FY12 STRATEGIC TARGETS

October 28 Update – Targets 8.3 and 19.3

Western Area Power Administration sets annual organizational Strategic Business Targets and Critical Operating Targets to help achieve its mission as one of the Department of Energy's Power Marketing Administrations. Western aligns with DOE's strategic goals through:

- Ensuring ***energy security and prosperity*** by providing reliable, cost-based renewable hydropower and transmission services to our customers, thereby reducing their vulnerability to supply disruption and increasing flexibility to meet consumers' needs for electricity.
- ***Transforming our energy systems*** by creating a more reliable, flexible and robust U.S. energy infrastructure, ensuring Western's efforts are funded and paid for by the beneficiaries.
- ***Management and operational excellence*** by ensuring the organizational capabilities, people and resources to satisfy growing demands.

Highlights - FY12 Targets

- Carry out Western's 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 reliability and energy security.
- Maintain a strong compliance program.
- Conduct a Western-wide Power Systems Operations review.
- Explore renewable integration opportunities.
- Formalize integrated asset management and enterprise risk management practices to support decision making.
- Evaluate and plan for climate change impacts on Western's core mission.
- Explore cost-effective clean energy and storage options.
- Invest in employees.

Strategic Business Targets – Forward-Thinking Leadership Initiatives

Energy Security and Prosperity:

1. *Ensure rate stability and power deliveries while contributing to DOE's goals for a low-carbon energy future.*

Target:

1.1 Initiate a review of Western's resource portfolio using Western's Integrated Resource Planning Principles for Long-Term Power Purchases. Assess risk mitigation strategies.

2. *Partner with customers to help secure Western's financial stability and maintain system reliability.*

Targets:

2.1 Secure alternative financing to meet shortfalls in Western's appropriated resources

to support our mission. Between $72 million and $87 million of customer financing is the estimated need.

2.2 Develop new statutory authority that reduces or eliminates exposure of Western's core mission to the uncertainties associated with the Federal budget process. Address the budgetary issues to (1) ensure operations continue during a lapse in appropriations and (2) finance capitalized investments in the absence of sufficient congressional appropriations.

3. Continuously apply financial and human resources in the most prudent, safe and secure manner possible to provide the best long-term value for customers and preserve system reliability under constrained resources.

Targets:

3.1 Continue to formalize integrated asset management practices better supporting informed capital investment decision making about transmission system construction and rehabilitation activities.

3.2 Begin formalizing enterprise risk management policies and mitigation plans for key risk areas such as funding, staffing, purchase power, transmission, external mandates and business continuity.

3.3 Conduct an analysis of Western's power system operations organization, work functions and associated costs. Apply metrics and other evaluation factors to benchmark Western's performance internally and externally and explore opportunities for achieving greater efficiency.

3.4 Substantially complete consolidation of the Colorado River Storage Project facilities into the Western Area Colorado Balancing Authority to simplify CRSP operations and resolve complexities in system scheduling, operations and business practices.

3.5 Continue to implement the Operations Consolidation Project per the project plan which is scheduled for completion in FY14. In addition to achieving operational efficiencies and effectiveness, this Project achieves multiple business continuity goals by consolidating back-up control centers. In FY12:

a) Commission into production the new Phoenix and Loveland Supervisory Control and data Acquisition systems.

b) Relocate backup SCADA servers from the alternate control centers to the Loveland and Phoenix control centers.

c) Implement new common transmission scheduling system in Phoenix and Loveland.

Transforming Energy Systems:

4. Enable better understanding, control and enhanced reliability of the North American transmission grid by actively supporting development, networking, and deployment of synchrophasor systems.

Targets:

4.1 Sign agreement(s) to participate in the Western Interconnection Synchrophasor Program. Deploy equipment and provide a robust network and cyber security implementation that supports synchrophasor system deployments in accordance with project milestones.

4.2 Implement syncrophasor streaming needed to provide real-time data for the Mid-West Independent System Operator's

(MISO) Synchrophasor Project. Execute an agreement with MISO for installation of synchrophasor equipment. Based on MISO's draft statement of work and schedule, real-time data streaming requirements for FY12 are as follows:

a) two of four synchrophasors streaming real-time data to MISO in the winter

b) all four synchrophasors streaming real-time data to MISO by the summer

5. Continue to partner with customers, DOE and others to enable more flexible and efficient control of the grid by promoting and introducing energy storage technologies and using clean energy including renewable resources.

Targets:

5.1 Evaluate the proposed 400 MW South Slope Pumped Storage Project to determine if the project meets Transmission Infrastructure Program participation criteria or related Western objectives. Potentially conduct pre-feasibility studies and preliminary market analysis.

