



Western  
Area Power  
Administration

# Sustainable Funding: Unobligated Balances Strategy

November 2, 2016

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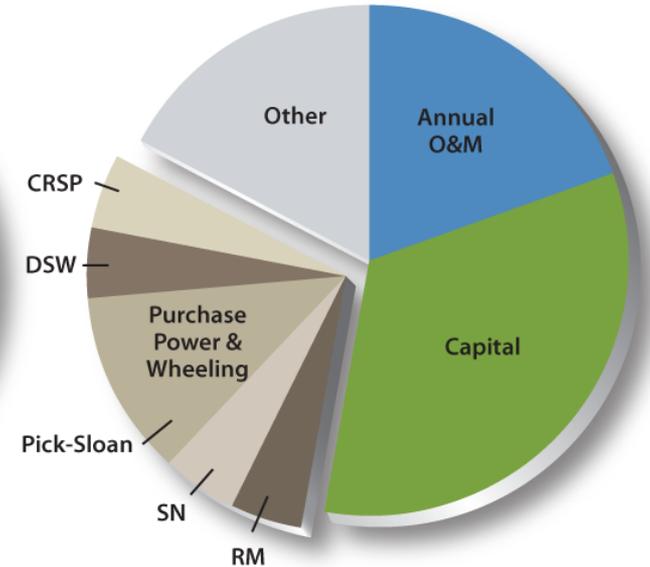
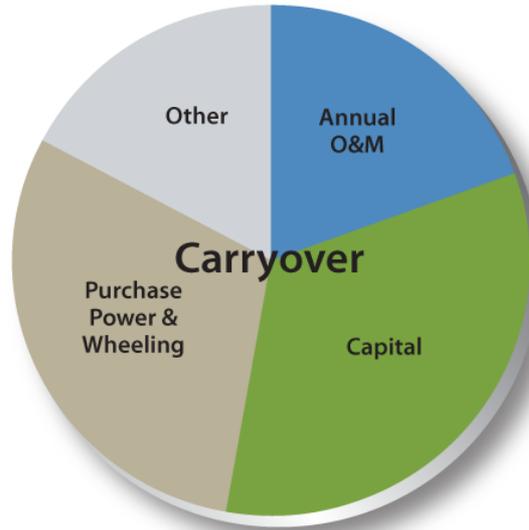
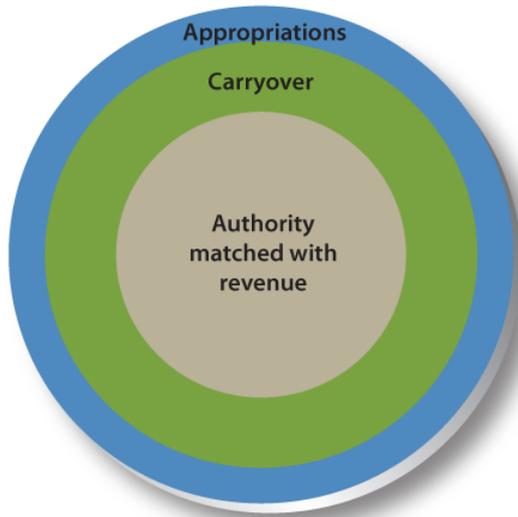


# What are Unobligated Balances

- Common in Federal government and used to manage WAPA operations since inception
- Difference between amounts budgeted and executed
- Some illustrative examples:
  - Mitigate risk such as Purchase Power & Wheeling (PPW)
  - Construction project delays in execution years
  - Employee pay raises budgeted but not enacted
- Carrying unobligated balances does not impact power rates



# WAPA Funding



**Total program = \$1.172B; \$95.8M Appropriated funding (8.2%)  
Carryover = 95.6% Customer funding; 4.4% Appropriated funding**



