



Western Area
Power Administration

Basin Fund 101

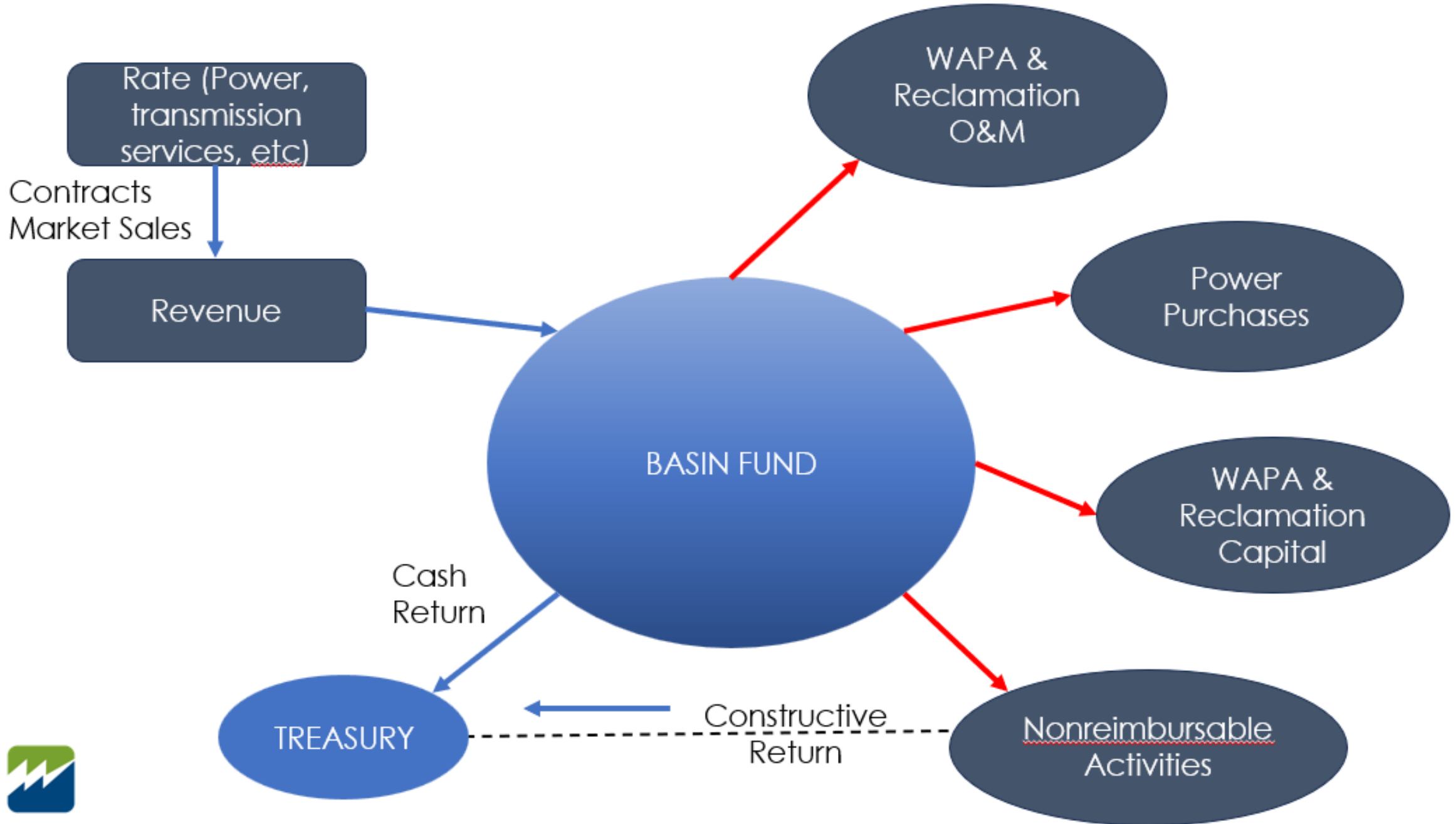
Hydropower Workshop

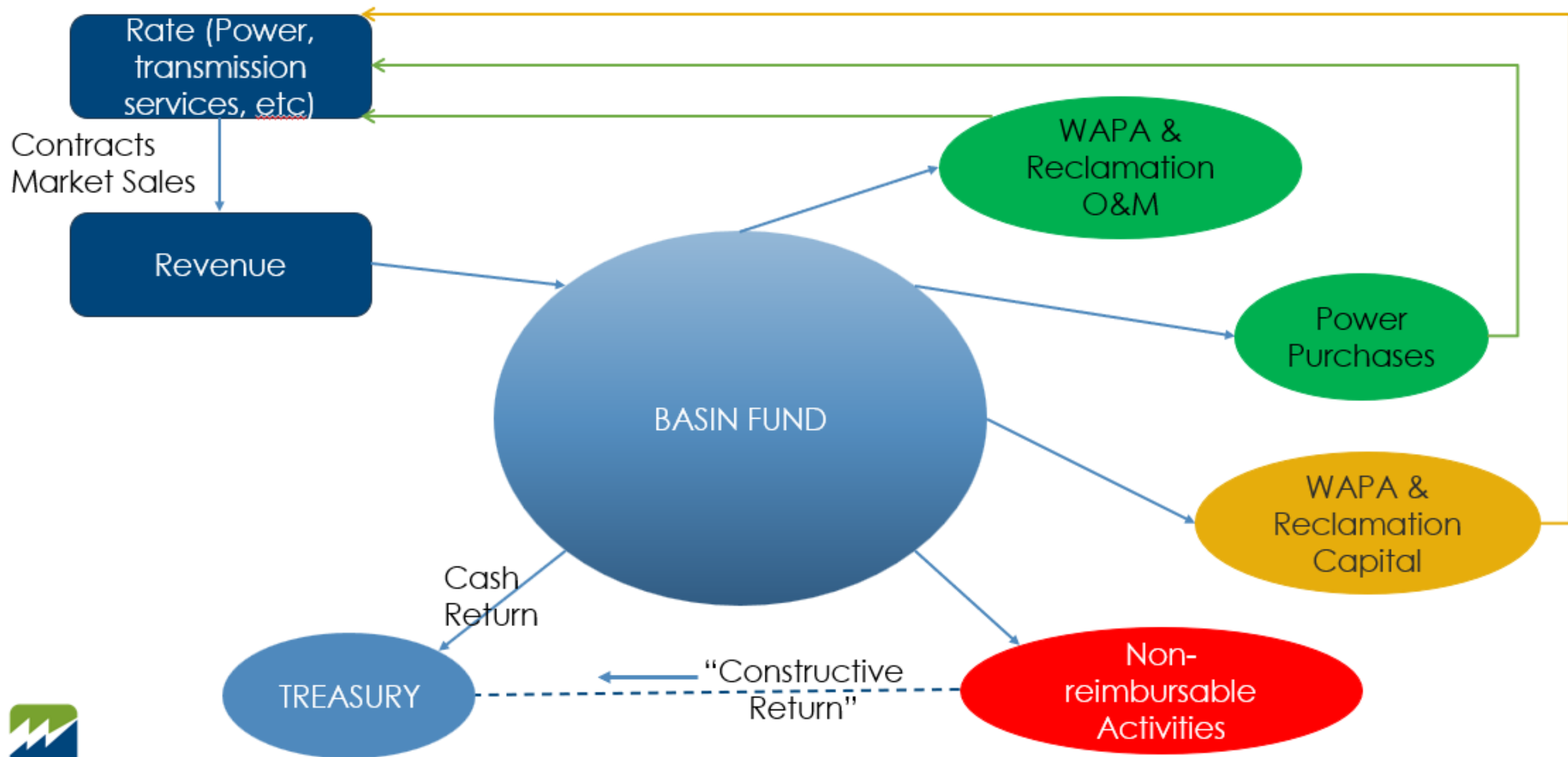
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Capital vs Expense

- O&M (WAPA & Reclamation)
 - Annual Expense
- Purchase Power & Wheeling (WAPA)
 - Annual Expense
- Capital (WAPA & Reclamation)
 - Assets of a long-term nature that are owned & used by Reclamation and WAPA in their power operations
 - Finance - Must have cash on hand to work on current projects
 - Rates - Rate is calculated to repay prior investments



