



Western
Area Power
Administration

Fiscal Year 2020 Work Plan – Introduction

Dennis R. Sullivan, CFO

April 25, 2018

Mid West Electric
Consumers Association
Denver, CO

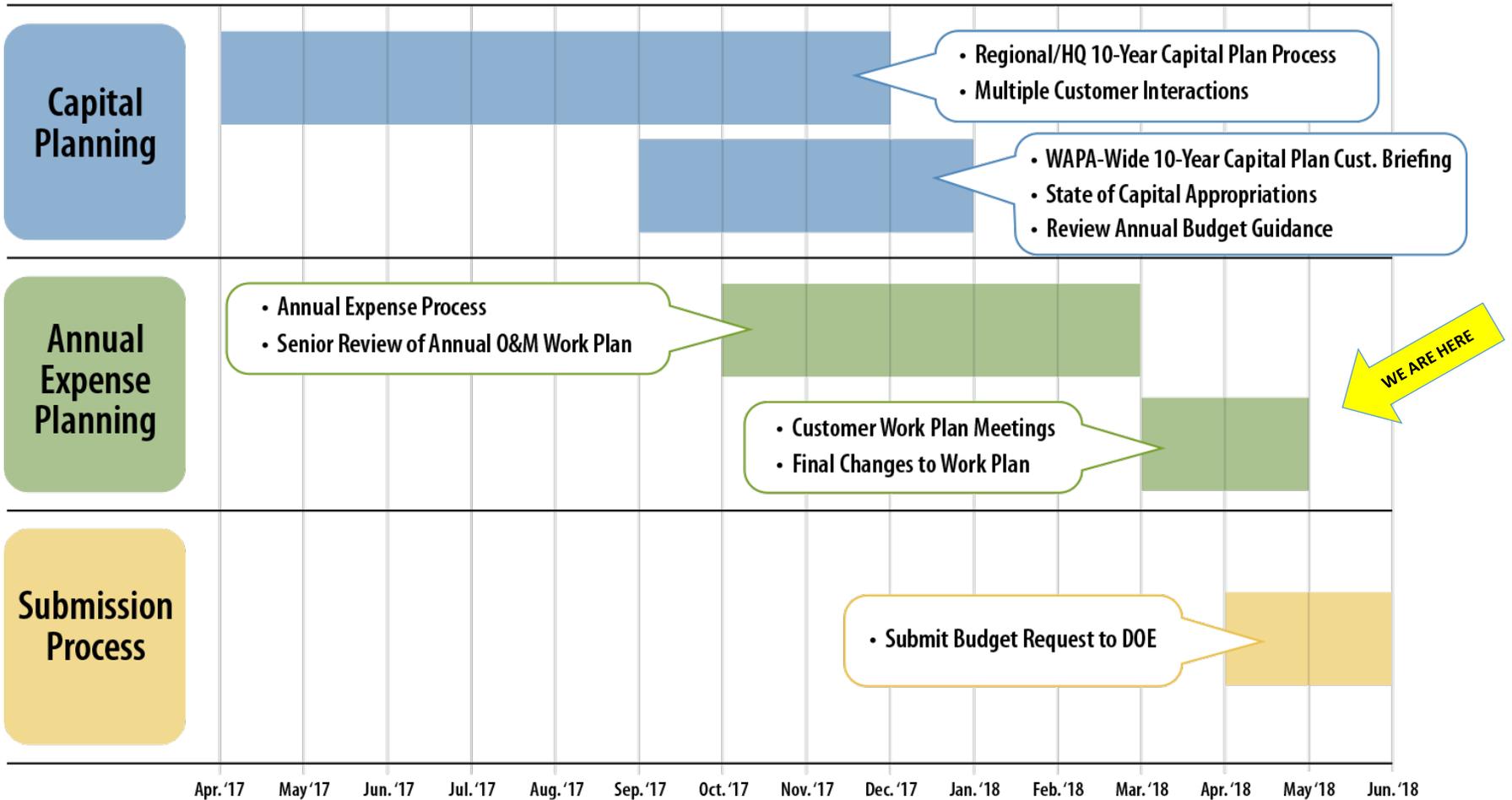


Introduction

- Budget Timeline
- FY20 Budget Guidance Reminder
- WAPA-wide annual expense snapshot



Budget Timeline



FY20 Strategic Budget Guidance

- Investment drivers
- Assumptions / constraints
- Cost savings / avoidance

- Read more: [The Source - Budget Allocation](#)



Investment Drivers



- Engineering salary increases ~ \$1.2M
- Leadership development
- Cyber risk
- Market start-up costs