5.2 Coordinate and manage a full range of partnership activities with DOE Office of Energy Efficiency and Renewable Energy, American Public Power Association, National Rural Electric Cooperative Association and industry groups to advance the use of renewable resources.

5.3 Pursue $200K in non-reimbursable funding from DOE EERE to continue renewable technology transfer to Western preference power customers and Tribes.

5.4 Develop and deliver a Tribal Webinar series.

6. Support development of new Western-wide and cross-regional transmission products and services to enhance the sales of transmission service and ensure existing services to customers.

Targets:

6.1 Investigate, evaluate and report on potential new Western-wide transmission products and services.

6.2 Participate in regional and interregional planning and cost allocations compliance development efforts related to Federal Energy Regulatory Commission Order No. 1000. Western's Order No. 1000 compliance filing is targeted for late FY13 or early FY14.

7. Through partnerships, provide opportunities for transmitting and integrating renewable resources into the grid.

Targets:

7.1 To facilitate renewable energy development and transmission expansion, investigate, select, fund and construct new TIP project(s) under authority granted in the 2009 amendment to the Hoover Power Plant Act of 1984.

7.1.1 Target completion of construction of Montana Alberta Tie-Limited Project according to the project plan.

7.1.2 Upon approval, begin funding the Electrical District 5 – Palo Verde Hub project with TIP bonds and commence associated construction activities.

7.1.3 Upon approval, begin funding the TransWest Express Project developmental activities according to the funding agreements and contracts.

7.2 Conduct a cost-benefit and risk analysis on the Western Interconnection proposed energy imbalance market scenarios.

Management and Operational Excellence:

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

Targets:

8.1 Increase the diversity at Western by reaching out to applicants and students and using special appointment authorities.

8.2 Establish a competency-based employee/leadership development program that meets Western's needs by addressing competencies required to be effective at different levels within the organization.

8.3 Complete, transition, evaluate and report on the 50/5/5 Program. The report will include an assessment of the effectiveness of the Program as a succession planning tool and as a tool for reaching Western's affirmative employment goals.

8.4 Evaluate and update Western's workforce planning process and produce an updated Western Workforce Plan. The workforce planning process will include affirmative employment considerations such as identification of specific positions for targeted recruitment prior to vacancies and incorporation of affirmative goals and actions items for each critical occupation.

8.5 Communicate with and engage employees in carrying out Western's strategic goals and targets at all levels of the organization.

Critical Operating Targets – Mission Performance Every Day

Energy Security and Prosperity:

9. Power Marketing - Ensure power deliveries and repayment.

Targets:

9.1 Continue the remarketing effort for the Boulder Canyon Project (Hoover) resources; current power marketing contracts expire in 2017. In the absence of a new Public Law to govern the remarketing process, Western will issue a final decision on the size of the resource pool and the percentage of the pool to be allocated to new customers.

9.2 Continue the remarketing effort for the Pick-Sloan Missouri Basin Program-- Eastern Division; current power marketing contracts expire in 2021. In FY12, Western will substantially complete 1) consolidation and consideration of all public comments and publish a Final 2021 Power Marketing Initiative Federal Register Notice and 2) the project plan to develop and execute new firm electric service contracts.

9.3 Continue the remarketing effort for the Loveland Area Project (LAP) including customer meetings and tribal consultations regarding the 2025 Power Marketing Initiative (PMI). In FY12 Western will 1) publish a proposed LAP 2025 PMI Federal Register Notice initiating a comment period, 2) consolidate and consider all public comments and 3) publish a final 2025 PMI Federal Register Notice.

9.4 Set rates so that revenue is sufficient to maintain system reliability and repay the operation and maintenance costs and the

investment in Federal power facilities within allowable time periods.

9.5 Meet 100 percent of the requirements to conduct Government-to-Government consultation with Tribes for Western policies, allocations, crediting, projects and other applicable actions as outlined in DOE Order 144.1 American Indian Tribal Government Policy.

9.6 Work with generators and customers to plan and pursue the most efficient and effective equipment and facility upgrades that will maximize safe hydropower production and control costs as much as possible. To meet program needs beyond that provided by Federal appropriations, facilitate customer funding for the generating agencies of up to $73 million.

10. Cost Management, Control and Reduction

Targets:

10.1 Meet DOE and Office of Management and Budget Federal Data Center Consolidation milestones. Meet at least 90 percent of Western's planned FY12 Data Center Optimization project milestones.

10.2 Develop the requirements and project schedule for SNR implementation of the Enterprise Common Power Billing System Project (Common Billing). Continue implementation of Common Billing to include:

a) Implementing the new platform in Western's Desert Southwest Region.

b) Western-wide Late Payment System

c) Roll Forward and Network Integrated Transmission Service

d) A Web Portal

10.3 Execute FTE within +/- 5 percent of the program plan for activities within Western's control.

10.4 Meet the OMB financial performance metrics for funds management, accounts receivable, accounts payable, and travel and purchase cards at least 95 percent of the time.

