

# Unobligated Balances & Cash Flow

## Intertie and Parker-Davis

January 10, 2018



# 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

2010 - Net Zero

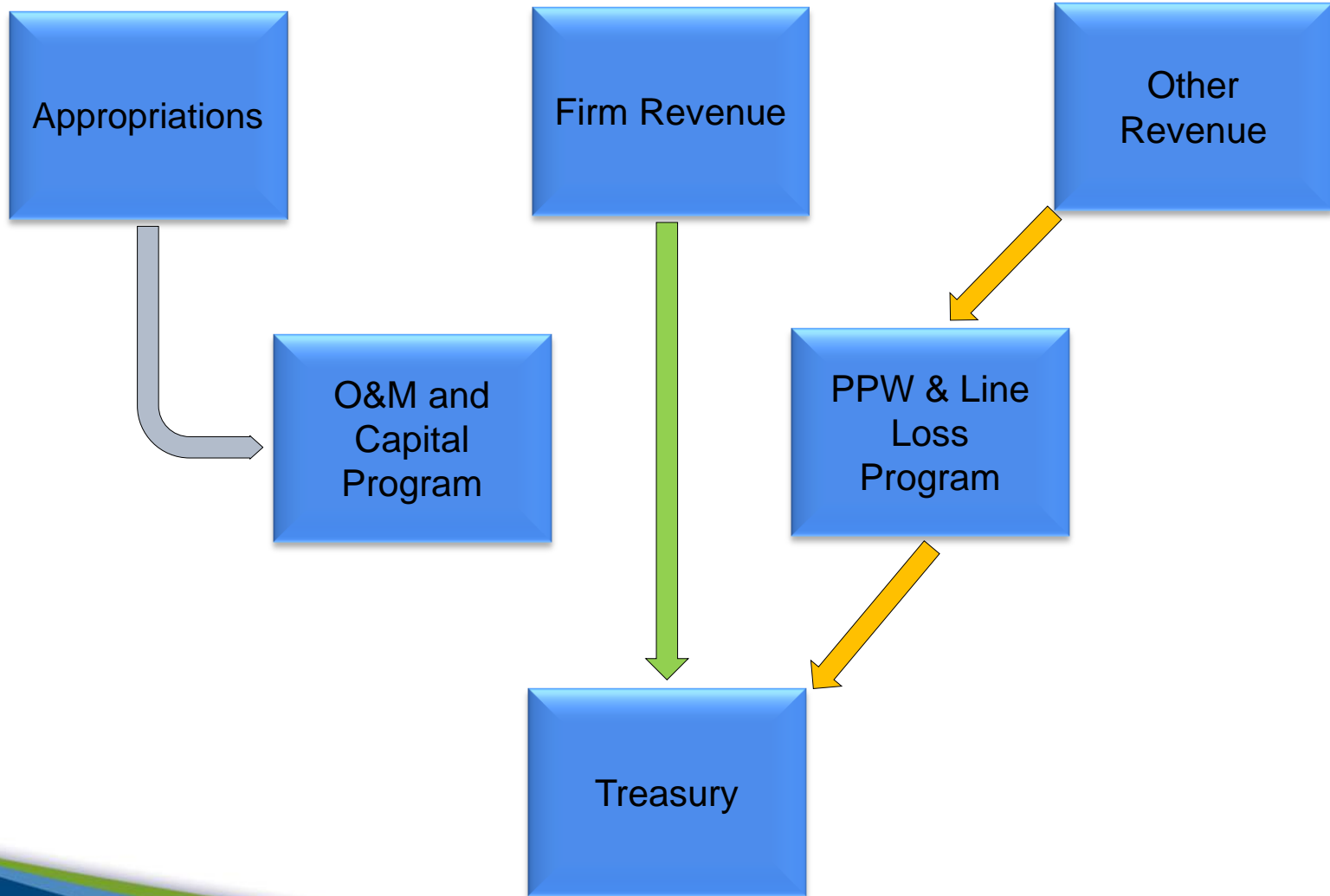
# Operating under Appropriations

- Congress appropriates funding to WAPA for all activities
- WAPA expends appropriations
- WAPA invoices customers for services provided
- WAPA releases receipts to Treasury at the end of the fiscal year

