

WAPA Financial Update

Michael D. Peterson
Senior VP & Chief Financial Officer

CREDA Annual Board Meeting
November 6, 2020

Agenda:

Looking back, looking forward & planning ahead

- FY 2020 Recap
- FY 2021/22/23 Budgets
- Strategic Roadmap
- Standardized Budgeting & Reporting
- Financial Transparency

FY 2020 WAPA-wide Financials:

Preliminary results reflect balanced performance

- Annual O&M: \$296M or \$0.012/kWh
 - ✓ Executed 98% of plan
- Capital Program: \$248M plan
 - ✓ Executed 96% of WAPA controlled capital plan (SLTP deferred)
- Purchase Power & Wheeling:
 - ✓ Realized CROM target of \$393M
- Returns to Treasury:
 - ✓ \$272M in FY20 (\$2.6B over 8 years)
- Financial Statement Audit:
 - ✓ Anticipate unqualified opinion



WAPA's Reserve Strategy:

Balancing market forces across multiple years

	Annual O&M	Capital funding	Purchase power & wheeling
Example	Salaries, supplies and equipment	Building new transmission lines and related structures	Buying power on behalf of customers when water conditions require it
Purpose	Allows WAPA to sustain operations during emergencies, continuing resolutions or lapses in appropriations	Provides funding in advance of starting capital construction projects and flexibility with schedule / priority changes in collaboration with customers	Improves both WAPA and customer cash management while minimizing energy rate spikes during a drought
Strategy	Retain 31% of annual funding need	Retain sufficient funding to cover up to 3 years of capital investments	Retain 3 years estimated funding during drought

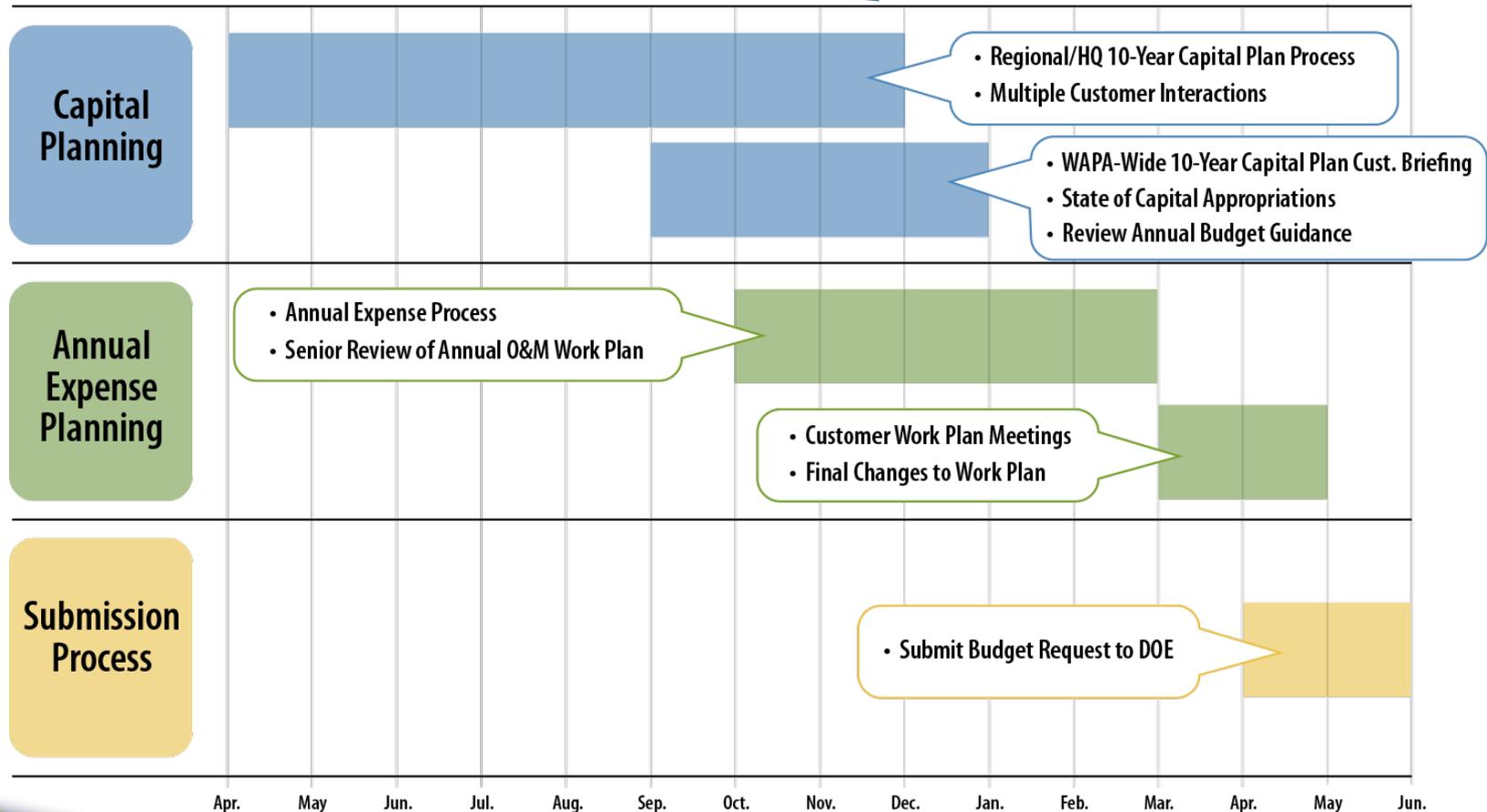
Sustainable funding tool to support WAPA's mission

