

Financial Discussion

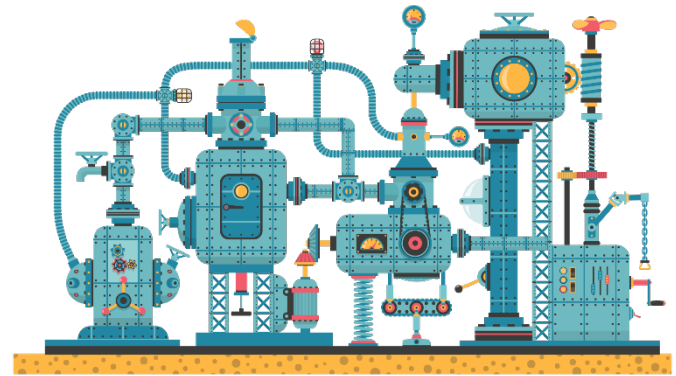
Colorado River Energy Distributors Association Board Meeting

Las Vegas, NV
January 30, 2020

Dennis R. Sullivan, CFO

Topics

- **Updates**
 - Fiscal year (FY) 2019 financials
 - Environmental funding
 - Capital appropriations
 - Purchase power & wheeling
- **Financial model challenges**
 - Symptoms of a broader problem
 - Customer meeting feedback
- **Save the date**
 - Symposium – Asset Management in an Age of High Risk



FY 2019 WAPA-wide results

- **Annual O&M: \$302M plan**
 - ~\$900K over plan
- **Capital Program: \$172M plan**
 - Executed \$110M or 64%
 - Fully executed appropriations
- **Purchase Power & Wheeling:**
 - Added ~\$80M to CROM reserve
 - Strategy on track for FY20
- **Return to Treasury:**
 - \$281M (\$1.8B over 5 years)
- **Financial Statement Audit:**
 - Anticipate unqualified opinion



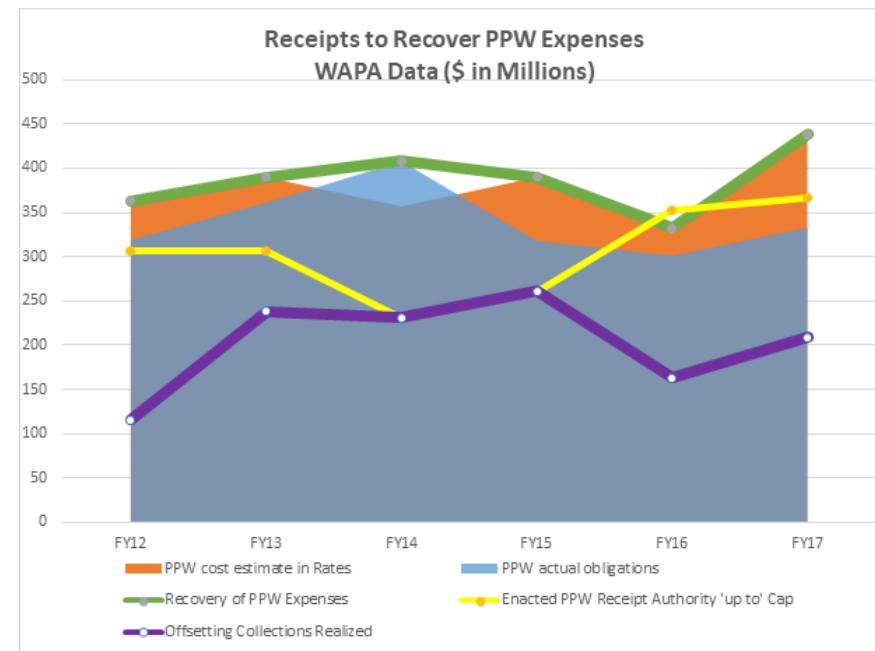
Basin Fund – Environmental Programs Funds Transfer



- **Fiscal Year 2019**
 - OMB administrative direction to return \$23M to Treasury
 - USBR secured appropriations
 - Congress pre-empted transfer
- **Fiscal Year 2020**
 - EWD bill: \$21.4M shall be transferred to USBR
- **Consistent OMB direction in FY20 & 21 “pass back”**
- **Sustainable solution?**

