FACT Sheet

WESTERN AREA POWER ADMINISTRATION

WAPA Purchase Power and Wheeling Program

WAPA's Purchase Power and Wheeling, or PPW, program allows WAPA to purchase power from the energy market when hydropower cannot fulfill WAPA's contractual commitments to customers. Wheeling refers to purchasing transmission capacity to deliver power to customers. These purchases can occur during normal operations or during adverse conditions, such as a heat wave, drought or polar vortex.

The use of PPW varies by project depending on the way power is marketed to customers under each project's long-term contracts. Many of WAPA's large power projects use the PPW program in some manner each year.

Table 1: Use of PPW by Major Power Project

Region	Project	Purchase Power & Wheeling
CRSP	Salt Lake City Area Integrated Projects	WAPA obligated to purchase power when hydropower generation is not sufficient to meet contractual obligations.
DSW	Boulder Canyon Project	No purchase power requirements.
DSW	Parker-Davis Project	WAPA obligated to purchase power when hydropower generation is not sufficient to meet contractual obligations.
RM	Loveland Area Projects	WAPA obligated to purchase power when hydropower generation is not sufficient to meet contractual obligations.
SN	Central Valley Project	WAPA is obligated to purchase power for its full load service customers when firm electric service does not meet their load. In drought conditions, WAPA could face purchasing requirements for statutory and legislative requirements.
UGP	Pick-Sloan Missouri Basin--Eastern Division	WAPA obligated to purchase power when hydropower generation is not sufficient to meet contractual obligations.

Purchasing power to supplement hydropower is a normal part of WAPA's operations and has been used by WAPA, the other power marketing administrations and the generating agencies in the Federal Power Program for nearly 100 years. When purchasing power in the market, WAPA acquires the lowest cost power available. Without the PPW program, WAPA could not fulfill many contractual power commitments to customers, risking the ability of WAPA to recover annual costs and repay capital investments to the U.S. Treasury.

Disclaimer: Information presented here may have been rounded, estimated or simplified for the sake of clarity. For current data or for topics not covered on this fact sheet, contact your regional WAPA office.

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Benefits of the PPW program include:

- Supports reliable energy delivery during adverse conditions or when hydropower generation is limited.
- Provides certainty to customers that contractual commitments with WAPA will be met at the lowest cost consistent with sound business principles.
- Stabilizes WAPA's annual power rates against market volatility.
- Leverages the benefits of "bulk purchases" from the energy market for large groups of customers rather than having individual customers buy power to meet their own needs.

In 2001, WAPA, with customer support, gained the authority to use receipts from hydropower sales instead of Congressional appropriations to fund the PPW program. Under this authority, WAPA can only use PPW funds for PPW expenses; the authority and funds cannot be transferred to another program.

In general, PPW funds are reimbursable to the U.S. Treasury, meaning power customers must pay for PPW costs. WAPA recovers PPW expenses from customers through its power rates at no cost to the U.S. government or American taxpayer. Recovery typically occurs within the operating year; however, PPW costs can be extremely variable. When costs exceed annual recovery, unpaid amounts are capitalized and recovered with interest over time.

The PPW program is critical during adverse conditions. These can be short-term events like a severe storm or long-term conditions such as a prolonged drought. As PPW expenses are highly variable and difficult to anticipate, WAPA worked with the Office of Management and Budget and customers to formally establish an unobligated reserve balance strategy in 2016. This strategy allows WAPA to keep a targeted amount of PPW Reserves on hand to mitigate likely adverse conditions based on past events. It also helps manage cash flow and ensures WAPA and generating agencies can continue capital projects without interruption.

Without adequate PPW reserves, WAPA would need to use the Emergency Fund program to purchase power during adverse conditions. Current Federal policy requires customers to repay any of the incurred costs from the Emergency Fund within one year, which could lead to significant near-term rate spikes. Further, the Emergency Fund can only be used for PPW to mitigate hydropower generation constraints. It does not address adverse market pricing or transmission constraints.

This fact sheet is intended to be a high-level overview of WAPA's Purchase Power and Wheeling program. To learn more about how the program works and its applicability to each power project, visit WAPA's Purchase Power and Wheeling program webpage.

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