energy resource portfolio. Fair cost and risk allocation is critical, and BPA will pursue policies based on costs that follow cost and risk causation, consistent with the law.

In collaboration with regional stakeholders, BPA will:

- Seek durable solutions to addressing the oversupply issue;
- Decide whether to support significant investment to pursue the development of a regional imbalance market as a longer term solution for providing balancing for variable generation; and
- Take a systematic approach to utilize non-Federal as well as Federal resources to provide balancing services for the BPA Balancing Authority obligations. The approach will be designed so that it can work as a bridge to a regional imbalance market, or as a stand-alone approach should a regional imbalance market not be pursued.

**S7 – Environment, Fish & Wildlife.** BPA's Endangered Species Act, NW Power Act, National Environmental Policy Act, Fish Accords and other environmental responsibilities are met using a performance-based approach.

As a trusted steward for the FCRPS, BPA will collaborate with an array of regional stakeholders in meeting its environmental responsibilities. A major focus will be on fulfilling unprecedented commitments to actions intended to improve conditions for fish and wildlife, and to mitigate the environmental impacts of the FCRPS. BPA will continue enhancing its strategies and actions for meeting its environmental compliance and remediation responsibilities by employing a range of efforts to measure progress and results relative to desired outcomes.

**S8 – Climate Change.** BPA is prepared for the physical, economic and policy changes stemming from climate change developments, and promotes and implements cost-effective strategies to address these changes.

Climate change poses potentially profound and fundamental changes to the energy and electricity sector. These changes will affect environmental and hydrological conditions, electric system investment choices and electricity rates, among others. Regulations addressing climate change may begin to price carbon emissions which, in turn will significantly impact electricity markets. In addition, climate change policies are expected to promote investments in conservation, renewable energy and smart grid technologies. The potential physical effects of

climate change and subsequent regulatory responses could each, independently, have dramatic impacts on how BPA manages the FCRPS and on BPA's costs, revenues, and risk. To meet national and regional policy goals and to serve customers' electricity needs, BPA will be proactive in understanding and responding to resource choices and regulatory impacts of climate change. BPA also will examine how climate change may alter hydrology and federal hydro generation capability in the Northwest. To support reductions in the region's carbon footprint, BPA will advance energy efficiency investment, integration of renewable resources, smart grid and technology innovation.

**S9 – Stakeholder Satisfaction.** Customer, constituent and tribal satisfaction with BPA is high.

BPA recognizes that its customers provide the funding for everything it does. This makes customer satisfaction crucial to BPA. More broadly, customer, constituent and tribal satisfaction reflects how fairly and effectively BPA is balancing the needs of its various stakeholder groups and how clearly BPA is communicating its abilities and limitations to meet those needs. BPA will regularly seek feedback from its customer, constituent and tribal stakeholders to understand their satisfaction with the quality of BPA's relationships, programs, services and communications.

## Financial Perspective

**F1 – Capital Access.** BPA has sustainable capital access.

The electric utility industry has always been highly capital intensive. Sustaining adequate access to capital is fundamental to the major strategic investments BPA plans to undertake for FCRPS expansion and reliability, renewable energy integration, energy efficiency, and fish and wildlife. While BPA's large increase in U.S. Treasury borrowing authority provided through the American Reinvestment and Recovery Act will meet many funding needs, it does not assure adequate capital funding in perpetuity. Maintaining a robust third-party financing program will be essential, as additional sources of capital are explored to assure adequate long-term access to capital. Sustaining high credit ratings on BPA-backed financing will be a critical element in this effort.

**F2 – Cost Recovery.** BPA consistently recovers its costs over time.

BPA sets cost-based wholesale power and transmission rates designed to fully recover its operating costs and its obligation to repay U.S. taxpayers for their investment in the FCRPS. BPA satisfies this obligation with interest through its payments each year to the U.S. Treasury. These payments are made only after all other obligations are met, so making them represents fulfillment of all of BPA's cost recovery obligations. To ensure BPA continues to make these payments, the agency sets a high probability of repayment in its rate-setting processes. As necessary, BPA includes cost-recovery adjustment clauses in its rates in anticipation of unpredictable or unduly severe events such as extreme low water conditions, new court-ordered fish measures or other severe impacts on revenues or costs.

**F3 – Cash Flow.** BPA maintains adequate cash flow for liquidity.

A hydroelectric-based system, such as the FCRPS, undergoes a high level of volatility in year-to-year and within-year revenues and costs. BPA must have sufficient financial resources to assure that it has the ability to meet its financial obligations every year and at any point during the year. Those resources can take the form of positive cash flows from current operations, cash reserves, deferred borrowing, the ability to adjust rates or the ability to borrow cash on a short-term basis. Maintaining access to a sufficient level of liquidity to cover all financial obligations when they are due is critical to BPA's financial strength.

## Internal Operations Perspective

**I1 – Operational Excellence.** BPA meets the demands of business operations efficiently and effectively through standardized, continuously-improved systems and processes.

BPA will broaden its use of disciplined, repeatable, standardized business processes and systems to deliver value in the most efficient and effective manner. We will continually improve systems and processes to meet evolving business needs and deliver high value to our customers and internal clients.

**I2 – One BPA.** BPA's decision making and operations use a *One BPA* approach, consistent with Standards of Conduct.

Federal Energy Regulatory Commission (FERC) Standards of Conduct (SOC) require BPA to separate its transmission marketing and system operations from its wholesale power marketing functions. To provide best value to the region, BPA must be aligned, speak with a consistent voice, eliminate redundancies and collaborate across the power and transmission functions where appropriate while adhering diligently to the SOC and providing non-discriminatory, open access to transmission.