Power Pays (Reimbursable)

Annual O&M expenses for WAPA & Reclamation

Annual expenses for purchased power and transmission

Capital investment costs

Interest on capital investment

Cost sharing for the Colorado River Basin Salinity Control Program

Costs assigned to irrigation for repayment that are beyond the irrigators' ability to pay

WAPA's share of Upper Colorado & San Juan Recovery Implementation Program capital costs

State apportionment revenues

Power Does Not Pay (Non-reimbursable to Power)

Glen Canyon Adaptive Management program expenses (includes experiments)

Upper Colorado River RIP O&M expenses

San Juan Basin RIP O&M expenses

Non-Power related expenses



Grand Canyon Protection Act (GCPA)

- Reduced generation – lost 33 % of generation capacity
- Changed operational flexibility
- Created new project purpose - Grand Canyon Protection
 - Non-reimbursable
- Established the Glen Canyon Adaptive Management Program



Glen Canyon Cost Allocation

- Total project costs are allocated to specific uses for repayment such as power, transmission, irrigation, flood control, M&I water, recreation, etc.
 - Power costs are recovered through the rate
 - Non-power costs are still funded from the Basin Fund 
- Multipurpose O&M and replacements cost allocation for Glen Canyon
 - 62.2% - Power
 - 37.8% - Grand Canyon Protection (non-reimbursable)



How Do Non-reimbursable Expenses Affect the Basin Fund?

- Secretary of the Interior is authorized to use funds in the Basin Fund under GCPA, but it does NOT MANDATE the use of power revenues
- IF there is sufficient cash in the Basin Fund to cover these costs, cash is taken out of the Basin Fund
- When cash is taken out of the Basin Fund, it reduces the cash available for other expenditures from the Basin Fund
- Power revenues used under GCPA are treated as having been repaid and returned to Treasury



Why can't WAPA raise its firm power rate to cover these non-reimbursable expenses?

- WAPA can only include costs allocated to power in the firm power rate to recover costs for repayment of O&M, interest, initial investment, and replacements
- Non-reimbursable expenses cannot be recovered in the firm power rate
- The rate is not a funding source



What impacts the rate?

What could cause a rate increase?

The rate is approved for a 5-year period

- Evaluated annually for rate sufficiency

Variables impacting the established rate:

- Generation
- O&M expenses
- Purchase Power & Wheeling expenses
- Capital investment



