

# Committee on Resources

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## Testimony

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### Subcommittee on Water and Power

Thursday, July 17, 1997

1324 Longworth HOB, 2:00 P.M.

**STATEMENT OF  
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WESTERN AREA POWER ADMINISTRATION  
U. S. DEPARTMENT OF ENERGY  
BEFORE THE  
SUBCOMMITTEE ON WATER AND POWER RESOURCES  
COMMITTEE ON RESOURCES  
UNITED STATES HOUSE OF REPRESENTATIVES**

**JULY 17, 1997**

Mr. Chairman, I appreciate the opportunity to testify before your Subcommittee today on Western Area Power Administration's (Western's) strategic planning efforts and our involvement in the Department of Energy's draft strategic plan. The Department is currently engaged in a significant effort to update its strategic plan in response to the Government Performance and Results Act of 1993 (GPRA).

My statement will focus on Western's strategic planning efforts that are consistent with the spirit of the GPRA. I will also discuss how Western's efforts are consistent with the Department of Energy's draft strategic plan, and our role in the Department's efforts to comply with the GPRA.

#### **Role of the Power Marketing Administration in the Department of Energy's Strategic Plan**

Under the GPRA, each Cabinet level Department, independent agency, and government corporation is to develop a strategic plan addressing its mission, long-term goals, and strategies for achieving those goals. Through consultation, the plans are to reflect the considerations of Congress as well as the views of other stakeholders. As an agency within the Department of Energy, Western is participating in the Department of Energy's strategic planning process.

The Department's plan encompasses numerous critical responsibilities and activities, including energy resources, national security, environmental quality, and science and technology. As an important element of the Department's energy resources program, the power marketing administrations have worked closely together to specify program performance plans and measurements.

As part of this process, the power marketing administrations (PMAs) are included in the Energy Resources business line of DOE's Draft Strategic Plan. This DOE business line has a proposed goal of developing and promoting a sustainable, secure, and competitive energy systems that minimize impacts on the U.S. and the global environment. This goal fits well with the PMAs mission and unique role in marketing hydropower from the multipurpose Federal hydropower projects.

Following Congressional committee briefings, the Department's draft strategic plan was made available to the Congress and public on June 16th. The Department is presently collecting comments from within the Department, the Congress, other Federal agencies, the OMB, and other interested customers and stakeholders. In late July, these comments will be consolidated into an updated draft strategic plan and additional Congressional briefings provided.

### **Western's Strategic Planning Efforts**

Western has understood the value of strategic planning for many years. The planning process for Western's first formal strategic plan commenced in November of 1993. After receiving feedback from customers, employees, tribal governments, and many additional interested stakeholders, Western's first formal strategic plan was published in September of 1994.

In February of 1995, an effort was undertaken to transform Western's organization structure in response to the competitive pressures within the utility industry and the need to make Western more responsive and efficient. The goal of Western's effort was to determine the staffing level and the organization structure that best suit Western's business strategy as defined in the strategic plan. Following an intensive involvement process with customers, employees, other Federal and state agencies, Congress, employee unions, and other stakeholders, a plan to transform Western was completed in October of 1995. Implementation of this plan has been ongoing and scheduled for completion in June of 1998. When the new Western organizational structure is fully implemented, we will have 25% fewer employees and estimated savings in annual operating costs of over 20% compared to the 1995 level.

In recognition of the need to continuously update our strategic direction, Western's senior management developed a revised strategic plan in October of 1996. This plan identified nine goals dealing with such key issues as people, partnerships, resources, costs and industry change. New to the revised plan is our focus on cultural change and leadership. Another new element was the establishment of measurements to gauge our progress in achieving the goals Western has adopted.

Western has been measuring its performance for many years, and we continue to look for new and meaningful ways of accomplishing this. Financial performance indicators have been calculated and displayed in Western's annual report since 1992. Almost all of these performance indicators are based upon those that are generally used within the utility industry, so Western can compare its efforts with those of others to identify areas of strength as well as areas where our performance needs to be improved.

A Western bonus goals program has been in effect since 1995. In 1997, every Federal employee within Western is eligible for a cash bonus if we meet or exceed defined "hard targets" for safety, reliability and cost containment.

Recently, Western adopted seven key measures to assess the organization's overall health. These key measures will focus on longer-term trends using historical data. Both our performance on these key measures and the measurement of our progress towards our strategic goals will be regularly communicated to employees to align the workforce with our strategic direction and to keep the importance of goal attainment visible. We have instituted a bench marking and performance measurement effort within Western so we can compare our work processes with those of other Federal agencies and the best run private sector organizations to continually improve the way we carry out our business.

To carry out our responsibility to repay the U. S. Treasury for the costs of generating and transmitting power, Western develops power repayment studies annually to assure that our rates are adequate to meet

established repayment criteria. In effect, these studies continuously measure our success in repaying the annual costs as well as the Federal power and transmission investment with interest.

Due largely to the increasingly competitive nature of the electrical utility industry, the cost of power continues to decline in our service territory. The marketplace is the ultimate measure of our ability to operate in an efficient and cost effective manner. If our rates are not competitive, we will be unable to market our power and transmission services which will result in the loss of the ability to repay the Federal investment.

### **Congressional Involvement**

In order to assure that the strategic planning efforts of the power marketing administrations are clear, supplemental information has been developed and provided to Subcommittee staff. This more specific strategic planning information and associated performance measurement data is designed to assist the Subcommittee in the exercise of its oversight responsibilities. We look forward to working closely with you, Mr. Chairman, in the development and implementation of our strategic plans.

Mr. Chairman, this concludes my remarks. If you or other members of the Subcommittee have any questions, I would be pleased to answer them.

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