Assumptions / Constraints

- Investment drivers must be offset
- FTE neutral
- Inflation at 2% for labor / non-labor
- Revalidate Trust & Reimbursable assumptions
- Increases over FY19 work plan require approval



Cost savings / avoidance



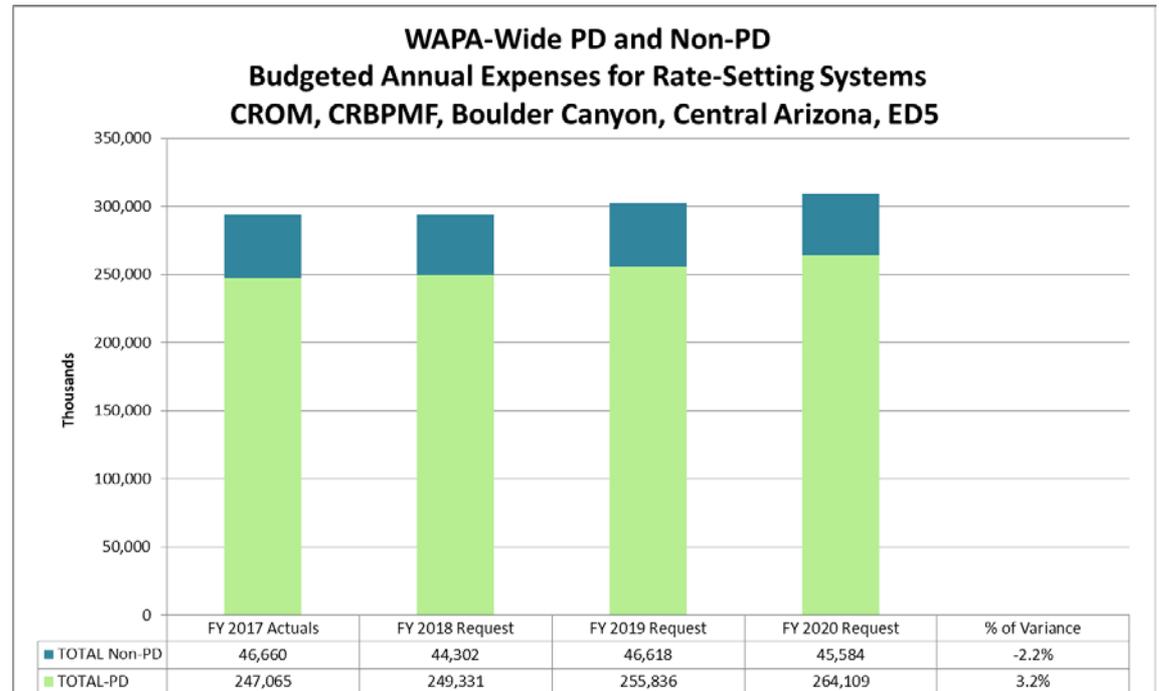
- Organizational Approach to Markets (OAM)
- Program assessments
- Reduction in facility footprint / cost
- Strategic sourcing