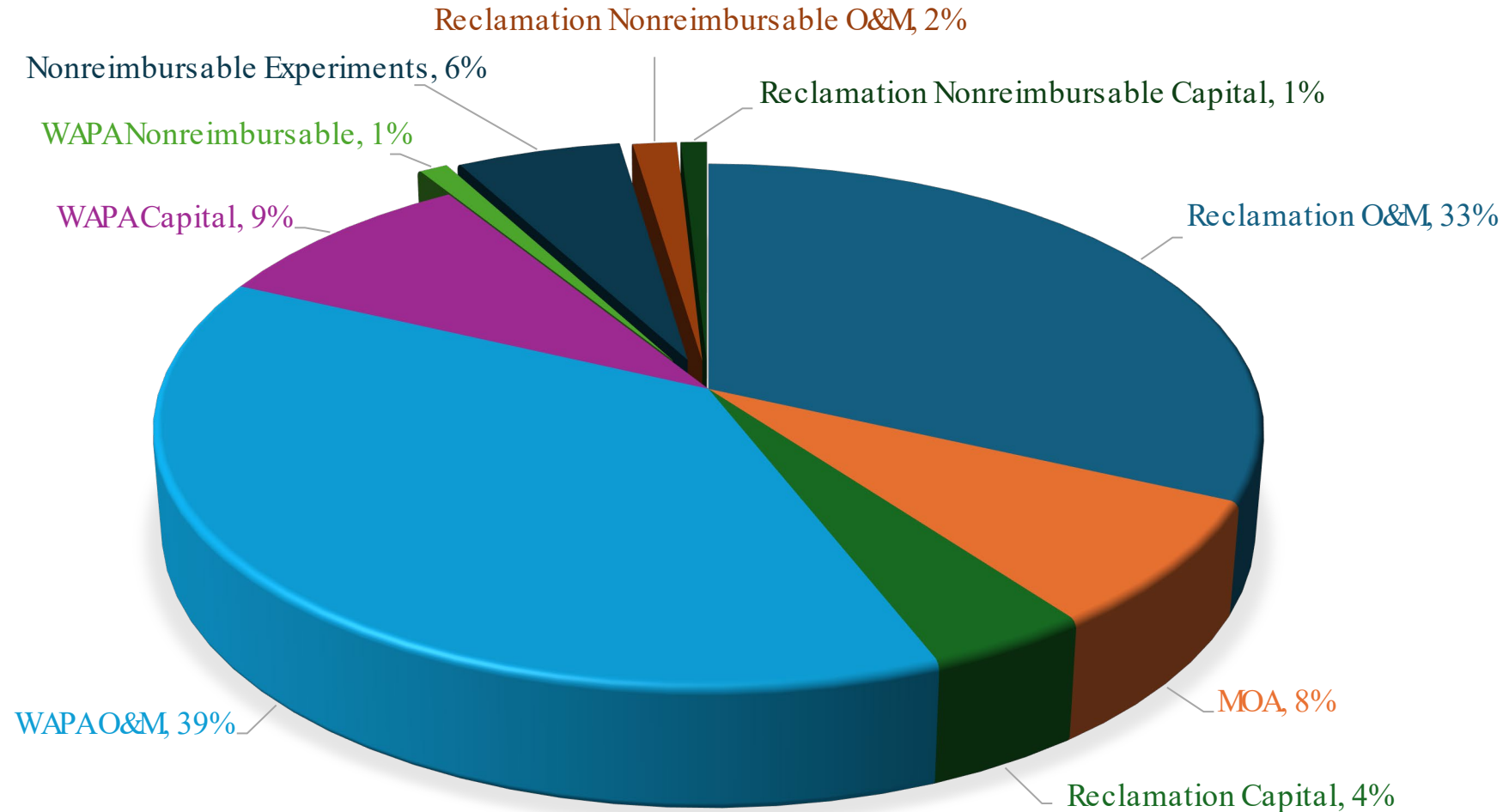
Cash Flow vs. Repayment

- Cash flow is separate and distinctly different from project repayment
- Repayment is strictly revenue-based and is accomplished by applying revenues toward costs within the Power Repayment Study
- Rates are cost-based and are restricted from including markups or reserves, unless a project has specific legislation



How is the Basin Fund Used?

*FY2026 Estimate



Revenue Requirement (Rate Calculation)

Capital Repayment
Purchase Power
Transmission
Interest
O & M

Cash Requirement

Return to Treasury
Non-reimbursable
Capital Purchases (Current projects)
Purchase Power
Transmission
Interest
O & M

