

# MEMORANDUM

DATE: December 14, 2022

REPLY TO  
ATTN OF: T. LeBeau, A0000

SUBJECT: FY 2025 Administrator's Budget Guidance

TO: M. Ardis, A0000  
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B. Barnhart, J0000  
B. Griess, N0000 (acting)  
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I am pleased to release the Administrator's Budget Guidance Memo for FY 2025. As we plan for FY 2025, we must be mindful of how our decisions impact our core mission: to market and deliver clean, renewable, reliable, cost-based Federal hydroelectric power, transmission and related services to our customers; as well as the Department of Energy's priorities: protecting our energy infrastructure and strengthening the electric grid.

With many of WAPA's 15 power systems experiencing drought conditions already, allocation of our limited resources must reflect the financial discipline mandated by the operating and financial challenges ahead. It is imperative that we keep our core mission and the Department's priorities in focus as we formulate our budget requirements.

The following guidelines detail my expectations for your budget submissions and the subsequent implementation of those budgets in the execution years. Guidance is provided by the following budget categories:

- **CAPITAL:** Includes capitalizable costs such as Property, Plant, and Equipment (PP&E) and internal-use software.
- **LABOR:** Includes all Federal payroll and benefits compensation and authorized full-time equivalent (FTE).
- **DISCRETIONARY:** Includes Operations & Maintenance (O&M) expense, reimbursable work-for-others and all other expenses not included within the Capital or Labor budget categories.
- **PURCHASED POWER & WHEELING (PPW):** Includes purchased power, purchased transmission, and purchased ancillary services.

I ask that you keep the critical pathways to executing our mission at the top of your mind as you and your teams make important financial allocation decisions this budget season: Evolution of services, mutually beneficial partnerships and business, technology and organizational excellence are each important paths along WAPA's Power Forward 2030 and its related Initiative Implementation Plans (IIPs).

## 1. Capital

- a. Evaluation. To facilitate the evaluation of the capital plan, the following items are necessary to support a budget request:
  - i. Additions and Major Upgrades, as defined by the Total Capital Committee (TCC), require a project initiation document (PID) for consideration in the budget request.
  - ii. Project specific budgeting is required for rate impacting capital projects  $\geq$ \$500K for the revalidation and formulation years.
  - iii. Requirement specific budgeting is required for rate impacting moveable property purchases  $\geq$ \$75K for the revalidation year.
2. Feasibility assessment. Requests that exceed 15 percent of historical execution, by region or HQ department, require further justification including, but not limited to:
  - i. Feasibility assessment to execute at higher level, and
  - ii. Feasibility assessment of funding (e.g., appropriations, customer advances, revolving fund, work for others reimbursable funding).
3. Project funding. Funding by source will use the following guidance:
  - i. Appropriation assumptions will be consistent with the appropriation allocation targets provided by the Total Capital Committee.
  - ii. Alternative financing and revolving fund assumptions will be consistent with cash flow projections and follow customer coordination processes established within each region.

## 2. Labor

- a. Methodology. WAPA's methodology for budgeting federal labor is as follows:
  - i. WAPA will assume full FTE execution of authorized FTE.
  - ii. WAPA will conform to the salaries and wages set by Congress and will utilize historical data, current salaries and wages, and current Federal administration guidance for purposes of estimating General Schedule (GS) salaries and wages in the budget request.
  - iii. Wage Board (WB) and Administratively Determined (AD) salaries will be evaluated by region for the appropriate inflation percentage.
  - iv. Any adjustments to base pay and benefits will be applied consistently across WAPA and supported by data. Adjustments will be approved by WAPA Budget & Analysis.
- b. FTE neutral. At minimum, WAPA will be FTE neutral. I expect existing FTEs to be reallocated to address new needs as necessary.
- c. Cash awards. Performance-based cash awards should be budgeted based on Department of Energy guidance and/or historical expenditures.
- d. Overtime and incentives. Overtime and incentives will be treated as discretionary and subject to the constraints outlined in the Capital and Operations and Maintenance sections of the budget guidance.

