



Department of Energy
Western Area Power Administration
P.O. Box 281213
Lakewood, CO 80228-8213

DEC 15 2016

MEMORANDUM FOR CALLIS CARLETON
TEAM LEAD
FINANCIAL POLICY AND INTERNAL CONTROLS

FROM: MARK A. GABRIEL
ADMINISTRATOR 

SUBJECT: Response to GAO Audit- GAO-16-26 – 2013 Sequestration and Shutdown: Selected Agencies Generally Managed Unobligated Balances in Reviewed Accounts, but Balances Exceeded Target Levels in Two Accounts

I am pleased to provide the finalized Unobligated Balances Strategy (Strategy) in response to the GAO report entitled “2013 Sequestration and Shutdown”. Specifically, GAO recommended that the Western Area Power Administration (WAPA) finalize and implement a strategy to reduce excess unobligated balances within the Construction, Rehabilitation, Operation, and Maintenance (CROM) account.

The attached document references our full Strategy including the CROM account as well as our other non-CROM accounts. We’ve also attached a crosswalk of our FYE balances by account to purpose categories in our Strategy.

WAPA’s Strategy is focused on maintaining reasonable and appropriate funding to ensure sustainability of the following three primary purposes: annual operation and maintenance (O&M) expenses, capital investments (capital), and purchase power and wheeling expenses (PPW).

O&M strategy is to maintain a level of unobligated balances to allow WAPA to continue operation for at least one quarter, and to cover the potential for a lapse in appropriations of up to 21 days. This equates to roughly 31% of a year’s annual O&M expenses. For FYE 2016, the minimum annual O&M balance is \$71 million, of which \$55 million would be derived from the CROM account.

Capital strategy is to maintain sufficient balances to ensure that the level of capital investments planned for the upcoming three year period that relies on non-Federal financing is sustainable. This includes investments for the WAPA revolving fund and non-Federal alternative financing in the CROM. For FYE 2016, the minimum contingency for capital investments is \$250 million, of which \$176 million would be derived from the CROM account.

PPW strategy is to maintain sufficient balances to ensure continuation of power delivery obligations during a long term drought scenario affecting WAPA’s largest CROM power

system, Pick-Sloan Missouri Basin Program, and a three month drought balance for the revolving fund's Colorado River Storage Project. The PPW balance necessary is \$427 million, of which \$393 million is to be derived from the CROM account.

FY 2016 Results for the Primary Purposes:

- Annual O&M Expenses – With respect to CROM FYE 2016 balance of \$135 million, about \$80 million is above the minimum contingency. While WAPA does not have legislative authority to address the balance levels in the current fiscal year 2017; WAPA and DOE have near-term solutions to align the balances with the Strategy through the budget process from FY 2018 thru FY 2020.
- Capital - Although beginning FY 2016 balances for capital exceeded \$370 million, WAPA has made significant progress in this area through execution and returns to Treasury. FYE 2016 balances have been reduced to \$255 million, in line with the Strategy. CROM FYE 2016 balance of \$207 million is about \$31 million above the target which WAPA is addressing in FY 2017.
- PPW – The contingency at the beginning of FY 2016 of \$183 million was much lower than the strategy objective. During FY 2016, WAPA increased the PPW contingency to \$230 million by year end, which is approximately \$197 million less than our target in the CROM account.

In addition to the primary purpose strategies above, WAPA also has other funds sources with balances that are either not within WAPA's control and/or reflect WAPA activity in support of others. These include reimbursable work-for-others, Transmission Infrastructure Program, Congressionally directed activities, and revolving fund balances in support of customer or generating agency needs. These balances are reviewed separately as they do not lend themselves to the primary strategies. FYE 2016 balances for these other activities total \$132 million.

WAPA will continue to monitor its unobligated balances and ensure actions are taken to bring the levels in line with the strategies. The Vice President of Budget will continue to provide quarterly reports to senior management detailing forecasts for year-end consistent with the Strategy. In addition, WAPA's senior management will carry forward with holding meetings with customers to ensure they understand the Strategy and to resolve any questions or concerns the customers may have. Lastly, as Administrator, I formally document in writing my approval and acknowledgement of the Strategy, including interim updates, and recommendation for WAPA-wide implementation.

We appreciate GAO's guidance and recommendation and are available to answer any questions you may have. Please direct questions or comments to Lisa Hansen at (720) 962-7513 or hansen@wapa.gov.

Attachments: WAPAs Unobligated Balances Strategy.docx
DARTS Update Q1 FY17 for GAO-16-26
FY16 YE Unobligated Balances Matrix Crosswalk to Strategy Purposes 10-25-
16.pdf