# Unobligated Balances Strategy

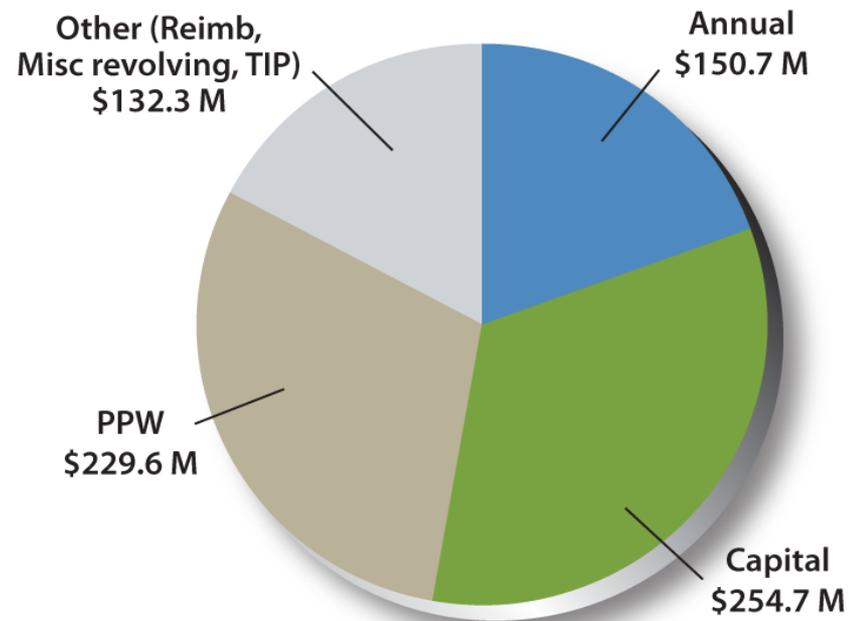
- Sustainable funding tool in support of WAPA's mission
  - Legislative mandates for Annual O&M, PPW
  - Multi-year construction investments without access to borrowing authority
  - Continue operations during emergency situations
  - Mitigates risk during continuing resolutions or lapses in appropriations
- Strategy under development since 2013
- Collaboration with WAPA customers
- GAO Audit: Committed to Congress to finalize and implement unobligated balances strategy

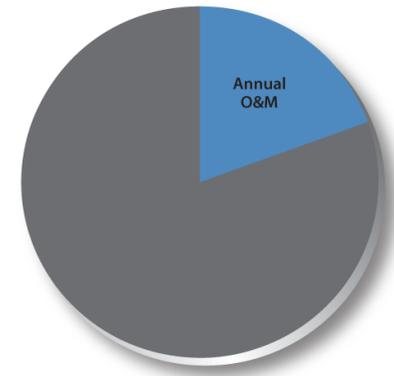


# Fiscal Year 2016 Status Summary

- Progress toward strategy
  - Collaborating with DOE, OMB on best approach to reducing Annual O&M carryover
  - Reduced Capital carryover by \$116M to align with strategy
  - Incremental increase in PPW carryover to align with strategy
- \$328M returned to Treasury Reclamation Fund in FY16

FYE 16 Unobligated Balance  
By purpose: \$767.3 (in Millions)

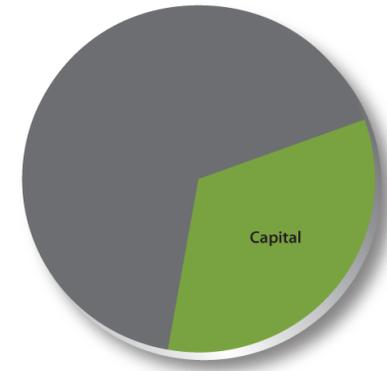




# Annual O&M Expenses

- Strategy
  - Retain 1 quarter plus 21 days; 31% of annual requirement
  - FY16 / FY17 amounts: \$70.6M / \$79.2M; includes Net Zero and revolving fund
  - Rationale: Based on CRs and longest lapse in Federal appropriations for Construction, Rehabilitation, Operation and Maintenance (CROM) since 1997; Effective cash management for revolving fund
- Action plan
  - Collaborating with DOE, OMB on best way to accomplish reduction given net-zero requirement to fully match authority in execution year and inability to return funds to Treasury
  - Adjusted budgeting assumptions for FY17 to better account for certain personnel costs
- Status
  - Pending coordination with DOE, OMB (in progress)





# Capital Funding

- Strategy
  - Retain customer provided funding to cover next 3 years of capital investments
  - FY16 / FY17 amounts: \$250M / TBD; changes annually based on 10-year capital plans
  - Rationale: Mitigate project risks by having funding on-hand prior to initiating; Provides flexibility with project schedule or overall priority changes in collaboration with customers
- Action plan
  - Near-term: Execute returns to treasury to align with strategy during FY16
  - Long-term: Review annually and make upward or downward adjustments
- Status
  - Reduced unobligated balance by \$116M including over \$100M returned to Treasury for Desert Southwest customers
  - Aligned with strategy
  - Pending coordination with DOE, OMB (in progress)