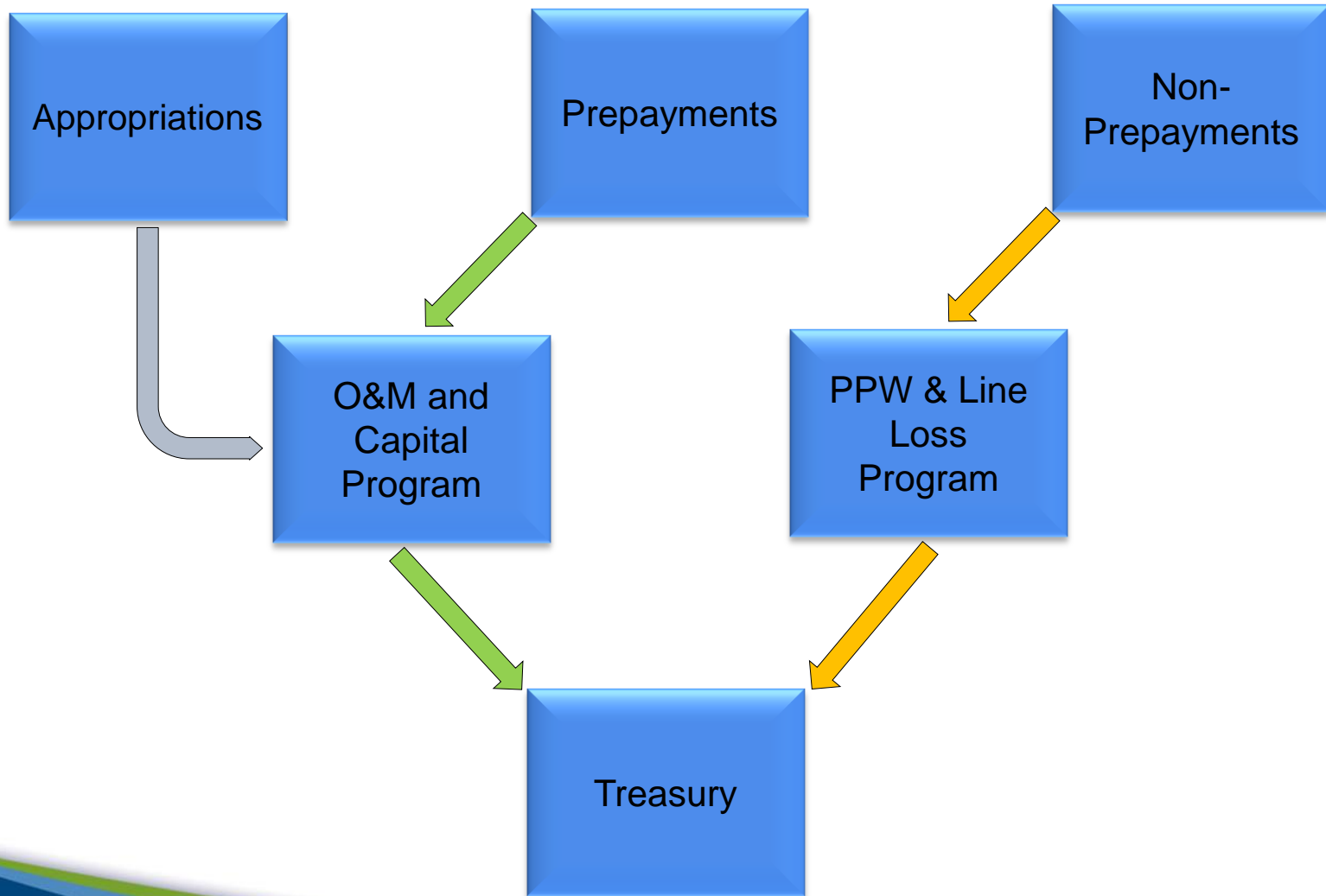
# Operating under Prepayments

- Congress appropriates funding to WAPA for capital activities
- WAPA expends appropriations for capital activities
- WAPA invoices customers for services provided
- WAPA expends cash prepaid by customers (Prepayments) for O&M activities and approved construction projects
- WAPA releases receipts to Treasury at the end of the fiscal year

# DSW Funding Before Prepayments



# DSW Funding After Prepayments



# What is an unobligated balance?

- Prepayment Cash \$70M
  - O&M Budget <\$48M>
  - Prepayment Construction Budget <\$20M>
  - **Available cash balance \$2M**
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- If not released to Treasury, cash remaining at the end of the year is an “unobligated balance”, meaning WAPA has not obligated the funds for a specific purpose

