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March 4, 2014

MEMORANDUM

TO: Council Members

FROM: Mark Walker, Director of Public Affairs

SUBJECT: Elliot Mainzer, Administrator, Bonneville Power Administration

This is Elliot Mainzer's first appearance before the Council in his capacity as BPA administrator. He was sworn in on February 20, after having been named acting administrator last July.

During his tenure at BPA, Mainzer has held a variety of management positions within the Power, Transmission, and Corporate organizations including trading floor manager, manager of Transmission Policy and Strategy, and executive vice president of Corporate strategy. From February to July 2013, he served as acting deputy administrator, where he was responsible for Finance, Strategy, Legal, Public Affairs, Risk Management, Compliance, Governance, and Internal Audit functions. He also served as the principal policy and strategy advisor to the administrator.

Prior to joining BPA in 2002, Elliot was employed at Enron where he established and managed Enron's Renewable Power Desk in Portland.

Council members and staff had the opportunity to work closely with Elliot in 2007 when he headed up BPA's role in developing the Northwest Wind Integration Action Plan. His knowledge of the power and transmission systems, strong work ethic, and skill in communicating complex ideas were in full display during that process and signaled that his career at BPA was on an upward trajectory.

In the remarks he made on February 20 at his swearing in ceremony, Mainzer listed the following strategic priorities that will receive the agency's attention in the coming years (full text of remarks attached):

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- Maintaining and enhancing the value of the federal Columbia River power and transmission system (his number one priority).
- Modernizing the hydro system's ability to meet all the new demands being placed on it (e.g., bringing non-federal sources of balancing capacity and flexibility into BPA's operations; addressing growing reliability and cyber security compliance requirements; sustain and modernize assets).
- Continuing working on fish and wildlife issues with all of BPA's constituents, including its critics, in the hope of finding a way for all parties to work together as partners.
- Working with all parties to modernize the Columbia River Treaty to more fairly reflect the distribution of coordinated operational benefits between the US and Canada, to ensure that flood risk management and other key river uses are preserved, and to address ecosystem functions.
- Collaborating with the Council, NEEA, NWECC, the four governors, BPA customers, and others on a strategy that maintains the region's focus on energy efficiency while recognizing that not all of BPA's customers are similarly situated.
- Working with the Northwest Power Pool and others to further enhance coordinated system operations.

Elliot Mainzer Inaugural Talk – February 20, 2014

Thank you Randy, Greg, and Claudia, and thank you all for being here this morning. It is a great honor for me to be addressing you as the 15th Administrator of the Bonneville Power Administration. If you had asked me eight months ago whether I would be standing here at this point in time in this capacity, I certainly would not have predicted it. But life works in mysterious ways, and I am both humbled and excited by the opportunity and pleased to serve at such an important and historically significant time for the region.

And while this is a very meaningful moment for me personally, we are really here today to celebrate the tremendous people and historical legacy of BPA and to look forward to the challenges and opportunities that will define our collective future.

I would like to start by taking a moment to recognize some of my family, friends and colleagues who have been incredibly supportive to me throughout my life. I am very pleased to welcome my mother Vicky Mainzer who moved to Portland last March and has already taken the town by storm. I'd also like to introduce my father, Frank Mainzer, my stepmother Lonnie Zwerin, my little sister Camille and her husband Reuben and my step-brother David. I am also joined by several great friends who help keep me sane and focused on what really matters in life. And, of course, there is my wife Margaret. Any of you who know Margaret understand just how lucky I am to have such a kind, intelligent and giving life partner. We decided to leave the kids at home this morning to avoid a range of potentially embarrassing situations, but Matt and Ben are here with us in spirit and I think you know just how much those little guys mean to me.

Throughout my 12 years at BPA, I have been fortunate to have some wonderful teachers and mentors. I learned the meaning of BPA's public service mission from all three of the Steves – Wright, Hickok and Oliver. Brian Silverstein helped me make the leap from power to transmission and then to corporate strategy, allowing me to develop an understanding of the art of balancing preference service with open access. I have benefitted from the wise counsel of former Administrator Randy Hardy and Deputy Administrator Jack Robertson and have been often reminded to take the long view by my dear friend Walt Pollock. From my predecessor Bill Drummond, I carry forward his deep appreciation for the people who make Bonneville such a wonderful place to work and the importance of customer and constituent satisfaction. I would also like to thank Ralph Cavanagh for pioneering a path of constructive and pragmatic environmentalism and Rachel Shimshak for reminding me that planning is good, but doing is better. With the passing of former BPA Administrator Peter Johnson last week, I was reminded of the importance of public engagement in making good public policy decisions and having the courage to do the right thing under difficult circumstances. I appreciate the opportunity that Secretary of Energy Ernest Moniz has afforded me to carry on the great legacy of the 14 BPA Administrators before me.