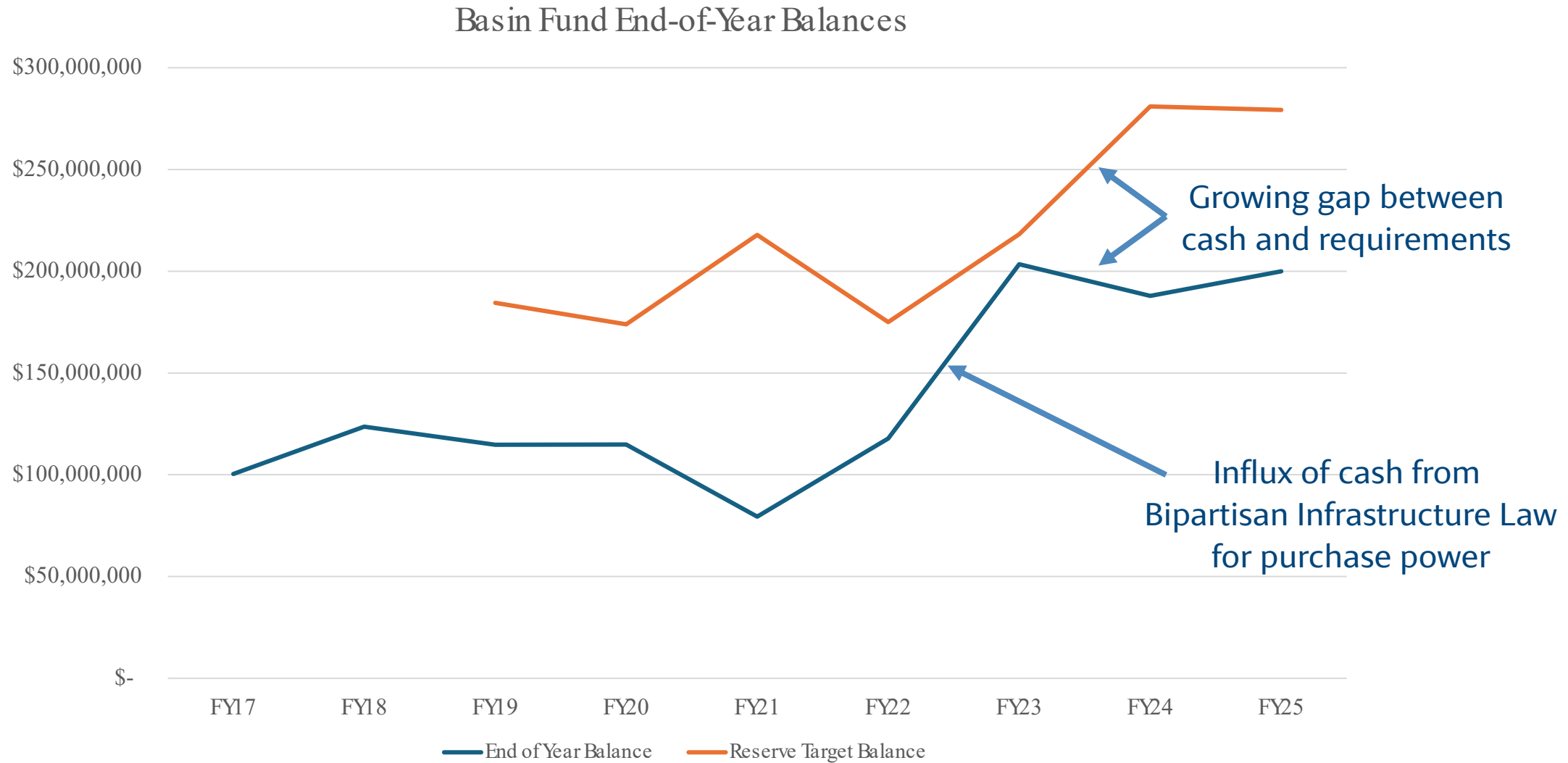




Return to Treasury

- We're required to return initial investment to Treasury
- Total Return \$1.7 billion since 1964
 - Non-reimbursable return \$606 million
 - GCPA & other non-reimbursable activities
- **Required** Return \$947 million
- We are \$800M ahead in returns to Treasury. What would \$800M have funded in aging infrastructure?
 - 10-20 years, average \$50 million per year in replacements
 - FY25-34 WAPA plan \$194 million
 - FY25-32 BOR plan \$202 million

Basin Fund Balance and Reserve Target



Basin Fund Reserve Target Balance Calculation

FY2025 Basin Fund Target Balance (in 000s)	Fiscal Year	WAPA (in \$000s)	Reclamation (in \$000s)	Total (in \$000s)
25% Annual O&M		\$16,345	\$11,380	\$27,725
3 Years of Capital	FY26	\$17,458	\$34,767	
	FY27	\$23,983	\$20,231	
	FY28	\$25,491	\$24,617	
	Total	\$66,932	\$79,615	\$146,547
3 Year Purchase Power and Wheeling	FY26	\$35,000		
	FY27	\$35,000		
	FY28	\$35,000		
	Total	\$105,000		\$105,000
Grand Total - All Categories		\$188,277	\$90,995	\$279,272