# Why are unobligated balances important?

- Capital program continuity
  - Provides consistency for the Parker-Davis & Intertie construction program
  - Appropriations are limited and not timely
- Cash flow variability and accessibility
  - Minimal positive cash flow projected FY18-FY21, ~\$1.5M total
  - Negative cash flow projected FY22, ~\$3M
  - Other revenues not accessible for O&M, ~\$10M per year



# Unobligated Balances Strategy

- <https://www.wapa.gov/About/Documents/financial/unobligated-balances-strategy.pdf>
- O&M
  - One quarter of annual budget plus 21 days
  - Contingency for Continuing Resolution and/or government shutdown
- Capital
  - Three years of funding based on Ten-Year Plan
  - Supports near-term construction projects
- PPW
  - Highest 3-year energy purchase needs from WAPA's largest project (Pick-Sloan)

**Parker Davis & Intertie**  
**Fiscal Years 2018 Through 2022 Forecast**

|                                      | Beg Bal           | FY 2018            | FY 2019           | FY 2020            | FY 2021           | FY 2022            |
|--------------------------------------|-------------------|--------------------|-------------------|--------------------|-------------------|--------------------|
| <b>Prepayment Inflows</b>            | 67,167,105        | 69,245,513         | 69,245,513        | 69,245,513         | 69,245,513        | 69,245,513         |
| <b>Outflows</b>                      |                   |                    |                   |                    |                   |                    |
| O&M Budget                           | -                 | 47,466,061         | 46,893,960        | 47,831,839         | 48,788,476        | 49,764,246         |
| RRADs Budget                         | -                 | -                  | -                 | -                  | -                 | -                  |
| Construction                         | -                 | 24,731,000         | 12,803,000        | 24,496,000         | 18,954,000        | 16,783,000         |
| <b>Total Outflows</b>                | -                 | 72,197,061         | 59,696,960        | 72,327,839         | 67,742,476        | 66,547,246         |
| <b>Net Prepayment Total</b>          | <b>67,167,105</b> | <b>(2,951,548)</b> | <b>9,548,553</b>  | <b>(3,082,326)</b> | <b>1,503,037</b>  | <b>2,698,267</b>   |
| <b>Non-Prepayment Inflows</b>        | -                 | 20,806,000         | 20,806,000        | 20,806,000         | 20,806,000        | 20,806,000         |
| <b>Outflows</b>                      |                   |                    |                   |                    |                   |                    |
| Purchase Power Expense               | -                 | 10,600,000         | 10,600,000        | 10,600,000         | 10,600,000        | 10,600,000         |
| Transfers Within Western (Line Loss) | -                 | 230,000            | 230,000           | 230,000            | 230,000           | 230,000            |
| <b>Outflows</b>                      | -                 | 10,830,000         | 10,830,000        | 10,830,000         | 10,830,000        | 10,830,000         |
| <b>Net Non-Prepayment Total</b>      | <b>-</b>          | <b>9,976,000</b>   | <b>9,976,000</b>  | <b>9,976,000</b>   | <b>9,976,000</b>  | <b>9,976,000</b>   |
| <b>Release to Treasury</b>           |                   |                    |                   |                    |                   |                    |
| Prepayment/Unobligated Balances      |                   | -                  | -                 | 1,940,671          | -                 | 9,221,562          |
| Non-Prepayment                       |                   | 9,976,000          | 9,976,000         | 9,976,000          | 9,976,000         | 9,976,000          |
| <b>NET CASH</b>                      | <b>67,167,105</b> | <b>(2,951,548)</b> | <b>9,548,553</b>  | <b>(5,022,997)</b> | <b>1,503,037</b>  | <b>(6,523,295)</b> |
| <b>End of Year Cash</b>              | <b>67,167,105</b> | <b>64,215,557</b>  | <b>73,764,110</b> | <b>68,741,113</b>  | <b>70,244,150</b> | <b>63,720,855</b>  |
| <b>Unobligated Balance</b>           |                   |                    |                   |                    |                   |                    |
| 3 years construction                 |                   | 56,253,000         | 60,233,000        | 53,698,000         | 49,769,000        | 48,070,000         |
| O&M 111 days                         |                   | 14,458,971         | 14,748,150        | 15,043,113         | 15,343,976        | 15,650,855         |
| <b>Total</b>                         | <b>-</b>          | <b>70,711,971</b>  | <b>74,981,150</b> | <b>68,741,113</b>  | <b>65,112,976</b> | <b>63,720,855</b>  |

