Financial Updates

Headquarters Ten-Year Capital Plan Meeting

Lakewood, CO
October 2, 2018

Dennis R. Sullivan, CFO
Budget Timeline

Capital Planning
- Regional/HQ 10-Year Capital Plan Process
- Multiple Customer Interactions

Annual Expense Planning
- Annual Expense Process
- Senior Review of Annual O&M Work Plan
- Customer Work Plan Meetings
- Final Changes to Work Plan

Submission Process
- Submit Budget Request to DOE
Budgets ...

- FY18
  - Unfunded priorities
  - Closing out the FY
- FY19
  - First full budget since FY 1997
  - Appropriations reduced by $4M
- FY20
  - Submission to Congress Feb 2019
  - PPW authority / CBO scoring
- FY21
  - Developing internal guidance
  - Starting formulation
WAPA Reserve Balances Strategy

Sustainable funding tool in support of WAPA’s mission

<table>
<thead>
<tr>
<th>Example</th>
<th>Annual O&amp;M</th>
<th>Capital funding</th>
<th>Purchase power &amp; wheeling</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purpose</td>
<td>Allows WAPA to sustain operations during emergencies, continuing resolutions or lapses in appropriations</td>
<td>Provides funding in advance of starting capital construction projects and flexibility with schedule / priority changes in collaboration with customers</td>
<td>Improves both WAPA and customer cash management while minimizing energy rate spikes during a drought</td>
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<tr>
<td>Strategy</td>
<td>Retain 31% of annual funding need</td>
<td>Retain sufficient funding to cover up to 3 years of capital investments</td>
<td>Retain 3 years estimated funding during drought</td>
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Carrying reserve balances do not impact power rates
Fiscal Year End 2018 Summary
All Accounts – Preliminary

• Strategy progress: 2016-18
  – Annual: Reduced ~ $64M
  – Capital: Reduced ~ $177M
  – PPW: Increased ~ $142M

• Returns to Treasury Reclamation Fund
  – 2016: $328M
  – 2017: $338M
  – 2018: $266M
**FYE 18 Targets / Results - Preliminary**

CROM Account Managed Strategies*

<table>
<thead>
<tr>
<th>Program</th>
<th>FYE 18 Balance</th>
<th>Strategy Target</th>
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</thead>
<tbody>
<tr>
<td><strong>Annual O&amp;M</strong></td>
<td>$66.7M</td>
<td>$68.5M</td>
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<tr>
<td>• FY18 enacted budget authorized ~$44M use of PY balance</td>
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<tr>
<td>• Target changes annually based on program year</td>
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<tr>
<td>• Use of PY balances through budget formulation as needed</td>
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<tr>
<td><strong>Capital</strong></td>
<td>$134.4M</td>
<td>$166.1M</td>
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<td>• Regions collaborate with customers on amount to retain</td>
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<tr>
<td>• Target changes annually based on rolling 10-year plans</td>
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<td></td>
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<tr>
<td>• Returns to treasury as needed</td>
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<tr>
<td><strong>Purchase Power &amp; Wheeling</strong></td>
<td>$290.8M</td>
<td>$393.0M</td>
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<td>• Executed incremental increase of ~$45M</td>
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<td>• Reach target by FYE 2020</td>
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<td>• Requires solution to CBO budget authority “scoring” issue</td>
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* Does not include: CROM “Other”; CRBPMF; TIP; Falcon & Amistad; Emergency Fund
Transparency

- Created “The Source” in 2016
- Expanded financial data in May 2018
- Ongoing enhancements to capital and annual “work plan” reviews
- Programmatic insight
WAPA Annual Customer Meeting

Date:       December 10, 2018
Time:       8:30 am to 12:00 pm, MDT
Location:   Hilton Garden Inn Downtown Denver
            1400 Welton St.
            Denver, CO 80202

RSVP:       A formal invitation with tentative agenda, and a request
            for RSVPs, will be sent in the next month.
Contact/follow me

Dennis Sullivan
720.962.7500
dsullivan@wapa.gov

wapa.gov

@westernareapowr
@D_Sullivan03

Dennis Sullivan

WesternAreaPower1