Frequently Asked Questions

Related to the Proposed Funding for WAPA Purchase Power & Wheeling included in the Infrastructure Investment & Jobs Act of 2020

Western Area Power Administration

Sept. 3, 2021

FREQUENTLY ASKED QUESTIONS

1. **What is Purchase Power & Wheeling?**
The Purchase Power & Wheeling program (PPW) enables the Western Area Power Administration (WAPA) to fulfill many of its contractual obligations to deliver firm power to customers whenever the generation output from the hydroelectric plants from which WAPA markets and delivers power is insufficient. Without the PPW Program, WAPA could not fulfill contractual power delivery requirements as structured in many contracts with customers.

2. **When did the PPW program begin?**
The PPW program has existed since WAPA's inception in 1977; and the Bureau of Reclamation engaged in PPW activities prior to WAPA's formation. Prior to FY 2001, WAPA financed the majority of expenses and investments through direct annual appropriations, including PPW expenses. Beginning with FY 2001, and with support of WAPA customers, Congress enacted authority for WAPA to use receipts for PPW in lieu of annual appropriations.[1] PPW "use of receipt authority" came into existence in 2001.

3. **How are WAPA's PPW activities funded?**
As already noted, beginning in FY 2001, the Congressional Budget Office (CBO), the Office of Management and Budget (OMB), and the House and Senate Budget Committees also agreed to the principle that receipts for PPW were linked to expenditures for PPW in the budget. Subsequent to that agreement, the 2001 President's Budget included language and scoring to reflect that principle.

4. **Is there any difference between the PPW funding included in the pending Infrastructure Investment & Jobs Act and the PPW funding from use of receipts authority WAPA has historically relied upon?**
Other than coming from a different source (appropriations versus receipt authority) they are the same. Both:
    - Rely on funds from Treasury (via appropriations), or destined to Treasury (via receipt authority),
    - Are reimbursable, reflecting WAPA's full-cost recovery obligations with interest accruing on amounts not repaid within one year, and
    - Can only be used for PPW costs incurred.

[1] Public Law 106-377 provided WAPA flexibility to meet its highly variable PPW requirements by allowing WAPA to execute its PPW program through offsetting collections. As a result, receipts for PPW activities were reclassified as discretionary offsetting collections and could be spent on PPW activities, thereby reflecting the fact that PPW expenditures incur no net cost to the Federal Government and the authority provided for PPW would not score. In addition, revolving fund authorities finance the PPW expenses associated with the CRSP and Ft. Peck projects.

5. **What are PPW Reserves?**
During times of drought or other adverse conditions impacting available generation, the PPW program is relied upon and used more heavily. Because the PPW program is highly variable and subject to a number of factors beyond WAPA's control, WAPA worked with OMB and solicited input from customers to establish a strategy to accumulate unobligated reserve balances (PPW Reserves). Reserves support the PPW program by making funds available to deliver on WAPA's contractual power commitments to customers during unanticipated adverse conditions.

   WAPA's PPW Reserves strategy sets targets for PPW funding on hand to provide this contingency capability. Without PPW Reserves, and under adverse conditions, WAPA would have to activate the Emergency Fund account or request emergency supplemental appropriations to meet its contractual obligations. Based on an OMB policy, in effect since 2008, WAPA must recover from ratepayers all PPW costs funded through the Emergency Fund account within one year from the time costs are incurred. Use of these funds could therefore result in significant rate spikes for WAPA's customers who, as non-profit entities, are often not able to keep significant revenues on hand to absorb rate shocks.

6. **What are the benefits of WAPA's PPW program and Reserves?**
Key benefits of WAPA's PPW program and Reserves include:
   - Support for reliable power delivery during adverse energy markets and constrained hydropower generation conditions,
   - Enhance long-term capital repayment certainty by strengthening WAPA's ability to fulfill its contractual power delivery commitments,
   - Improve rate stability,
   - Enable continuation of critical WAPA and generating agency capital projects that rely on other financing. Absent PPW Reserves, during periods of drought or other adverse conditions, the ability of the customers to advance additional funds for critical capital projects will be constrained by an immediate need to address the volatile PPW funding needs.

7. **What are the limitations of WAPA's PPW program and Reserves?**
Key limitations of WAPA's PPW program and Reserves include:
   - Use of PPW reserves is limited to funding PPW costs incurred,
   - Use of receipts to add to PPW Reserves is limited to (i.e., up to) PPW Receipt Authority granted during the fiscal year.

8. **What can PPW funding be used for?**
The use of PPW funding may only be used for PPW costs incurred. The authority to use receipts granted in annual appropriation language provides for PPW funding up to a capped amount at no cost to the Federal Government by crediting collections to WAPA's expenditure accounts. Annual appropriations language generally provides that the spending authority from PPW Reserves does not expire (i.e., to remain available until expended).

Receipt authority for offsetting collections is limited to available net revenues and expires at the end of each fiscal year.

9. **Are PPW costs incurred reimbursable or non-reimbursable?**
   Reimbursable. Since inception, the full cost of the PPW program has been and continues to be included in WAPA's rate-setting process. All PPW program costs are borne by power customers, at no long-term cost to the Federal Government. In the proposed Infrastructure Investment & Jobs Act, PPW provisions for WAPA are likewise, reimbursable.

10. **When do PPW costs incurred have to be repaid to Treasury, and how does this process work?**
   There is no cost or obligation associated with PPW Reserves until PPW costs are incurred by a power system. If PPW costs are repaid in-full during the year they were drawn, no interest accrues. The repayment term may be within one year or extend for up to 10 years, pursuant to WAPA's longstanding policy to set rates as low as possible consistent with sound business principles in a transparent and collaborative manner. Alternatively, purchase power expenditures from the Emergency Fund account must be repaid within one year without exception.

   Process wise, once rates are set to recover PPW costs incurred, these funds are returned to Treasury inclusive of any accrued interest (for repayment terms over one year).