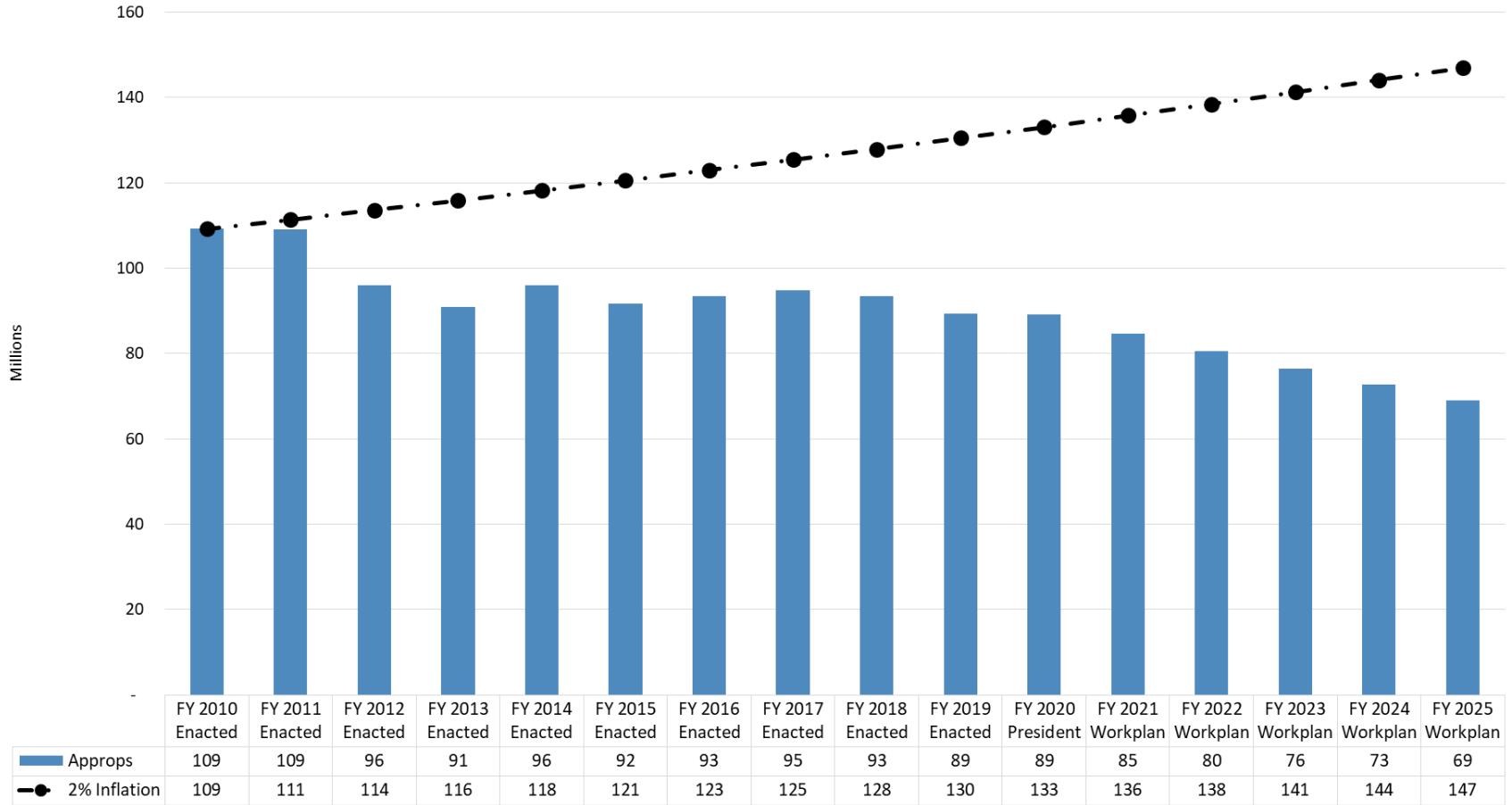
Purchase Power & Wheeling

- **Reserve strategy progress**
 - FY19 reserve: \$370M
 - FY20 projection : +\$23M
 - Reach target
- **Congressional report status**
- **The greater of:**
 - Actual PPW obligations in current year, or ...
 - PPW estimate in PRS
- **Indirect Implications?**