WAPA-wide Annual Expense Budget

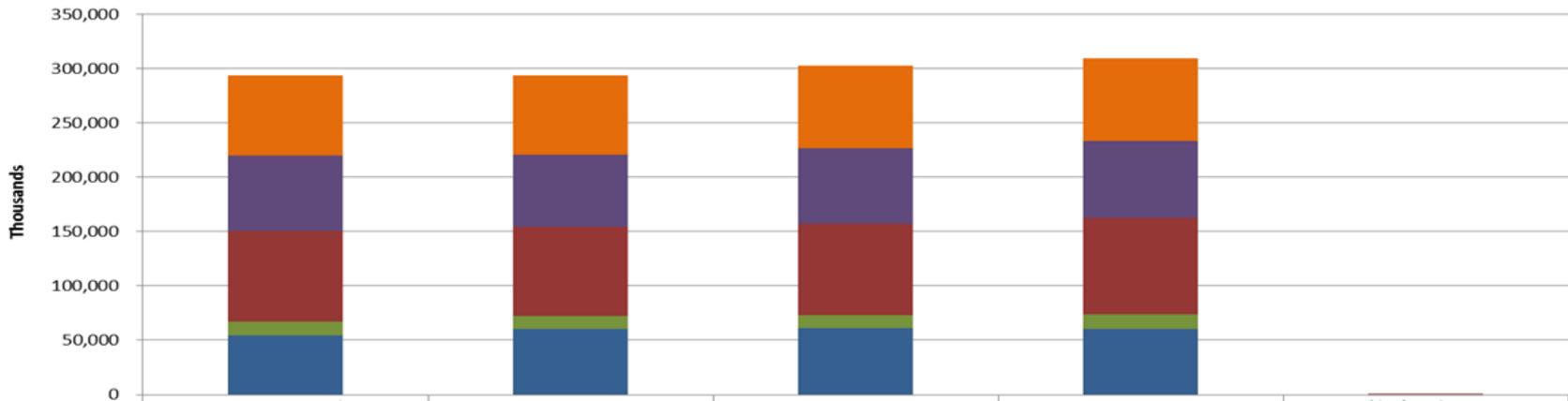
Summary

- Annual O&M and PD exceed 2% threshold by 0.4% or ~\$1.2M
 - Labor over 2% threshold by \$3.1M
 - Engineering salaries +\$1.2M WAPA-wide
- Budget reflects investments per guidance
 - Training at ~2% of payroll WAPA-wide
 - Engineering salaries
 - Market start up costs
- Labor shifts between annual, capital, work for others
- Budget shifts from regions to WAPA-wide programs
- Regional cost allocations resulting from mission program requirements
- WAPA senior management decision to move forward at this budget level



WAPA Annual Expenses by Region

**WAPA-Wide
Budget Annual Expenses for Rate-Setting Systems
CROM, CRBPMF, Boulder Canyon, Central Arizona, ED5**



	FY 2017 Actuals	FY 2018 Request	FY 2019 Request	FY 2020 Request	% of Variance
HQ	0	0	0	0	
UGPR	73,999	72,893	75,480	76,219	1.0%
DSWR	69,169	66,429	69,557	70,790	1.8%
RMR	83,687	82,356	84,234	88,707	5.3%
CRSP	12,141	11,779	12,186	13,914	14.2%
SNR	54,732	60,175	60,996	60,061	-1.5%
Total Regions	\$293,728	\$293,632	\$302,453	\$309,691	2.4%





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WAPA Financial Updates

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WAPA Financial Updates

- Reserve balance update
- WAPA Cost transparency – Expanding “The Source”
- FY18 WAPA-wide budget execution pressures



WAPA Reserve Balances Strategy

Sustainable funding tool in support of WAPA's mission

	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

Carrying reserve balances do not impact power rates

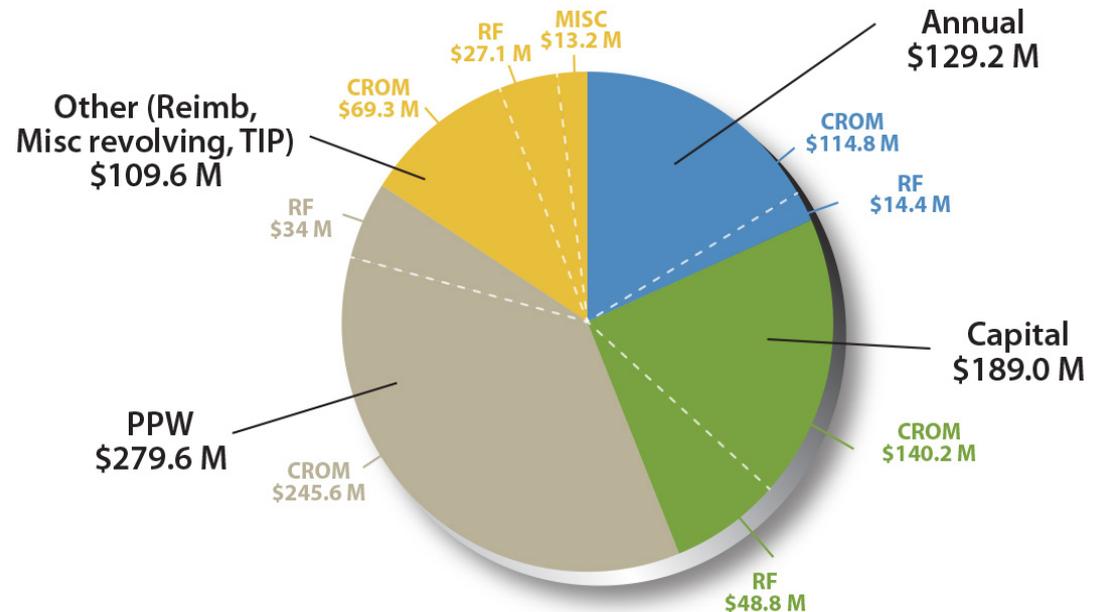


Fiscal Year End 2017 Summary

All Accounts

- Strategy progress: 2016-17
 - Total: Reduced ~ \$85M
 - Annual: Reduced ~ \$22M
 - Capital: Reduced ~ \$182M
 - PPW: Increased ~ \$97M
- Returns to Treasury Reclamation Fund
 - 2016: \$328M
 - 2017: \$338M