| PROJECT   | Fund | Original | 18TOT         | 19TOT         | 20TOT         | 21TOT         | 22TOT         | 23TOT         | 24TOT         | 25TOT         | 26TOT         | 17TOT         | 17TOT         | 17TOT      |
|---|------|----------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|------------|
|   |      | Est      |               |               |               |               |               |               |               |               |               |               |               |            |
| Black Point Mesa Reroute                          | PCN  | 1,308    | 28            | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -          |
| Black Point Mesa Reroute                          | WCF  | 930      | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -          |
| Mesa Substation Remediation                       | PCN  | 2,155    | 1,532         | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -          |
| Mesa Substation Remediation                       | WCF  | 1,380    | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -          |
| Parker-Davis Facility Rating Year 2               | PCN  | 8,105    | 377           | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -          |
| Parker-Davis Facility Rating Year 2               | WCF  | 420      | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -          |
| Tucson Substation Rebuild                         | PCN  | 7,000    | 167           | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -          |
| Tucson Substation Rebuild                         | WCF  | 2,044    | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -          |
| Gila-North Gila, Gila-Knob 161kV T-Line Reroute   | PCN  | 2,728    | 719           | 300           | -             | -             | -             | -             | -             | -             | -             | -             | -             | -          |
| Gila-North Gila, Gila-Knob 161kV T-Line Reroute   | WCF  | 1,976    | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -          |
| Crossman Peak Microwave Facility                  | PCN  | 4,525    | 3,054         | 508           | -             | -             | -             | -             | -             | -             | -             | -             | -             | -          |
| Liberty Series Capacitor Bank Replacement         | PCN  | 6,595    | 3,003         | 3,195         | -             | -             | -             | -             | -             | -             | -             | -             | -             | -          |
| Liberty Series Capacitor Bank Replacement         | WCF  | 3,777    | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -          |
| Gila Substation 161kV to 230kV Rebuild            | PCN  | 17,112   | 11,812        | 1,930         | 353           | -             | -             | -             | -             | -             | -             | -             | -             | -          |
| Gila Substation 161kV to 230kV Rebuild            | WCF  | 1,894    | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -          |
| Parker-Headgate Rock/Bouse 161kV Reroute          | PCN  | 17,235   | 860           | 6,000         | 8,797         | 1,032         | -             | -             | -             | -             | -             | -             | -             | -          |
| Parker-Headgate Rock/Bouse 161kV Reroute          | WCF  | 719      | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -          |
| Gila-Wellton Mohawk Interstate-8 Crossing Rebuild | PCN  | 6,651    | 2,982         | 100           | 172           | -             | -             | -             | -             | -             | -             | -             | -             | -          |
| Gila-Wellton Mohawk Interstate-8 Crossing Rebuild | WCF  | 4,267    | 3,397         | 650           | -             | -             | -             | -             | -             | -             | -             | -             | -             | -          |
| Kofa-Dome Tap 161kV Rebuild                       | PCN  | 4,201    | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -          |
| Kofa-Dome Tap 161kV Rebuild                       | WCF  | 1,159    | 500           | 659           | 4,201         | -             | -             | -             | -             | -             | -             | -             | -             | -          |
| Dome Tap-Gila 161kV Rebuild                       | PCN  | 2,686    | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -          |
| Dome Tap-Gila 161kV Rebuild                       | WCF  | 4,650    | 500           | 4,150         | 2,450         | -             | -             | -             | -             | -             | -             | -             | -             | -          |
| Coolidge-Valley Farms 115kV Rebuild               | WCF  | 5,930    | 800           | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -          |
| Mead Substation Transformer Replacement (KU2A)    | WCF  | 5,000    | -             | -             | -             | -             | -             | -             | 4,200         | 750           | 50            | -             | -             | -          |
| Bouse-Kofa 161kV Rebuild PHASE-1                  | WCF  | 15,550   | -             | 156           | 6,687         | 8,086         | 467           | 156           | -             | -             | -             | -             | -             | -          |
| Bouse-Kofa 161kV Rebuild PHASE-2                  | WCF  | 15,550   | -             | 156           | 6,687         | 8,086         | 467           | 156           | -             | -             | -             | -             | -             | -          |
| Parker-Blythe 161kV #2 Rebuild PHASE-1            | WCF  | 15,000   | -             | -             | 150           | 6,450         | 7,800         | 450           | 150           | -             | -             | -             | -             | -          |
| Parker-Blythe 161kV #2 Rebuild PHASE-2            | WCF  | 15,000   | -             | -             | -             | 150           | 6,450         | 7,800         | 450           | 450           | 150           | -             | -             | -          |
| Parker-Blythe 161kV #2 Rebuild PHASE-3            | WCF  | 15,000   | -             | -             | -             | 150           | 6,450         | 7,800         | 450           | 150           | -             | -             | -             | -          |
| Blythe-Gold Mine Tap 161kV Rebuild PHASE-1        | WCF  | 15,000   | -             | -             | -             | -             | 150           | 6,450         | 7,800         | 450           | 150           | -             | -             | -          |
| Blythe-Gold Mine Tap 161kV Rebuild PHASE-2        | WCF  | 15,000   | -             | -             | -             | -             | -             | 150           | 6,450         | 7,800         | 450           | 150           | -             | -          |
| Parker Substation 161kV Rebuild                   | WCF  | 10,500   | -             | -             | -             | -             | -             | -             | 525           | 4,095         | 5,040         | 630           | 210           | -          |
| Gold Mine Tap Knob 161kV Rebuild                  | WCF  | 15,000   | -             | -             | -             | -             | -             | -             | -             | 6,150         | 8,400         | 450           | -             | -          |
| Blythe-Headgate Rock #1 line 161kV Rebuild        | WCF  | 23,900   | -             | -             | -             | -             | -             | -             | -             | 239           | 10,277        | 12,428        | 717           | 239        |
| Gila-Wellton Mohawk (remaining 161kV rebuild)     | WCF  | 5,200    | -             | -             | -             | -             | -             | -             | -             | -             | -             | 2,132         | 2,912         | 156        |
| Rogers-Coolidge 230kV Reconductor                 | WCF  | 6,000    | -             | -             | -             | -             | -             | -             | -             | -             | -             | 2,460         | 3,360         | 180        |
| Oracle- Saguaro 115kV Rebuild (230kV)             | WCF  | 8,200    | -             | -             | -             | -             | -             | -             | -             | -             | -             | 3,362         | 4,592         | 246        |
| <b>Total</b>                                      |      |          | <b>29,731</b> | <b>17,803</b> | <b>29,496</b> | <b>23,954</b> | <b>21,783</b> | <b>22,961</b> | <b>20,025</b> | <b>20,084</b> | <b>24,517</b> | <b>21,612</b> | <b>11,792</b> | <b>821</b> |

