



Western  
Area Power  
Administration

# Fiscal Year 2020 Work Plan – Introduction

Dennis R. Sullivan, CFO

April 30, 2018

Parker-Davis & Intertie  
Denver, CO

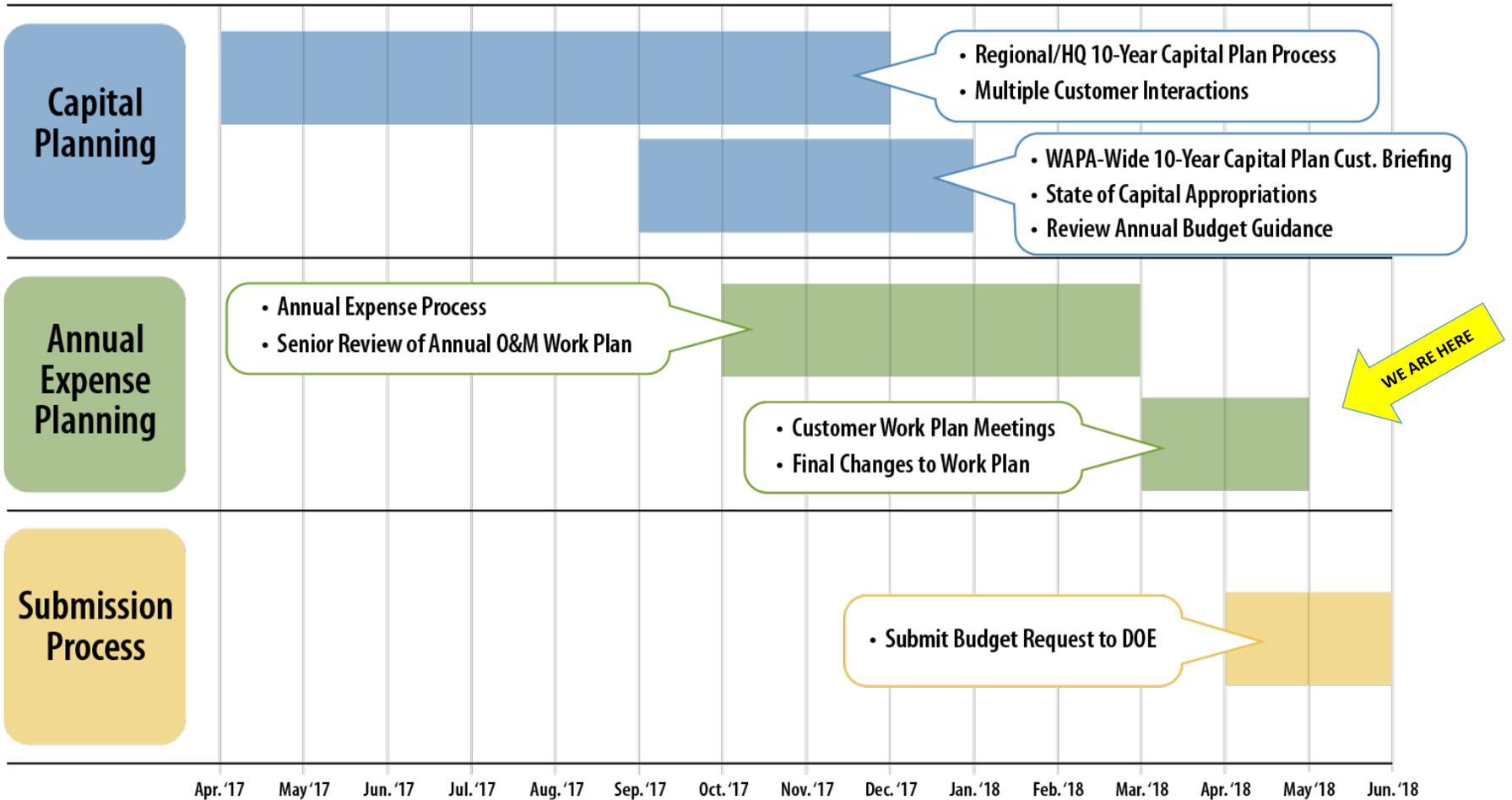


# Introduction

- 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



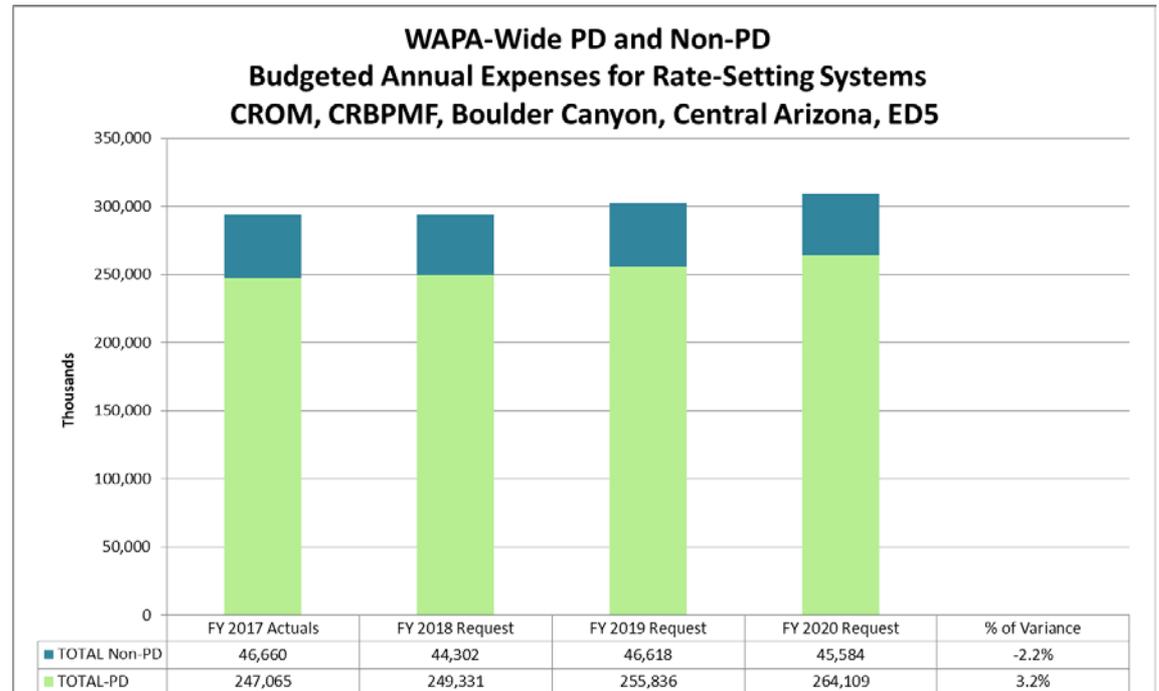
- Organizational Approach to Markets (OAM)
- Program assessments
- Reduction in facility footprint / cost
- Strategic sourcing



# WAPA-wide Annual Expense Budget

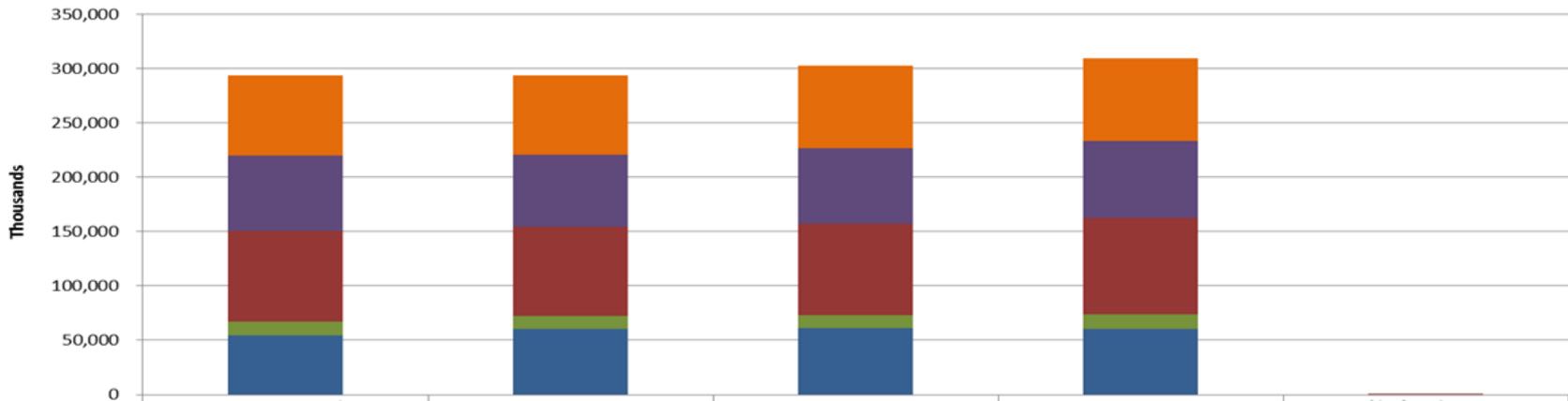
## Summary

- 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%
<b>Total Regions</b>	<b>\$293,728</b>	<b>\$293,632</b>	<b>\$302,453</b>	<b>\$309,691</b>	<b>2.4%</b>





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# WAPA Financial Updates

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# 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
<b>Example</b>	Salaries, supplies and equipment	Building new transmission lines and related structures	Buying power on behalf of customers when water conditions require it
<b>Purpose</b>	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
<b>Strategy</b>	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**