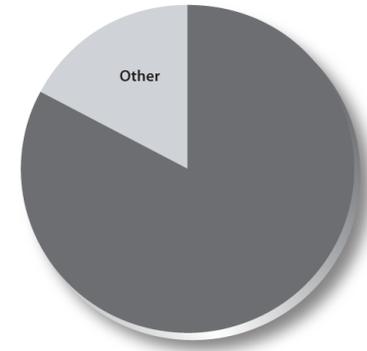


# Purchase Power & Wheeling



- Strategy
  - CROM contingency based on power system with highest potential for hydro variability (Pick-Sloan)
    - Highest 3-year cumulative net energy need
    - Mid-point net energy price (drought period vs. current on-peak)
    - Offset by drought adder collections
  - Revolving fund contingency based on 25% of the peak annual purchasing requirement
  - Current amount: \$427M; includes CROM (\$393M) and revolving fund (\$34M)
  - Rationale: Increases ability to stabilize power rates
    - Cash reallocated to cover net-zero requirements since 2010
    - Customers do not want to use “Continuing Fund” with 12-month payback requirement
    - Facilitates ability to reduce drought adder for 50% of our customers
    - Covers 3-year shortfall caused by a drought and accounts for end-to-end process to make rate adjustments and receive increased authority
- Action plan
  - Jointly developed approach with customers – strong support
  - Near-term: Reach optimal level by FY20
  - Long-term: Review annually and make upward or downward adjustments
- Status
  - Increased unobligated balance by \$47M during FY16 for a total of \$230M
  - Aligned with strategy
  - Pending coordination with DOE, OMB (in progress)





# Other

- No single strategy for miscellaneous accounts
- Fluctuations difficult to predict
  - Reimbursable work for others
  - TIP program based on project development
  - Revolving fund customer needs
- Also includes Congressional directed activities



# Active Management

- Monthly execution vs. forecast dashboard
- Quarterly senior management reviews
- Annual plan updates based on revised contingency levels
- Coordinate significant changes with DOE and OMB



# REFERENCE INFORMATION



# CROM vs. Total breakout by carryover purpose

<b>Western Area Power Administration</b>					
<b>FY 2016 Unobligated Balances</b>					
<b>(\$ in thousands)</b>					
	<b>Cross-walk to Unobligated Strategy Purpose</b>				
	<b>PPW</b>	<b>Annual</b>	<b>Capital</b>	<b>Other</b>	<b>Total</b>
<b>Construction, Rehabilitation, Maintenance and Operation (CROM)</b>					
Annual Expense O&M (PD and O&M)		134,548.5			134,548.5
Capital (PD, C&R, O&M)			11,122.1		11,122.1
Purchase Power & Wheeling	189,599.7				189,599.7
Reimbursables	6,036.5		195,519.7	61,473.1	263,029.3
Earmarks				23,317.4	23,317.4
<b>CROM TOTAL</b>	<b>195,636.2</b>	<b>134,548.5</b>	<b>206,641.8</b>	<b>84,790.5</b>	<b>621,617.0</b>
<b>Colorado River Basins Power Marketing Fund</b>	34,000.0	16,200.0	48,028.1	34,528.5	132,756.6
<b>Falcon and Amistad O&amp;M</b>				215.6	215.6
<b>Emergency Fund</b>				500.0	500.0
<b>TIP</b>				12,278.1	12,278.1
<b>Grand Total</b>	<b>229,636.2</b>	<b>150,748.5</b>	<b>254,669.9</b>	<b>132,312.7</b>	<b>767,367.3</b>



# CROM vs. Total breakout by account

Western Area Power Administration								
FY 2016 Unobligated Balances								
(\$ in thousands)								
	DSW	CRSP	UGP	RM	SN	HQ	W/W	TOTAL
<b>Construction, Rehabilitation, Maintenance and Operation (CROM)</b>								
Annual Expense O&M (PD and O&M)							134,548.5	134,548.5
Capital (PD, C&R, O&M)		66.5					11,055.6	11,122.1
Purchase Power & Wheeling	2,394.1	-	131,348.6	16,034.6	39,822.4			189,599.7
Reimbursables	96,349.0	432.7	45,040.1	62,865.0	58,327.6	14.9		263,029.3
Earmarks							23,317.4	23,317.4
<b>CROM TOTAL</b>	<b>98,743.1</b>	<b>499.2</b>	<b>176,388.7</b>	<b>78,899.6</b>	<b>98,150.0</b>	<b>14.9</b>	<b>168,921.5</b>	<b>621,617.0</b>
<b>Colorado River Basins Power Marketing Fund</b>	<b>21,163.9</b>	<b>72,458.8</b>	<b>10,721.1</b>	<b>28,412.8</b>	<b>-</b>	<b>-</b>		<b>132,756.6</b>
<b>Falcon and Amistad O&amp;M</b>		<b>215.6</b>						<b>215.6</b>
<b>Emergency Fund</b>							<b>500.0</b>	<b>500.0</b>
<b>TIP</b>	<b>2,635.1</b>					<b>9,643.0</b>		<b>12,278.1</b>
<b>Grand Total</b>	<b>122,542.1</b>	<b>73,173.6</b>	<b>187,109.8</b>	<b>107,312.4</b>	<b>98,150.0</b>	<b>9,657.9</b>	<b>169,421.5</b>	<b>767,367.3</b>