# Rates and Repayment

- Intertie and Parker-Davis repayment is based on revenue, not cash released 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
  - Power Repayment Studies and Status of Repayment reporting are revenue based

# Rates and Repayment

- Revenue-based repayment used by Power Marketing Administrations is less intuitive than cash-based repayment
- Revenue 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 with interest through future service rates

# Repayment Example

A Simplified Example with \$25 million in Prepayment Construction Funding

| Power Repayment Study |       |                   |       | Cash            |       |
|-----------------------|-------|-------------------|-------|-----------------|-------|
| Revenue               | \$100 | Unpaid Investment | \$400 | Cash Collection | \$100 |
| O&M                   | (50)  | Principal         | (30)  | O&M             | (50)  |
| Purchase Power        | (5)   | Unpaid Investment | \$370 | Purchase Power  | (5)   |
| Interest              | (15)  | New Investment    | 25    | Construction    | (25)  |
| Net Revenue           | \$30  | Unpaid Investment | \$395 | Treasury        | \$20  |

# Rates and Repayment FAQ

Is WAPA using the same cash twice: once for repayment and once for construction costs?

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

Is WAPA delaying repayment by using prepayment cash for construction costs?

No, investments are repaid within the allowable period whether they were funded by appropriations or prepayments.

# Rates and Repayment FAQ

Is Treasury harmed by the use of prepayments?

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

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 rate and repayment calculations.



# Rates and Repayment FAQ

Would the example be different if appropriations were used to fund the construction instead of prepayments?

Not in the Power Repayment Study (or rates and repayment) but the cash flow would be slightly different.

An additional \$25 million in cash would be returned to Treasury and the project would receive \$25 million in appropriations for construction.

# Rates and Repayment FAQ

What about unobligated balances, do they impact rates or repayment?

No, only the use of unobligated balances for expenses or investments impact rates and repayment.

The impact would be the same if the expenses or investments were funded from other sources such as appropriations.

# Questions?

# Contact Information

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