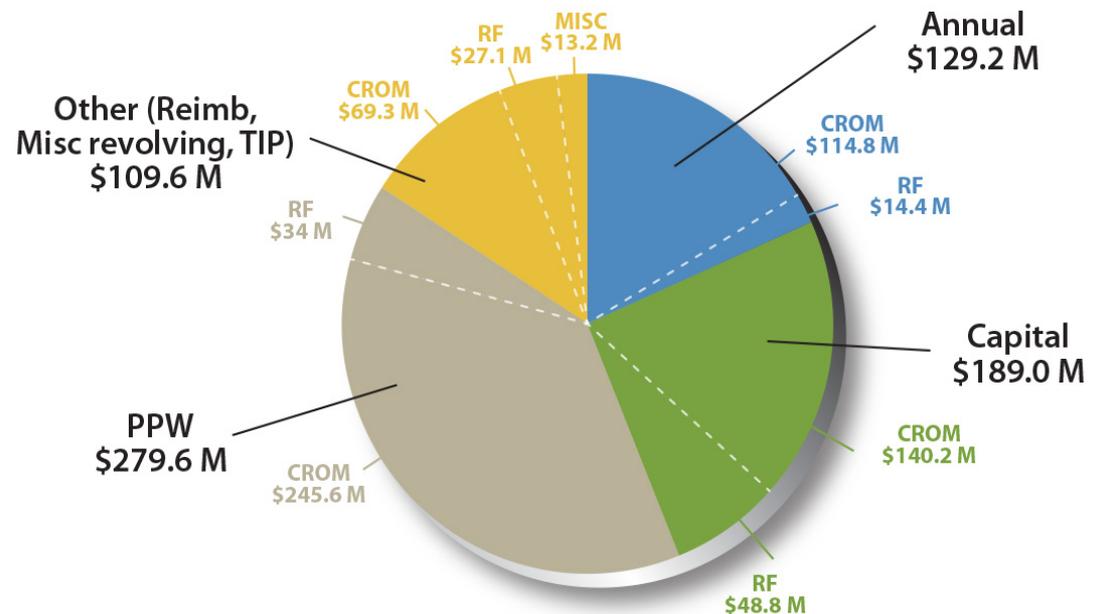


# Fiscal Year End 2017 Summary

## 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\*\*

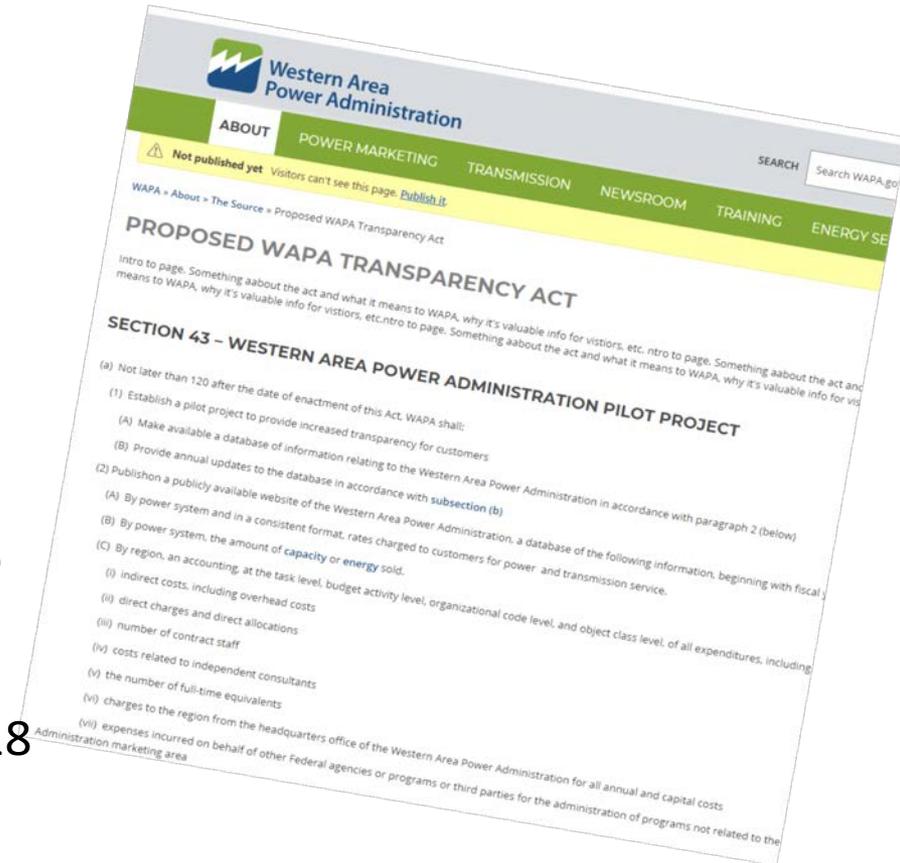
Program	FYE 17 Balance	Strategy Target
<b>Annual O&amp;M</b> <ul style="list-style-type: none"> <li>FY18 enacted budget authorized ~\$44M use of PY balance</li> <li>Monitoring closely</li> <li>Re-evaluate current strategy</li> </ul>	\$114.8M	\$65.6M
<b>Capital</b> <ul style="list-style-type: none"> 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