### 3. Discretionary

- a. Operations and Maintenance (Indirect/O&M)
  - i. Increases over historical expenditures. I expect increases to the FY 2025 budget request to be no greater than historical expenditures plus 15 percent. Additional constraints may be applied by the Regional Manager for regions or WAPA's Administrator for Headquarters. Increases will be evaluated at the regional level where applicable, and WAPA-wide otherwise.
  - ii. This budget guidance will allow FY 2024 budget levels for travel and training and leadership development given the previous three historical expenditure years (FY 2020 – FY 2022) have been significantly impacted by COVID-19.
- b. Work for Others. Expectation to revalidate trust and reimbursable work assumptions. I expect the organization to revalidate work assumptions associated with trust and reimbursable work and prioritize existing WAPA workload over new trust and reimbursable work, subject to contractual and regulatory requirements.

### 4. Purchased Power & Wheeling (PPW)

- a. PPW. PPW budget assumptions should be based on reasonable base-case assumptions for PPW pricing and volume. All requests should be supported with relevant pricing and volume data.

### 5. Other Considerations and Priorities

- a. Rate impact assessment. Rates input provides the opportunity to communicate constraints on individual rate setting systems that may impact budget formulation levels. Rates input will be communicated both internally within each region as well as to cross- regional functions that rely on financial resources within that region. Additionally, the approved budget is expected to align with the assumptions in the Power Repayment Study for each rate setting system.
- b. Safety and Cybersecurity. Safety and cybersecurity need to remain a top priority and I expect those needs are addressed in this budget request.
- c. Physical Security. Physical Security budgets will follow the Physical Security Risk Assessments (PSRAs) and Physical Security Remediation Plans (PSRPs) or reasonable estimates if not available. I expect these estimates to be incorporated into the budget even if that means deferring other items.
- d. Information Technology (IT), Life Cycle Management (LCM) and Cost Containment. The CIO organization, in conjunction with its business partners, will prudently budget for IT LCM and related expenses with a focus on cost containment. Cost containment strategies may include (but are not limited to):
  - i. ongoing assessment of WAPA's IT application portfolio to assess usage, total cost of ownership, and redundancies;
  - ii. retirement of minimally used or redundant solutions; and
  - iii. replacement of applications with standard IT solutions across WAPA with commercial off-the-shelf products while minimizing custom solutions where possible.

## Review and Approval

This budget, including any exceptions to this guidance, requires Senior Management review and Administrator approval. Additionally, WAPA will make the approved WAPA-wide plan available to stakeholders for review and comment. HQ and each region will follow the customer coordination and, where applicable, customer approval processes established within HQ and each region.

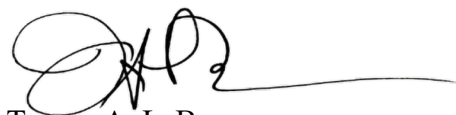
## Budget Additions and Exceptions

As changes are necessary to WAPA's budget in dynamic operating environment, I expect WAPA to follow the business rules detailed below to appropriately address changes between the formulated budget and the execution of the budget in a way that effectively reallocates resources while balancing cost-shift impacts. The Budget Additions and Exceptions process is as follows:

1. Labor shifts and changes in capital funding using customer advances require coordination and communication.
2. Change in capital appropriations will follow the reallocation process developed by the Total Capital Committee (TCC).
3. Changes in O&M (non-labor) will follow the Additions and Exceptions process.
4. Source of funding for appropriations will come from under-execution based on execution milestone reviews.

If you need assistance, or have questions, please direct them to Mike Peterson, Senior VP and Chief Financial Officer at (720) 962-7500 or [MDPeterson@wapa.gov](mailto:MDPeterson@wapa.gov), or Colin Marquez, Vice President of Budget and Analysis at (720) 962-7434 or [CMarquez@wapa.gov](mailto:CMarquez@wapa.gov).

I thank you and your teams for the tremendous effort and support in moving WAPA ahead during a constrained budgetary time.



Tracey A. LeBeau  
Administrator and Chief Executive Officer