

STATEMENT OF
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U.S. DEPARTMENT OF ENERGY
BEFORE THE
SUBCOMMITTEE ON WATER AND POWER
COMMITTEE ON ENERGY AND NATURAL RESOURCES
UNITED STATES SENATE
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S. 930, THE WESTERN AREA POWER ADMINISTRATION TRANSPARENCY ACT

Mr. Chairman and members of the subcommittee, I am Mark A. Gabriel, Administrator of Western Area Power Administration (WAPA)—one of four power marketing administrations within the Department of Energy whose role is to market and transmit wholesale electricity from multi-use Federal water projects.

For the past 40 years WAPA has supplied at-cost electricity to hundreds of municipalities, rural electric cooperatives, public utilities, irrigation districts, Federal and state agencies, military installations, and Native American tribes across 15 states. Forty million people benefit from the Federal hydropower and transmission services WAPA provides.

They depend on us to provide reliable service, not only today, but also into the future. Low-cost Federal hydropower was a cornerstone in the development of the West, and it remains a key element of the economic life in maintaining strong communities.

WAPA serves a diverse customer base across a 15-state territory the size of Paris to Moscow and Athens to Oslo. We are a complex organization with 10 rate-setting systems. Our employees work tirelessly to maximize the value of the hydropower we market. We do this by offering the lowest-cost rates consistent with sound business principles.

Let me begin by saying that WAPA is committed to transparency, and so am I. In the four years I have served as the head of the organization, we have proactively taken multiple steps to evolve and increase our transparency efforts, and we will continue to do so.

Now, I would like to address what I believe has prompted this proposed legislation: Some of our customers want access to more information that informs our planning and operations at our Headquarters office and an understanding of how it relates to our annual budget and ultimately, their rates. This is a reasonable request and we are working toward that end with many of our customers through our multiple processes.

I understand customer concern for rates. As consumers, they are right to ask questions. Our rates, are extremely competitive. For example, our customers in Arizona benefit from rates that are

significantly less than comparable wholesale and retail rates. In our Upper Great Plains Region, due to partnership and forward-looking planning, customers will be seeing rate reductions in 2018, the second year in a row.

Now back to our growth. Our Headquarters staff and budget has, in fact, grown over the past decade. It is bringing value to our organization—and customers—and keeps us well-positioned amid changing times in our dynamic industry. It is aligned with our commitment to business excellence and sound business practices, and enables us to continue delivering our mission and maximize the value of hydropower for all of our customers.

Our growth in headquarters staff has allowed us to build a Continuous Process Improvement Program that has resulted in \$34 million in cost-avoidance and cost-savings—a 217-percent return on investment. Some of our “growth,” is not growth at all, but an organizational realignment and shifting of budget that resulted in increased efficiencies, and allows us to improve our ability to adhere to mandatory compliance standards and laws, such as Critical Infrastructure Protection and the Federal Information Technology Acquisition Reform Act.

Some of our customers may not agree with the changes that we have made. I believe it is, in part, because we did not do a good enough job communicating early and sufficiently.

We have already begun to increase transparency specifically regarding our headquarters budget. I am proud of the efforts that began three years ago to address transparency and communication gaps, and the incremental progress we have since made.

Customers have stated they are already seeing improvements in how we engage with them on budget issues. We are working well with the Mid-West Electric Consumers Association, our California customer base, and the Colorado River Energy Distributors Association. Thanks to our customers in Arizona we are now partners in a Customer Technical Committee to address a number of improvement opportunities including financial transparency.

We developed a more consistent 10-Year Planning process across our regional offices, hosted annual all-customer meetings since 2014, and, last year, opened up our Headquarters 10-Year Planning process to customers with more engagement in the coming year. Additionally, we host or attend more than 300 meetings with customers every year to share information and answer questions.

Just over a year ago we launched *The Source*—a page on our website dedicated to sharing operational and auditable financial statements. Much of the information was already on our website, but we brought it to one convenient location and put it front and center. It includes annual reports, presentations, a searchable index of power system data, rates information, key topics and customer news.

We have produced and made available reams of data. We have memorandums of understanding in place with many customer groups, agreeing to share and discuss financial information. We are exploring ways to further expand our engagement.

Our recent transparency efforts are consistent with the spirit of the proposed transparency legislation.

We are committed to sharing information openly and honestly and providing a mechanism for feedback. As an organization, we are accountable for delivering on our mission and responsible for the stewardship of our program and resources for all of our region's customers.

As a public servant charged with leading a federal organization—a utility—I am ultimately responsible for the safe and reliable operation of our large and interconnected generation and transmission system. I take my responsibility in earnest.

Thank you for the opportunity to speak with you today. I look forward to answering your questions.