Comm Tower

\$10 M



**Series Capacitor Bank
(Cap Bank)**

\$50 M



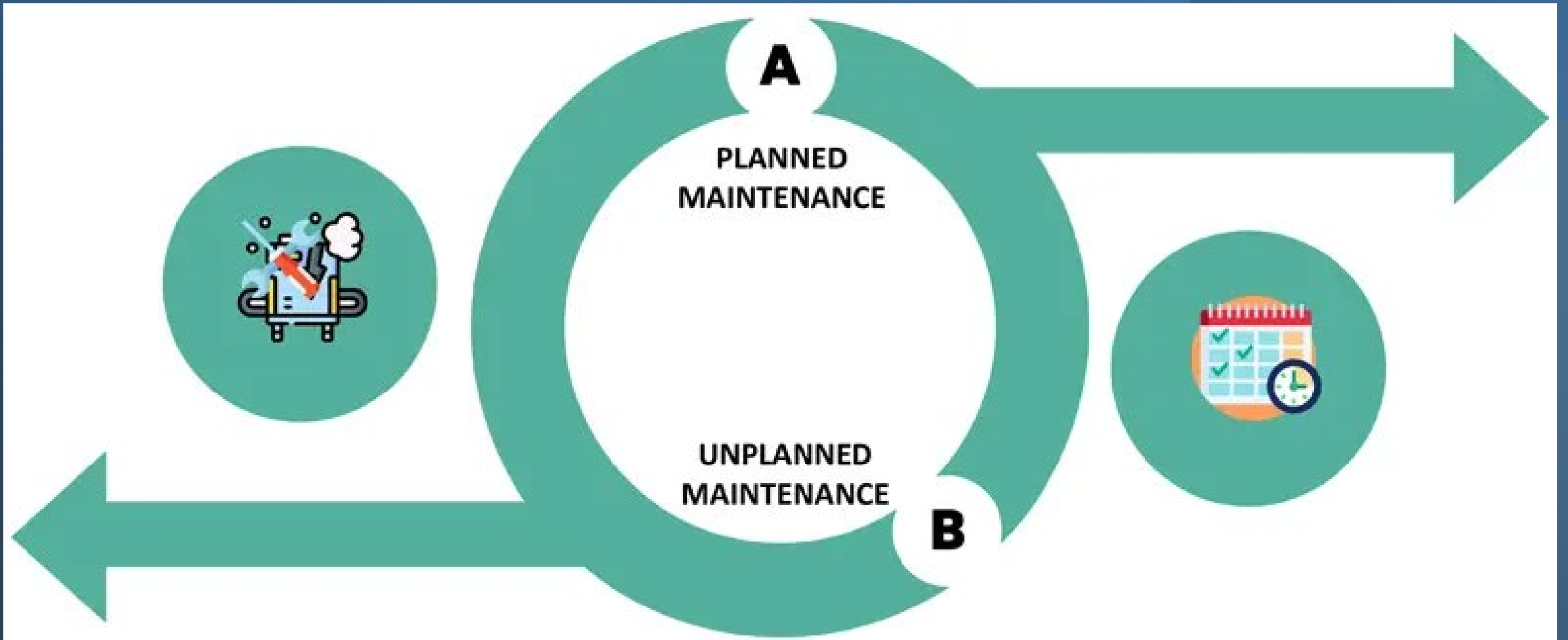
Transmission Line

\$3M per mile

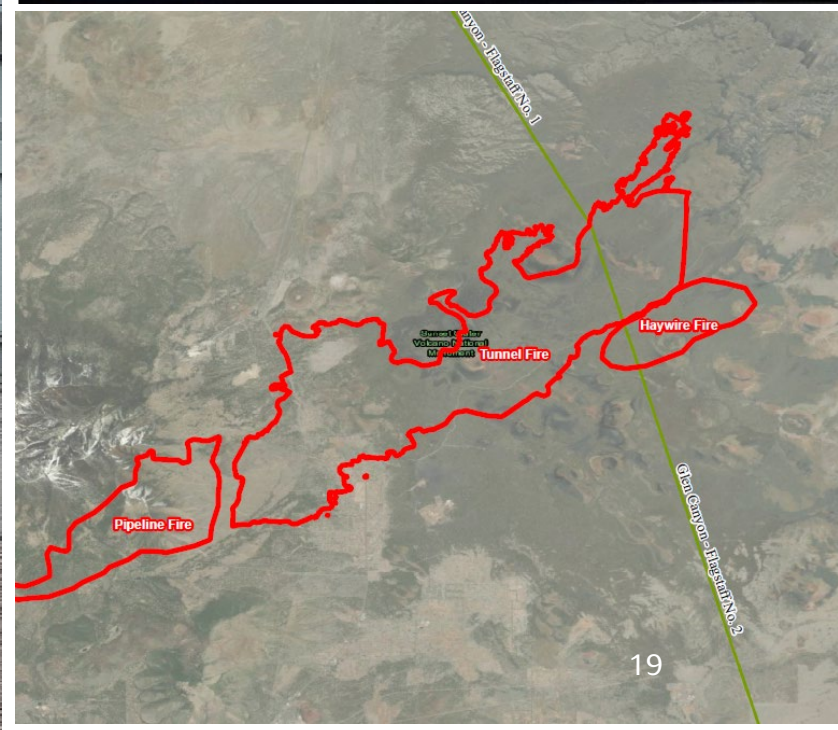
Breaker

\$2M

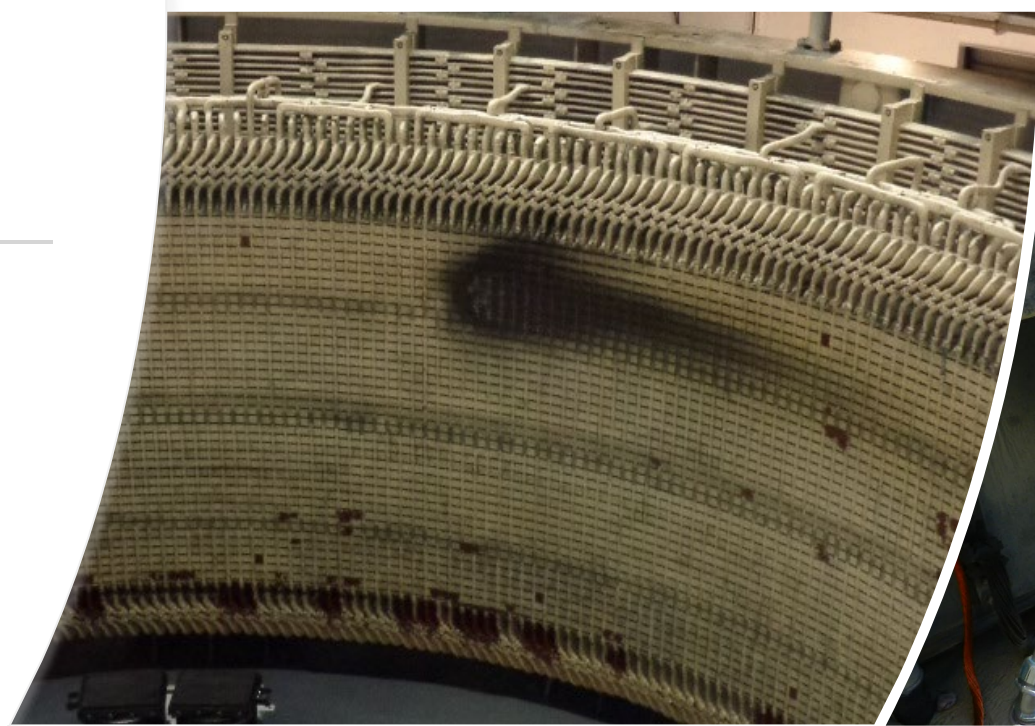