FYE 17 Unobligated / Reserve Balances
By purpose: \$707.5 (in Millions)



Planned FYE 18 Targets / Actions

CROM Account Strategies**

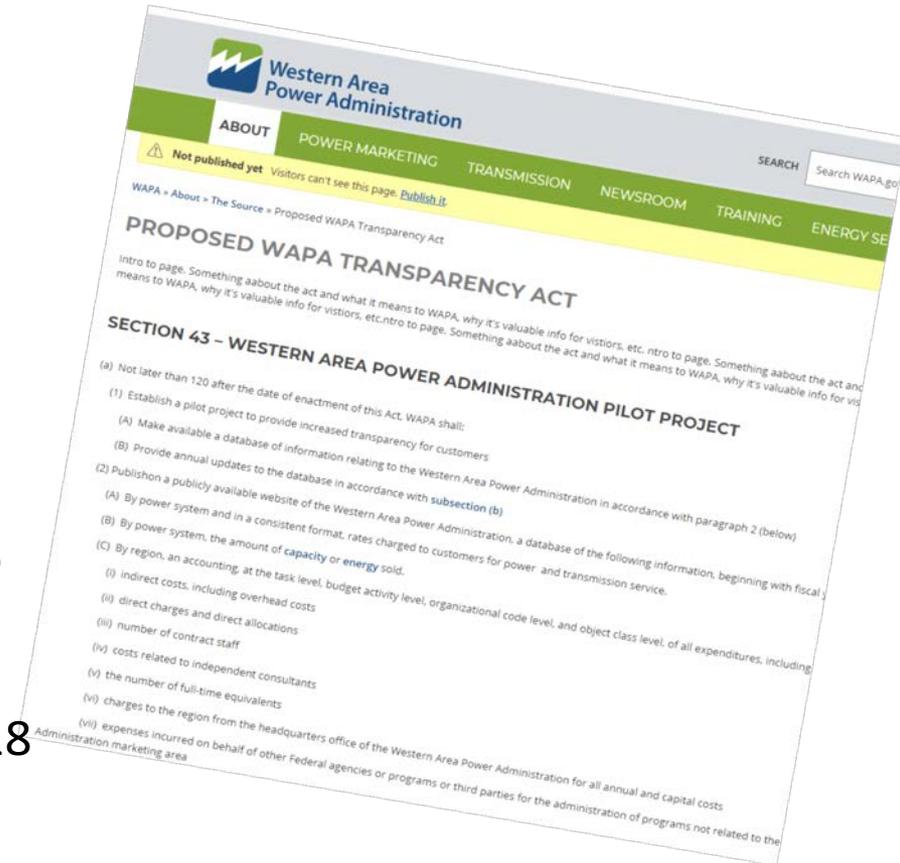
Program	FYE 17 Balance	Strategy Target
Annual O&M <ul style="list-style-type: none"> FY18 enacted budget authorized ~\$44M use of PY balance Monitoring closely Re-evaluate current strategy 	\$114.8M	\$65.6M
Capital <ul style="list-style-type: none"> Regions collaborate with customers on amount to retain Returns to treasury as needed Re-evaluate current strategy 	\$140.2M	\$166.1M
Purchase Power & Wheeling <ul style="list-style-type: none"> Incremental increase, up to \$50M, planned Reach target by FYE 2020 Requires solution to CBO budget authority “scoring” issue 	\$245.6M	\$393.0M

** Does not include: CROM “Other”; CRBPMF; TIP; Falcon & Amistad; Emergency Fund



WAPA Cost Transparency Expanding “The Source”

- Part-time, 23-person project team actively working requirements
 - Power and transmission rates
 - Capacity or energy sold
 - Expenditure detail
 - Unobligated balances
 - Annual summary report
- Working from latest version of Senate bill S.930 (Jan 2018 amendment)
- Deploying FYs 2008 - 2017 in May 2018



FY 2018 Budget Execution Pressures

- Administrator's budget guidance called for flat budget including no inflation
- Capital & Annual expense execution challenges
 - "Tiger" system replacement accelerated to support potential for MWTG / SPP implementation
 - Engineer retention incentives
 - NARA Records Management mandates and efficiencies
 - Cyber security / Network investments
 - IT support services contract consolidation and anticipated bill rates
 - Miscellaneous
- Mitigating through various mechanisms including
 - Reduced capital investment needs
 - Incremental funding of cross-FY contracts
 - Delayed hiring
 - Annual expense dollars under-executed in FY17
- Expect some over execution compared to initial work plans – Mid-year est. ~ \$4M in annual program direction