➤ *Carrying reserve balances do not impact power rates*

Budget Timeline:

Expectations and Opportunities

We are Here



Planning for Continued Success: Tactical Action Plan to Realize Strategic Objectives

WAPA'S STRATEGIC ROADMAP 2024



WAPA'S MISSION

Market and deliver clean, renewable, reliable, cost-based federal hydroelectric power and related services.



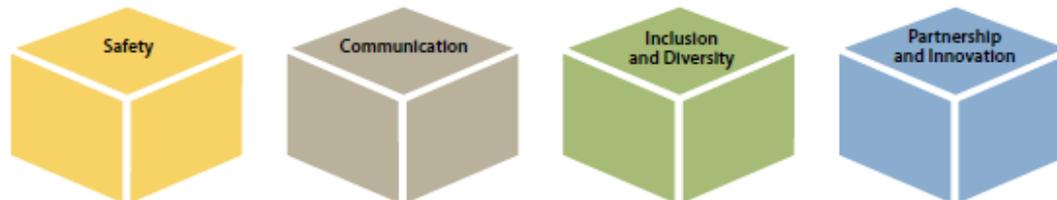
WAPA'S VISION

Continue to provide premier power marketing and transmission services to our customers, as well as contribute to enhancing America's energy security and sustaining our nation's economic vitality.

TACTICAL ACTION PLAN



STRATEGIC ENABLERS



Program and Budget Integration:

WAPA-wide Standardized Budgeting & Reporting

DATA



SORTED



ARRANGED



PRESENTED
VISUALLY



- Costing for WAPA-wide programs is complex, unpredictable, difficult to repeat and administratively burdensome.
- The standardized framework is an activity-based costing model that efficiently and effectively allocates program costs WAPA-wide.
- ✓ Increases visibility and transparency.
- ✓ Increases predictability between formulation and execution.
- ✓ Increases efficiency by reducing administration.
- ✓ Increases accuracy of allocating costs to beneficiary.

Standardized Budgeting & Reporting:

Enhances consistency & transparency, WAPA-wide

Current State

Management Information Support

- Constrained ability to reprioritize.
- Inconsistent & unpredictable.
- Limited comparability.
- Time intensive for programs and budget.

Financial Transparency

- Inconsistent accounting.
- Unclear allocation methodology.
- Limited program visibility.
- Unpredictable cost shifts.

Future State

Management Information Support

- Allows greater flexibility in reprioritization.
- Consistent & predictable.
- WAPA-wide comparability.
- Streamlines program and budget administration.

Financial Transparency

- Consistent accounting.
- Documented allocation methodology.
- Enhanced program visibility.
- Greater fidelity in aligning costs with beneficiary.

Financial Transparency:

The Source

Contents

- Financial Results
- Power and transmission rates
- Capacity sold
- Expenditures itemized by region and category
- Unobligated balances

Questions

- Submit questions to:
TheSource@wapa.gov
- Answers posted to the Financial Transparency webpage as FAQs

Benefits

- Historical data readily available to stakeholders
- Standardized presentation and uniform categorization aids comparability
- System enhancements improve reporting and analysis tools

Location

- www.wapa.gov
- Click on “Visit the Source”
- Click on “Financial Transparency”

Thank you for your time and interest.