Western Area Power Administration

Prepayments, Rates, and Repayment

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WAPA Funding Sources

1977 – Appropriations

1996 – Parker-Davis Advancement of Funds (AOF) for generation expenses

2001 – Access to Receipts for Purchase Power and Wheeling (PPW)

2007 – Prepayments for transmission service

2010 – Discretionary Offsetting Collections (Net Zero)

Alternative Finance

- Alternative finance is funding from sources other than appropriations
- For DSW, alternative finance is primarily advances from customers
- Several authorities permit the use of advances including the Contributed Funds Act and the Economy Act
- Advances must be used as if they were appropriated

Prepayments Overview

- Effective FY 2008, the transmission rate schedule for the Intertie Project required customers to pay for service one month in advance
- Effective FY 2009, the Parker-Davis Project (PDP) transmission rate schedule included the same requirement
- These payments for service, named “prepayments” are advances and as such may be used by DSW

Prepayments Overview

- The name prepayments was used to prevent confusion with other alternative financing programs such as the AOF
- Prepayments differ from other advancing programs in that the entire cost of service is advanced rather than a specific activity(s) or capital project(s)
- Prepayments are also unique in that the requirement for the advance is in the rate schedule and not a separate contract

Prepayments Billing and Crediting

- Invoices for prepayments are issued one month in advance of service
- The month after service, customers receive an invoice for the service with a credit for the advance
- Customers are made whole for the advances when the credits are issued

Rates and Repayment

- PDP and Intertie rates and charges are forward looking, meaning they are determined based on projections of future costs
- Costs include O&M, PPW, and repayment of capital
- Repayment of capital includes existing unpaid investments (assets) as well as projections of future investments

Rates and Repayment

- Repayment of capital is independent of how the investments were or will be funded
- All investments are repaid whether they are funded by appropriations or alternatively financed

Repayment and Cash

- Repayment in the Power Repayment Study (PRS) for Intertie and PDP is based on the net of revenue and costs, not cash released (returned) to Treasury
  - The term “revenue” is used throughout Reclamation Law
  - DOE Order RA 6120.2 specifies that repayment is achieved through the application of revenue
  - PRS and Status of Repayment reporting are revenue based

Repayment and Cash

- Using only appropriations, repayment typically equals cash released to Treasury
- With prepayments, repayment and cash released to Treasury may differ at any given time but will eventually equal each other
- Cash not released to Treasury will become an investment in the power system and recovered through future service rates

Appropriated Capital Funding

Power Repayment Study				
Revenue	$100		Unpaid Investment	$400
O&M	(50)		Principal	(30)
Purchase Power	(5)		Unpaid Investment	$370
Interest	(15)		New Investment	25
Net Revenue	$30		Unpaid Investment	$395

Cash	
Cash Collection	$100
O&M	(50)
Purchase Power	(5)
Interest	(15)
Principal	$30

Appropriated Capital Funding	$25

Prepayment Capital Funding

Power Repayment Study				
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Net Revenue	$30		Unpaid Investment	$395

Cash	
Cash Collection	$100
O&M	(50)
Purchase Power	(5)
Interest	(15)
Prepayment Capital Funding	(25)
Principal	$5

Prepayments and Repayment FAQ

Is WAPA using the same cash twice: for repayment and capital investments?

Is WAPA delaying repayment by using prepayment cash for capital investments?

No, because a corresponding new investment (debt) is recorded in the PRS when prepayments are used.

Prepayments and Repayment FAQ

Is Treasury harmed by the use of prepayments?

No, regardless of how investments are funded, Treasury will be repaid fully.

Why not only record the net of principal payments and new investment in the PRS?

Each investment has distinct repayment periods and interest rates that are used in the calculation of rates and charges.

For example, an existing investment might have a repayment period of 10 years while the new investment could have a 35 year repayment period.

Contact Information

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