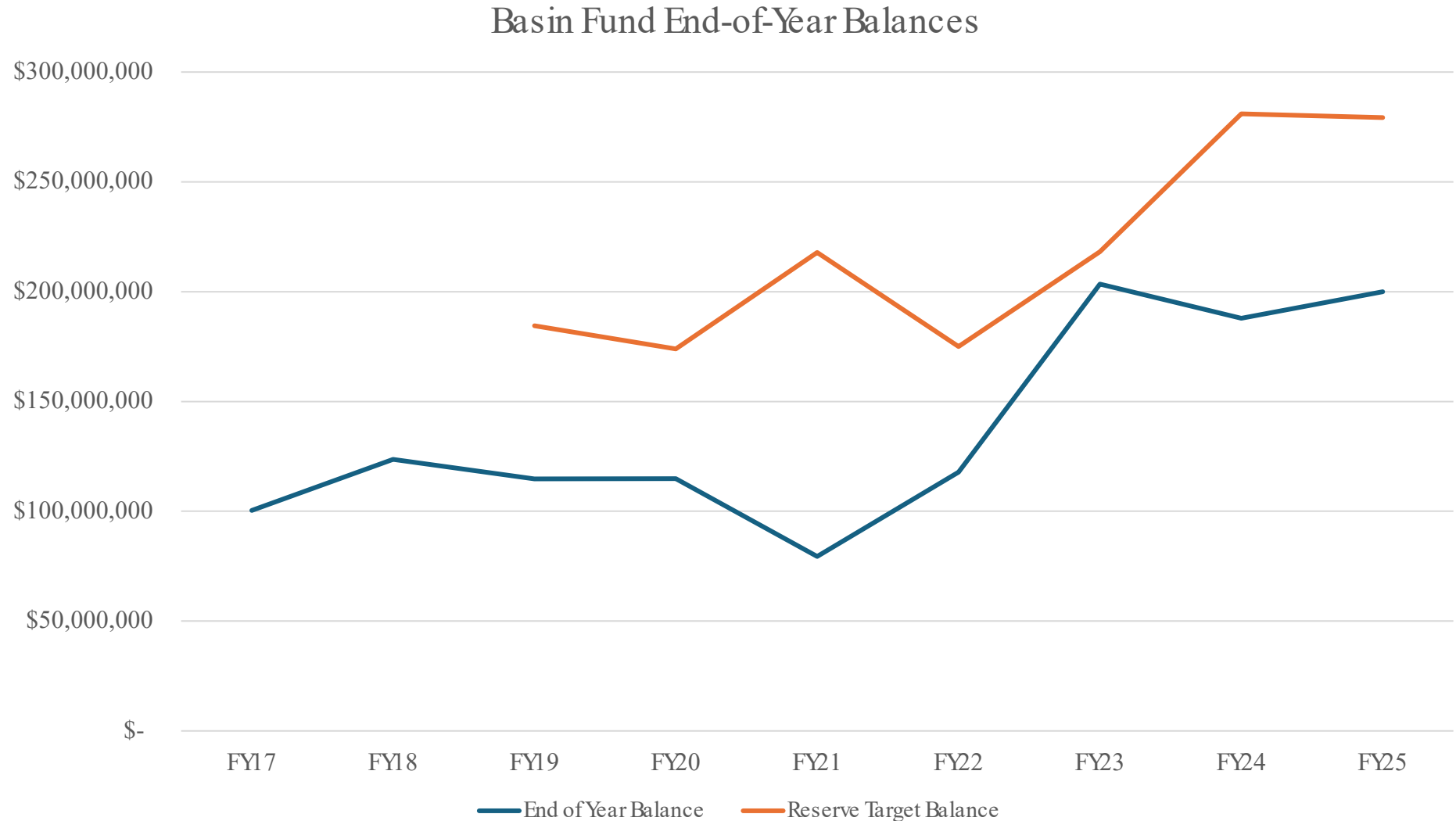
WAPA Emergency Maintenance



Reclamation Emergency Maintenance



Basin Fund and Reserve Target Balances



FY26 Projected Cash Flow (\$ in millions)

Beginning Balance	200
Revenue	180
Reclamation & WAPA O&M	(141)
Purchase Power & Transmission	(37)
Reclamation & WAPA Capital	<u>(31)</u>
Net Cash Before Experiments	(29)
Estimated Experiment Costs	<u>(10)</u>
Estimated Ending Balance	<u><u>161</u></u>



How do we fix this?



970-461-7535

