Welcome ... we will begin shortly

Today’s speakers

Mark Gabriel
Administrator and Chief Executive Officer
Western Area Power Administration

Bob Harris
Senior Vice President and Regional Manager
Upper Great Plains Region

Dennis Sullivan
Senior Vice President and Acting Chief Financial Officer
Headquarters

Craig Ferguson
WAPA-wide Budget Supervisor
Headquarters
Housekeeping Items

• During the presentation, all phone lines will be muted

• During the presentation, you may use the “raise your hand” option to signal your interest in speaking

• You may also “chat” your question and the host will address it to the speakers on your behalf
Draft WAPA-wide
10-Year Plan Funding Allocation Process

February 24, 2017
Overview

• WAPA Funding
• Purpose and Background
• Draft Plan
• Next Steps
WAPA Funding Sources

FY17 Budget Request totals $1.2 billion

- Offsetting Collections: $811M (69%)
- Appropriations: $96M (8%)
- Alternative Customer Financing: $265M (23%)
FY17 Capital Appropriations Request totals $96 million.
The WAPA Team

Maintenance Rep:  Teresita Amaro, DSW
Maintenance Rep:  Gary Kelly, SN
Information Technology Rep:  Kimberly Dorsett, HQ
Power Marketing Rep:  Jody Sundsted, UGP
Power Operations Rep:  Darren Buck, RM
Asset Management Rep:  Todd Rhoades, HQ
Finance Rep:  Traci Albright, UGP
WAPA Budget Office:  Craig Ferguson, HQ, Process Owner
Problem Statement

Given an expectation of flat appropriations and the increased costs of maintaining and upgrading our systems, WAPA needs a process to make funding allocation decisions to distribute appropriated funding for WAPA’s capital O&M (RRADs).
Problem Statement/Scope/Parameters

Scope

• *In scope:* WAPA-wide 10-Year Plan (TYP) funding allocation process to include framework, participants, requirements and schedule

• *Out of scope:* Regional/HQ TYP development processes; revolving fund TYP process (i.e. CRSP); process for developing and merging the TYP into WAPA-wide budget process
Problem Statement/Scope/Parameters

Project-Specific Parameters

• WAPA will request appropriations to fund programs within established parameters

• Process must balance WAPA-wide needs with Region-specific authorities and customer relationships

• Process must include collaboration with customers before a final decision is made
Draft Plan
# Existing Capital Appropriations Priority by Tier

<table>
<thead>
<tr>
<th>Tier</th>
<th>Description</th>
<th>Funding Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Program Direction (PD)</td>
<td>Fully Funded</td>
</tr>
<tr>
<td>2</td>
<td>Replacements, Retirements and Additions (RRADS)</td>
<td>Fully Funded</td>
</tr>
<tr>
<td>3</td>
<td>C&amp;R</td>
<td>Prioritized</td>
</tr>
</tbody>
</table>

WAPA seeks customer advanced funding for unfunded C&R
Proposed Capital Appropriations
Priority by Tier

<table>
<thead>
<tr>
<th>Tier</th>
<th>Description</th>
</tr>
</thead>
</table>
| 1    | **Program Direction (PD)**  
       • All capital PD |
| 2    | **Critical Need Contingency**  
       • Imminent outage/high-risk project with no customer funding  
       • WAPA Senior leaders must agree to put project in this category  
       • Expect this will rarely be used |
| 3    | **WAPA Initiatives and Projects with Multi-Region Allocation**  
       • Examples: IT, Physical Security, Aviation |
| 4    | **Regional Direct RRADS**  
       • Regions determine to request funding at the program or project level or both  
       • Includes IT Direct assigned costs |
| 5    | **C&R**  
       • Use existing process to evaluate and prioritize WAPA-wide |
Example FYXX WAPA Capital Program – Program Needs

- **Tier 1**: $40M – Program Direction (salaries and other related costs)
- **Tier 2**: $X – Critical Need Contingency
- **Tier 3**: $5M – Multi-region WAPA initiatives/projects
- **Tier 4**: $40M – Region-Specific Capital O&M (RRADS)
- **Tier 5**: $35M – Construction and Rehabilitation

**Full Need**: $120M
Example FYXX WAPA Capital Program – Actual Appropriations Allocation

- $120M in capital funding needed
- Received $80M in appropriations
- Result: Can fund Tier 1, 2, 3, and part of Tier 4
Appropriations will be prorated to regions based on their respective Tier 4 (RRADs) and Tier 5 (C&R) as a percentage of the total WAPA Tier 4 and Tier 5.
TYP Process Cycle

**CY+2 Formulation**
- Forecast expected appropriations level
- Identify potential appropriations funding gap and funding tier
- Project allocation
- Begin customer dialogue

**CY+1 Customer Coordination/Refine Plan**
- Discuss funding need with customers
- Coordinate with generating agencies
- Obtain customer support for funding

**CY Allotment (CYA)**
- Receive allotment
- Proceed with plan or make plan tweaks to respond to allotment changes
- CFO sends customers “State of Appropriations” message

**CY Execution (CYE)**
- Execute projects
- Precoordinate with customers if changes to customer projects

Note: Green arrows are points of customer interaction
The TCC (Total Capital Committee)

• Purpose:
  – Implement “art” to the process when the unexpected occurs (funding cuts, unable to obtain customer funding, significant changes in the TYP)

• Members:
  – Cross-regional, cross-functional subject matter experts

• Criteria used:
  – Ability to execute; cash flow/customer bill limitations; project risk
## Next Steps for External Communication

<table>
<thead>
<tr>
<th>Timeframe</th>
<th>Action</th>
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<tbody>
<tr>
<td>February 24</td>
<td>Customer WebEx to review process; following WebEx presentation posted on The Source</td>
</tr>
<tr>
<td>March 24</td>
<td>Deadline for customer comments on process</td>
</tr>
<tr>
<td>April</td>
<td>Project team reconvenes to review comments and make any necessary changes</td>
</tr>
<tr>
<td>May</td>
<td>Communication to customers* (email) regarding comments received and final outcome</td>
</tr>
</tbody>
</table>

* Customers who attended this meeting or submitted comments will receive the email
Submit Comments

Comments, feedback and letters should be submitted to:

OCFOTYPFeedback@wapa.gov

Deadline: March 24, 2017

Today’s slides will be posted on The Source at www.wapa.gov
Questions