

FACTSheet

WESTERN AREA POWER ADMINISTRATION



Sustainable funding: Unobligated balances

Background

- WAPA manages unobligated balances to help effectively meet its core mission requirements.
- WAPA updated its strategy in 2016 incorporating feedback from its customers.
- WAPA's latest strategy improves management over critical customer funding while mitigating financial risk.

What are unobligated balances?

Funding reserves to continue operating during emergencies.

Unobligated balances strategy

- Aligns with legislative mandates to secure customer funding or control funds for annual operations and maintenance, capital construction and purchase power and wheeling programs.
- The tool provides flexibility with changes to capital construction projects and response to drought or other emergencies.
- WAPA's strategy maintains contingency balances in support of its mission, as shown below.

	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 3 years of capital investments	Retain 3 years estimated funding during drought

Unobligated balances do not impact customer rates

Maintaining unobligated balances:

- Does not impact energy and transmission rates
- Prevents or minimizes adverse impacts to customers
- Designed to help stabilize power rates due to drought conditions

Common business practice in federal government

- WAPA has managed or reported on unobligated balances for 39 years.
- In 2015, GAO reviewed unobligated balances across four federal agencies and reported no significant findings for WAPA.
- WAPA committed to finalizing strategy by end of CY 2016.

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