I also want to extend my personal thanks to our customers and the Northwest Congressional delegation for their steadfast support for BPA during the past 8 months. While recognizing our mistakes and clearly expecting us to address them, our customers and the delegation were also instrumental in reminding the broader public of our long history of providing value to the Pacific Northwest and our critical role within the region. I also am grateful for their personal support and encouragement as I embark on my journey as Administrator.

One lesson that is clear to me, however is that the support and trust of our customers and the region is something that we must earn every day.

Finally, and perhaps most importantly, the past 8 months have been an extremely difficult period for BPA's employees and contractors. Throughout all of the challenges, however, I have been deeply impressed and buoyed by the dedication and strength of character of our people. Every member of our workforce has helped maintain business continuity and carry forward Bonneville's important public service mission during this unprecedented and very unsettling period. I want to personally thank you all for your efforts. It is a testament to the quality of the people who work here at the Bonneville Power Administration.

Since the moment I became Acting Administrator last July, I could see that we needed to be very focused and disciplined to successfully navigate the troubled waters before us. Many of you have now heard of the top three priorities that I have used to guide BPA during this period: run the business, take care of our people, and fix the problems associated with our hiring and personnel practices.

I am pleased to say that we have made great progress over the past few months in addressing the problems with our hiring practices. First of all, we made an excellent hire in our new Human Resources Director, Brian Carter. Brian has a rich background in federal human resources practices and law and has exactly the kind of skills and expertise we need to build a fully compliant and best in class human resources operation. He is also a military veteran with deep knowledge of veterans' preference and other labor relations issues. Brian, if you'd please stand, I'd like to formally introduce you this morning.

We have also made significant progress in the job reconstruction process, having already worked through over 40% of the external cases, made 50 offers of employment, and have already welcomed 20 new people to the Bonneville family. We are very excited to welcome a new cadre of military service veterans to BPA. They will join the several hundred veterans who are already part of our workforce and have been making remarkable contributions to our success for many years.

We are well on our way to completing the necessary staff training to regain our delegated hiring authorities from DOE headquarters. And we have strengthened communication and coordination channels with our colleagues in Washington DC to help ensure that nothing like this ever happens again and that BPA is able to maintain its historical focus on serving the interests of the Pacific Northwest.

As we continue to make progress on addressing our human resource issues, I have been able to turn my attention to other pressing issues associated with our workforce. For starters, establishing a permanent leadership team has become one of my very top priorities. I expect to have news to share about our front office and two other senior leadership positions within the next two weeks. And though there have been moments where many of us have felt like we're part of some high theatre, I think we all know what a great job Greg Delwiche and Claudia Andrews have been doing as Acting Deputy Administrator and Acting Chief Operating Officer.

More broadly, BPA faces an enormous succession planning challenge. More than half of our executive team and many of our key managers currently are or will be eligible for retirement within the next 2-3 years. Developing the next generation of leaders and positioning BPA for long-term success will be one of my highest priorities as Administrator.

And as we develop that next generation of BPA leaders, we will continue to strengthen our internal culture. This means striving to ensure that all employees work in a healthy work environment and making sure that safety is job number one. I am pleased to announce that within the next few weeks, I will be introducing a new safety value to add to our existing BPA values of trustworthy stewardship, collaborative relationships and operational excellence. Nothing is more important to me than the personal safety of our workforce and the people we serve.

Over the past 12 years, my work at Bonneville has been inspired by the Pacific Northwest's impressive history of long-term vision, creativity, innovation and problem solving. I enjoy looking at the old maps of the Northwest from the early 1930s before the construction of the Bonneville and Grand Coulee Dams and putting myself in the position of the planners who envisioned a future power and transmission system at a time when the Pacific Northwest was still largely undeveloped and struggling through the Great Depression.

Today, we have a reliable, low-cost and zero carbon hydroelectric system that has become a fundamental underpinning of our modern way of life. But like our predecessors, we are living at a time of tremendous change and face our own unique challenges, including aging assets and increasing costs, climate change and increasing regulatory requirements, emerging technologies, and balkanized system operations.

Like those before us, we must chart a course through this changing industry landscape and define the future of our power system.

Given that essential challenge, let me share some thoughts on my strategic priorities for the next few years.

Quite simply, as with BPA Administrators before me, my most important strategic priority is to maintain and enhance the value of the Federal Columbia River power and transmission system. Our power and transmission assets are aging and require significant capital investment to allow them to provide reliable and low-cost service well into the future. I intend to work closely with our customers and other stakeholders to

develop a long-term capital investment strategy that is optimized across our various asset classes and is sustainable in terms of customer rate impacts and access to capital. This is very important work and the future of BPA depends on it.

At the same time that we are investing to sustain our core assets, it has become clear that the federal hydro system no longer has sufficient capacity to meet all of the modern demands that we are placing on it. In order to honor our statutory obligations to our preference customers and meet our obligations as an open access transmission provider, we must bring non-federal sources of balancing capacity and flexibility into our operations, including both supply side and demand side resources. We must also address growing reliability and cyber security compliance requirements and do so as efficiently and cost-effectively as possible. In short, we must both sustain and modernize our assets.

