

STATEMENT OF
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U.S. DEPARTMENT OF ENERGY
BEFORE THE
SUBCOMMITTEE ON WATER, POWER, AND OCEANS
COMMITTEE ON NATURAL RESOURCES
U.S. HOUSE OF REPRESENTATIVES
MAY 18, 2017

HR. 2371, WESTERN AREA POWER ADMINISTRATION TRANSPARENCY ACT

Mr. Chairman and members of the subcommittee, I am Dennis Sullivan, Acting Chief Financial Officer 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 56 hydropower dams.

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. 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 remains a key element of the economic life in maintaining strong communities.

WAPA serves a diverse customer base across a 15-state territory through a transmission system made up of more than 300 substations and 17,000 miles of transmission line. We are a complex organization with 10 rate-setting systems. We do this by offering the lowest-cost rates consistent with sound business principles.

WAPA is committed to transparency, and so am I. During my time at the organization, and specifically in my current role, we have proactively taken multiple steps to evolve and increase our transparency efforts, and we will continue to do so.

I believe what has prompted this proposed legislation is that 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. Our rates, are extremely competitive. For example, our customers in Arizona benefit from rates that are significantly less than comparable wholesale

rates. In our Upper Great Plains Region customers will be seeing rate reductions in 2018, the second year in a row.

Our Headquarters staff and budget has, in fact, grown over the past decade. That growth 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. Most of our growth came from organizational realignments, shifting of budgets and targeted investments. These changes resulted in increased efficiencies, and have allowed 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. Since I have been in the acting CFO role, I have attended more than 25 meetings with customers and customer representatives specifically addressing transparency. I appreciate their needs and concerns. We have been working together to build upon the information we provide.

Customers have told me directly 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, have been hosting 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 space 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 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. I am eager to improve and develop the systems necessary to support the sustainability of the pilot program outlined in the proposed 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.

I am a public servant charged with ensuring the fiscal responsibility of a Federal organization. I take my responsibility in earnest.

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