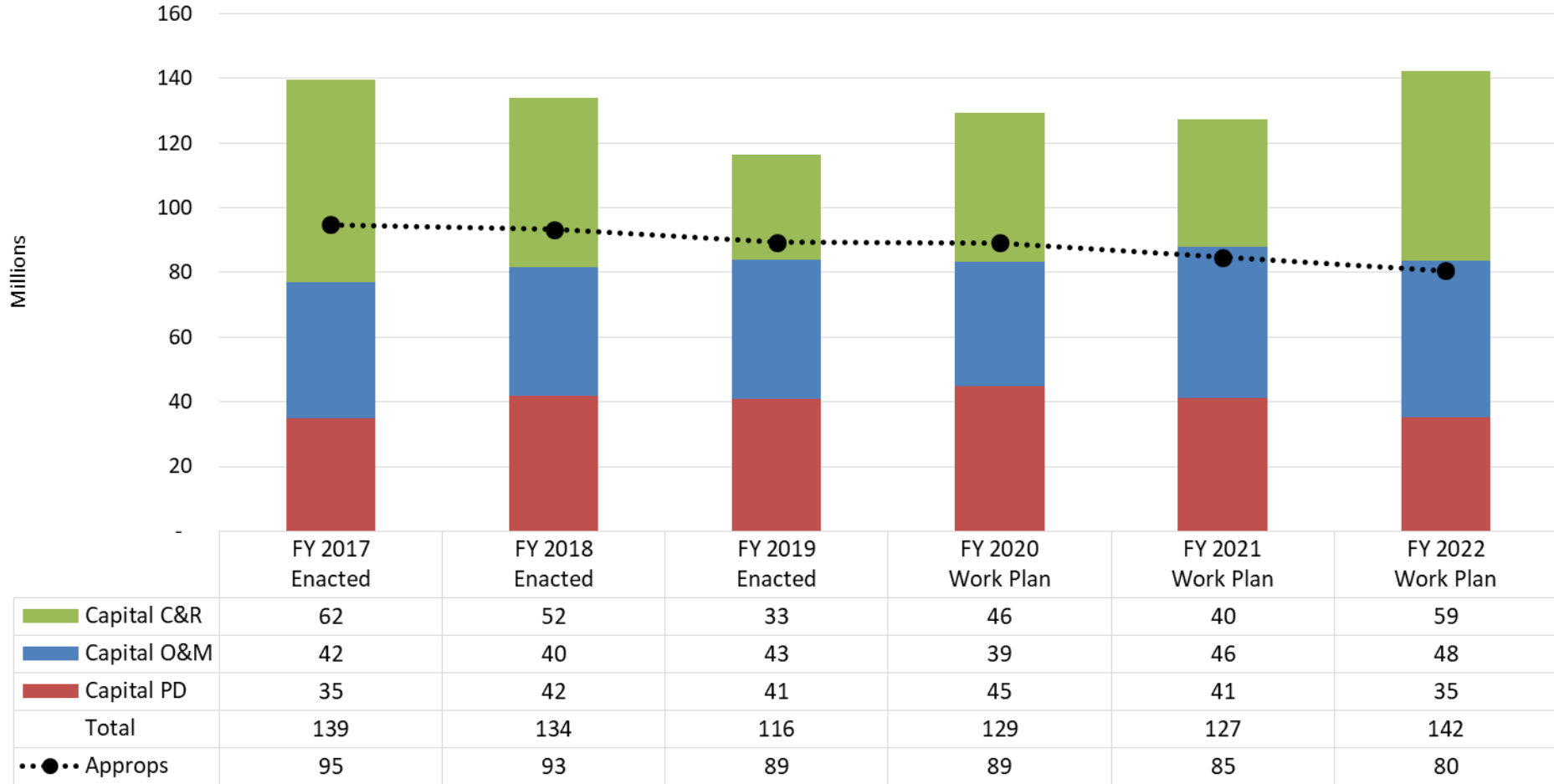
Capital Appropriations Status

Capital Appropriations
FY 2010 - FY 2025



Capital Appropriations FY 2017 - FY 2022

(5% Decrement in FY 2021-2022)

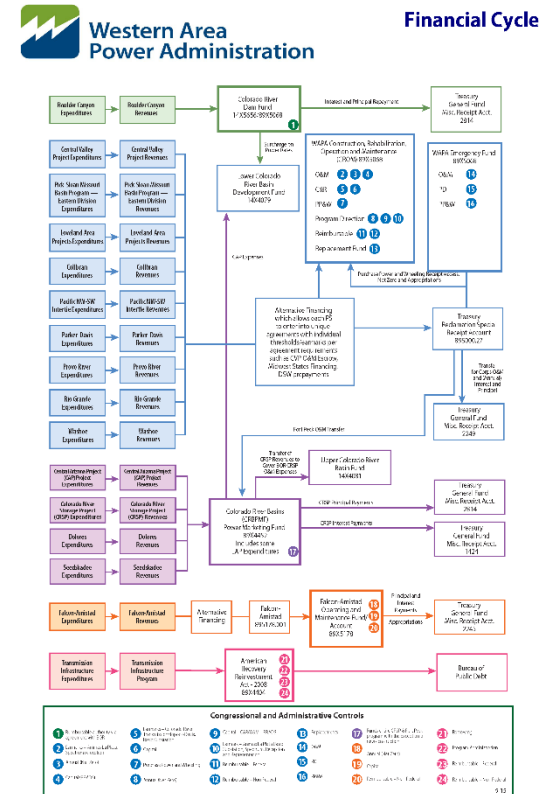


Pre-Decisional Working Papers

FY21 = \$0 C&R, \$3M deficit for Capital O&M
 FY22 = \$0 C&R, \$3.1M deficit for Capital O&M

Symptoms of a broader problem

- “Cobbled together” legislative authorities
 - Not well understood
 - Reinterpretation risk
- 100% reliant on cash
 - All receipts not discretionary
 - Alternative financing approach
- No borrowing mechanism
- Sub-optimal decisions
- Complexity implications



Summary of feedback

- Shared objectives
 - Capital plan alignment
 - Stable funding mechanisms (PPW, Capital)
 - Cost efficiency
 - Rate stability, predictability, affordability
 - Checks and balances
 - Preserve the value of the hydro resource



Summary of feedback

- Unique perspectives
 - Public power “ownership” model
 - Performance vs. power contract
 - Customers handle PPW needs
- Broad support for increasing capital appropriations
- Mixed opinions on addressing financial model



SAVE THE DATE: Asset Protection in an Age of High Risk

- Symposium focus areas:
 - Asset management
 - Physical security
 - Cyber security
 - Supply chain management
 - Wildfire mitigation
- May 19-20, 2020
 - WAPA HQ
 - Lakewood, CO



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