**I3 – Governance & Internal Controls.** BPA's governance and internal controls are robust, balanced and adhered to across the organization.

To assure expected outcomes, BPA will manage an effective governance structure based on adequate controls, clear guidelines, and appropriate policies and procedures for directing day-to-day business operations.

**I4 – Asset Management.** BPA maximizes the long-term value of FCRPS power and transmission assets through integrated asset management practices.

As a steward of the FCRPS, BPA will manage its assets and capital investment decisions with a comprehensive understanding of the long-term costs, benefits, risks, and strategic opportunities the region faces. In critical areas, power and transmission assets are aging and need increased maintenance or replacement. New capacity is needed to ensure the agency can provide adequate, efficient and reliable services. BPA will employ a rigorous, risk-informed and transparent asset management program that applies leading practices in planning, prioritizing, investing, operating and disposing of assets.

**15 – Technology Innovation.** BPA solves business challenges and enables breakthroughs using a program of disciplined research and technology innovation that is recognized to deliver high value to the region.

BPA will advance research, development and adoption of technologies that improve the reliability, cost-effectiveness, efficiency and environmental sustainability of FCRPS assets. BPA will use an approach that is directed toward advancing its strategic objectives. It will foster a wide range of credible business-driven initiatives, continuously refocus resources on the most promising efforts, and ensure that regional stakeholders will benefit from the lessons learned and breakthroughs achieved. BPA will collaborate in this program with other utilities and regional, national and international partners.

**16 – Collaboration.** BPA strengthens collaborative relationships internally and externally to support achievement of objectives.

BPA recognizes the benefit of drawing on the insights and experience of its customer, constituent and tribal stakeholders. BPA will work collaboratively both externally and internally to identify issues and priorities, increase understanding of the trade-offs BPA must balance, and develop potential alternatives. Likewise, BPA will pursue as much alignment or agreement as possible on how to meet long-term objectives that benefit the region as a whole.

**17 – Risk-Informed Decision Making & Transparency.** BPA's processes, decision making and performance are transparent, risk-informed and based on structured analysis.

The complexity of BPA's business frequently requires major decisions that present significant risks and opportunities to BPA and the region. As an agency committed to public service, BPA will make major business and financial decisions transparently to better ensure credibility with stakeholders. BPA will use a standardized repeatable framework to determine appropriate actions to meet objectives consistent with sound business principles. This approach will consider risks and opportunities to the agency from a range of perspectives, including business, financial, legal, environmental, stakeholder and employee perspectives.



## People & Culture Perspective<sup>4</sup>

**P1 – High Performance.** We excel with clear performance expectations to deliver the mission.

BPA requires a high performing workforce to successfully deliver the mission. Critical to this capability is an environment in which management sets clear performance expectations that are designed to drive BPA's business outcomes. Success in meeting business outcomes allows BPA to deliver its value to the Northwest. Underpinning this strategic objective are a variety of tactics at the organizational and individual level, such as providing meaningful feedback and recognizing high performance. BPA will consistently deliver clear employee performance expectations designed to drive business outcomes, which will allow BPA to achieve its mission.

**P2 – Right Composition & Size.** Our workforce is diverse and of the right composition to flexibly adjust to evolving business needs.

BPA needs a diverse workforce of the right size and composition to respond to evolving business needs. Diversity, size and composition are all critical components to having the best workforce ready to accomplish BPA's business objectives in a constantly changing energy industry. Operational risks to having the right access to talent are mitigated through an agency process that determines the right balance and usage of supplemental labor while retaining core and critical roles and skill sets within the federal workforce. Effective workforce planning and recruitment strategies maintain a labor force that proactively adjusts to the shorter cycle of change in the political, economic and technological realms. Diversity in representation ensures that BPA represents the community that it serves. An interdependent workforce interacts in complex ways to effectively deliver BPA's mission.

**P3 – Right Skills & Competencies.** We develop skills and competencies needed to meet current and future business challenges.

BPA will optimize the capability of its workforce by leveraging current skills and competencies through effective, strategic development initiatives and activities, along with proactive recruitment, to meet current and future business challenges. BPA commits to developing talent to meet changing business needs as well as maintaining a competitive edge in the labor market. BPA is deliberate in the centralized management of core competencies, with the understanding that the successful fluid deployment of these competencies will allow BPA to cultivate a workforce capable of achieving business outcomes. Proactively managing retention risks to critical skills and occupations, will allow BPA to sustain business success over time.

**P4 – Positive Work Environment.** We demonstrate safety, accountability and high engagement while modeling the agency core values.

BPA creates an environment that enables employees to do their best work. This strategic objective describes how BPA performs its work and gives additional insight into the other three objectives. How we align our performance, resource our organization and build our talent is accomplished through having a safe, accountable, highly engaged workforce that lives the core values. The core values provide a common commitment of how employees are expected to behave and what they can expect to experience as employees in the BPA work environment. Having a healthy work environment will ultimately lead to a higher performing organization.

*For additional information on BPA's strategy, please visit: [www.bpa.gov/go/strategy](http://www.bpa.gov/go/strategy)*

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<sup>4</sup> P1, P3 and P4 reflect BPA's commitment as well as individual responsibility for achieving these objectives.