With the recent release of the 2014 Supplemental Biological Opinion, the region's longstanding debate about salmon recovery is once again front and center. I have tremendous confidence in our fish and wildlife team and have been very pleased to see the level of alignment within the Federal family with respect to this Supplemental BiOp. Our Fish Accord partners also continue to be very supportive of our strategy and with increasing fish survival past the dams and some record returns, I am confident that we are making tremendous progress in meeting our fish and wildlife objectives. But I also acknowledge that there are interests within the region who are not yet prepared to offer their support. While I believe that the program we have put in place meets both the letter and the spirit of the Endangered Species Act and the Northwest Power Act, I am committed to maintaining dialogue with the various parties in the basin, including our critics, and would like to find a way for all of us to work together as partners, rather than adversaries on this highly important area of shared interest.

Another important and pressing strategic initiative concerns the future of the Columbia River Treaty. In short, the treaty needs to be modernized to more fairly reflect the distribution of coordinated operational benefits between the US and Canada, to ensure that flood risk management and other key river uses are preserved, and to address ecosystem function in a way that complements the significant investments we have made to protect fish and wildlife over the past three decades. As we await word from the State Department about whether and how they intend to take up the issue with Canada, I look forward to continued collaboration with regional sovereigns, our customers and other interests to achieve a modernized and equitable Columbia River Treaty.

Energy efficiency and Demand Response are also high on my strategic agenda. Few regions of the world have achieved more with respect to energy efficiency than the Pacific Northwest. The region's 5,300 MW conservation power plant continues to produce value for regional consumers and energy efficiency remains the lowest cost and least risk resource in the Pacific Northwest. As the region begins a robust dialogue about the future of our energy efficiency activities, I am looking forward to working with the NW Power and Conservation Council, the NW Energy Efficiency Alliance, Northwest Energy Coalition, Northwest Governors, our customers and other energy efficiency advocates across the region to craft a strategy that maintains the region's valuable

focus on energy efficiency while examining ways to meet our objectives as efficiently as possible and recognizing that not all of our customers are similarly situated.

Let me turn now to the issue of coordinated system operations. Through the 1940s, 50s, 60s and all the way to the present, the Northwest's utilities have worked together through the Northwest Power Pool to address many new and emerging operational challenges and have done so with a laser focus on pooling resources, improving reliability, lowering costs, and ensuring local control. This approach resulted in such achievements as the pooling of electricity generation to increase aluminum production during World War II, the establishment of the Pacific Northwest Coordination Agreement, and the sharing of contingency reserves which currently saves the Northwest roughly \$300 million per year in reduced capacity costs.

Given this track record of success, I am very excited about the work we currently have underway through the Power Pool to further enhance coordinated system operations. Through a continued focus on situational awareness, capacity adequacy and economic optimization of resources, we can lay the foundation for an even more reliable, flexible, low-cost and environmentally sustainable power system. To me, this does not require a radical remaking of the system, but rather a continued evolution that builds on the Northwest's longstanding tradition of developing cost-effective, pragmatic solutions and doing so in a way that preserves local control and decision making autonomy.

That is a pretty daunting set of strategic objectives. It sort of takes your breath away and reminds me that I am going to need a lot of help in the months and years ahead. Fortunately, I have a great team and know I can count on help from many of you in the region.

In fact, the most satisfying aspect of my time at BPA has been the development of many professional and personal relationships with people throughout the industry. I really enjoy bringing together smart, dedicated people to help solve important and pressing public policy challenges. Establishing and nurturing collaborative relationships is one of BPA's core values and something that will continue to be a hallmark of my time as BPA Administrator.

Many of you also know that I care deeply about energy and the environment. Based on my personal background, education and life experiences, I am worried about climate change and the impact that our energy system has on our global ecosystems. I know that many of you share similar concerns and I am pleased to represent a region of the world with such a deep and abiding commitment to environmental sustainability. But in order to maintain our economic vitality and meet our ever-pressing environmental challenges, we are going to have to develop pragmatic, cost-effective solutions that, as Oregon Senator Ron Wyden has so clearly articulated, strikes that essential balance between jobs, the environment and the economy.

Finally, having worked across many different parts of Bonneville, I am a strong believer in what we refer to as “One BPA.” That means thinking beyond your own group’s narrow objectives and asking how we can meet the collective needs of BPA most effectively. As BPA Administrator, I would like all of us within the region to ask that same timeless question: how can we best come together to meet the collective needs of the region in the most reliable, cost-effective and environmentally sustainable way possible? If we stay true to our values and continue to focus on collaborative relationships and pragmatic problem solving, I am confident that we can build a world-class power system for the 21st century.

Thank you very much!