10.5 Achieve an unqualified opinion on Western's FY11 combined power financial statements.

10.6 Manage cash to ensure there are sufficient receipts to cover all cash requirements, including Purchase Power and Wheeling, Net Zero, alternative financing and cash transfers.

10.7 Meet all TIP treasury repayment requirements in accordance with Western's Treasury Memorandum of Understanding.

11. Optimize Scarce Resources

Targets:

11.1 Protect the value of the hydro-power resources by actively engaging in and providing leadership for initiatives and influence decision-making in hydropower forums such as the Missouri River Recovery Implementation Committee, Missouri River Basin Interagency Roundtable, Grand Canyon Adaptive Management Program and Central Valley Project Improvement Act implementation.

11.2 Review Western's level of industry participation. Determine the appropriate level of participation in electric utility industry forums, like the North American Electric Reliability Corporation and regional reliability organizations, needed to promote an understanding of Western's unique statutory requirements and influence

policy and regulations to protect transmission and hydroelectric assets.

11.3 Study and report impact of environmental legislation and regulation on hydropower production across all projects.

12. Renewable Resources

Targets:

12.1 Assist Federal agencies with development of onsite renewable energy generation using Western's purchase power authority. Conduct the annual Renewable Energy Credit aggregation effort for any Federal agencies interested in RECs to meet EPAct 2005 and Executive Order requirements.

12.2 Continue to offer REC Programs for the Federal resources in Western's service area.

12.3 Meet 100 percent of Western's REC requirement.

Transforming Energy Systems:

13. Transmission System Reliability and Maintenance

Targets:

13.1 Complete at least 80 percent of the planned activities of the NERC Critical Infrastructure Project Access Control Release III effort.

13.2 Pursuant to Section 1211 of EPAct 2005 and NERC reliability standards, operate the elements of the Bulk Electric System within equipment and electric system limits in order to prevent uncontrolled separation or major cascading failures of the Bulk Electric System.

13.3 Western-wide Accountable Outages are 20 or fewer.

13.4 Strive for no reportable violations of reliability standards and take prompt action to develop mitigation plans if violations are identified.

13.5 Target Western-wide craft workforce maintenance goals on a one year moving average of higher than 60 percent of Direct work (hands-on), lower than 16 percent of Repair work (corrective and emergency maintenance), and lower than 17 percent Administrative work (non-production based work).

14. Transmission Planning and Construction

Targets:

14.1 Appropriated Capital (Western Construction Funding) investments for the fiscal year are executed between 95 percent and 100 percent based upon allocations received.

14.2 Continue involvement in regional transmission planning to be aware of and pursue most critical upgrades or new projects that are consistent with Western's 10-year plans and funding availability.

15. Operations and Transmission Services

Targets:

15.1 Strive to provide an interconnection and transmission service to requesters by the time they are ready to receive energy or deliver energy to a customer or market.

15.2 As a member of WECC and the Joint Initiatives Group, offer intra-hour (30-minute) scheduling to 1) increase the grid and market's ability to respond to supply and demand fluctuations, particularly for variable energy resources and 2) allow for more flexible and efficient use of available transmission.

Management and Operational Excellence:

16. Safety and Security

Target:

16.1 Ensure lost workday case rate and total recordable case rate are at least 10 percent below comparable industry average for NAIAS 22112 (electric power transmission, control, and distribution) from October 2011 to September 2012. Develop and implement timely action plans to address/correct program deficiencies.

17. Contract and Project Management

Targets:

17.1 Continue to meet the requirement to apply Earned Value Management System (EVMS) to 100 percent of construction projects with Total Estimated Cost of $20M (appropriated) or more. For projects less than $20M, apply EVMS on projects determined high risk by the Senior Sponsor.

17.2 Complete the soil remediation project at the previous location of the Basic substation in Henderson, NV.

18. Functional Leadership

Target:

18.1 Ensure that leadership charters and operating structures are in place for each Western-wide leadership and functional council.

19. Human Capital

Targets:

19.1 Achieve DOE's employment requirements and goals that 21.4 percent of all new hires are Veterans (all categories) and 6.6 percent of all new hires are disabled Veterans.

19.2 Achieve DOE's goals that 7 percent of all new hires are persons with disabilities and 1.25 percent of all new hires are persons with targeted disabilities.

19.3 Achieve an average hiring time-to-hire of 80 days or less.

20. Sustainability

Target:

20.1 Implement Western's Site Sustainability Plan to support DOE's Strategic Sustainability Performance Plan. Achieve more than 70 percent of Western's FY12 goals.