Office of Inspector General

OFFICE OF CYBER ASSESSMENTS AND DATA ANALYTICS

AUDIT REPORT

THE WESTERN AREA POWER ADMINISTRATION'S FISCAL YEAR 2024 FINANCIAL STATEMENTS AUDIT

DOE-OIG-25-15
February 2025

Department of Energy
Washington, DC 20585

February 27, 2025

MEMORANDUM FOR THE ADMINISTRATOR, WESTERN AREA POWER ADMINISTRATION

FROM: Kshemendra Paul
Assistant Inspector General
for Cyber Assessments and Data Analytics
Office of Inspector General

SUBJECT: Audit Report: *The Western Area Power Administration's Fiscal Year 2024 Financial Statements Audit*

The attached report presents the results of the independent certified public accountants' audit of the Western Area Power Administration's (WAPA) balance sheets as of September 30, 2024, and 2023, and the related consolidated statements of net costs, changes in net position, and custodial activity, and combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements.

To fulfill the Office of Inspector General's (OIG) audit responsibilities, we contracted with the independent public accounting firm of KPMG LLP (KPMG) to conduct the audit, subject to our review. KPMG is responsible for expressing an opinion on WAPA's financial statements and reporting on applicable internal controls and compliance with laws and regulations. The OIG monitored audit progress and reviewed the audit report and related documentation. This review disclosed no instances where KPMG did not comply, in all material respects, with generally accepted government auditing standards. The OIG did not express an independent opinion on WAPA's financial statements.

KPMG concluded that the financial statements present fairly, in all material respects, the financial position of WAPA as of September 30, 2024, and 2023, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended in accordance with U.S. generally accepted accounting principles.

As part of this review, auditors also considered WAPA's internal controls over financial reporting and tested for compliance with certain provisions of laws, regulations, contracts, and grant agreements that could have a direct and material effect on the financial statements. The audit did not identify any deficiency in internal control over financial reporting that is considered a material weakness.

The OIG issued Notices of Findings and Recommendations to management throughout the audit. All findings and recommendations will be detailed in a separate management letter that will be provided to WAPA. The audit disclosed no instances of noncompliance or other matters required to be reported under applicable audit standards and requirements. There are no formal recommendations that need to be tracked in the Departmental Audit Report Tracking System; therefore, an additional response is not required.

We appreciated the cooperation of your staff during the audit.

Attachment

cc: Acting Chief Financial Officer, Western Area Power Administration, WAPA
Acting Comptroller, Western Area Power Administration, WAPA
Vice President of Governance and Policy, Western Area Power Administration, WAPA

Audit Report: DOE-OIG-25-15

Department financial reports are available for download on the Office of the Chief Financial Officer website: https://www.energy.gov/cfo/listings/agency-financial-reports.

WESTERN AREA POWER ADMINISTRATION

Agency Financial Report

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WESTERN AREA POWER ADMINISTRATION

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Message from the Administrator (Unaudited)

WAPA Customers, Partners, and Stakeholders:

I am pleased to present WAPA's agency financial report for fiscal year 2024. This report reflects our ongoing commitment to operational excellence, financial stewardship, and our mission to provide reliable, cost-based hydropower and transmission to the communities we serve.

Fiscal year 2024 presented a familiar mix of challenges and opportunities, underscoring the importance of resilience, adaptability, and strategic foresight. While better-than-expected hydrology in 2023 offered a brief reprieve, persistent drought conditions and growing demands on our aging infrastructure emphasize the need for continued vigilance and investment.

WAPA's ability to consistently deliver value, even under challenging conditions, is rooted in our full-cost-recovery financial model and our foundational values—listening to understand, speaking with purpose, and seeking continuous improvement. This year, we are proud to report on significant accomplishments, including our sustained contributions to the U.S. Treasury, which now total $921 million over the past five years.

However, the work ahead is clear. More than 70% of WAPA's asset base consists of aging transmission lines and substations requiring critical upgrades. Addressing these needs is essential to maintaining the reliability and resilience of our system. Rising costs due to inflation, supply chain constraints, and the increasing expense of purchased power underscore the urgency of these investments.

Looking forward, WAPA's focus on maintaining and modernizing our infrastructure aligns with our broader mission of empowering communities and securing a resilient energy future. Our transition to Federal Accounting Standards Advisory Board (FASAB) financial reporting last year represents another step in our journey toward enhanced governance, transparency, and administrative efficiency, reinforcing our commitment to our role as a federal agency.

As we move ahead, we remain unwavering in our mission and dedicated to serving with integrity, reliability, and safety. Thank you for your continued trust and partnership as we work together to address the challenges of today and build a sustainable energy future for generations to come.

Sincerely,

Tracey A. LeBeau
Administrator and CEO
February 7, 2025

WESTERN AREA POWER ADMINISTRATION

Management's Discussion and Analysis (Unaudited)

Fiscal Year 2024

Overview

Mission

The mission of Western Area Power Administration (WAPA) is to safely provide reliable, cost-based hydropower and transmission to our customers and the communities we service.

In carrying out the mission, we are guided by the following values:

Listen to understand, speak with purpose. We must always consider our audience and speak to them in ways that will be clear, simple, and relevant. We know active listening is the first step in effective communication. We consider context and check for clarity and simplicity. We are respectful, direct, honest, transparent, and consistent. We assume positive intent.

Seek. Share. Partner. We value partnership and actively engage others in the seeking and sharing of ideas. We collaborate to move forward and partner to add value. We actively engage others. We share all relevant information in a timely fashion, acting as one team united in our common mission.

Respect self, others, and the environment. We represent WAPA in being good neighbors and stewards of our collective resources. We are compassionate in our relationships with others, as well as toward ourselves. We are respectful in all of our dealings.

Do what is right. Do what is safe. We are public servants who act with integrity, stand up for what is right, and demonstrate courage when acting in the best interests of our customers and the communities they serve. We are safe in all of our actions and consider safety in all our planning.

Be curious, learn more, do better. Repeat. We seek and welcome feedback to directly and quickly improve. We innovate, plan for the future, and support the growth of our teams and colleagues. We reflect upon progress to learn and grow.

Serve like your lights depend on it! We understand the importance of our mission to provide power to customers that serve more than 40 million Americans. We anticipate customer needs, build relationships, seek win-win solutions, and embrace responsibility. We work hard to ensure other Americans know and understand the importance of our mission.

About WAPA

Through a combination of human power and hydropower, WAPA has built a lasting commitment to deliver clean and reliable wholesale electricity to preference and other customers to power the West. Established on December 21, 1977, under Section 302 of the Department of Energy (Department) Organization Act, WAPA is one of four federal power marketing administrations in the Department. It is the largest PMA in terms of service area and transmission line mileage, the youngest in time of existence, and the most legislatively complex.

WAPA carries out its mission through electrical, transmission, and ancillary services. Annually, we market and deliver more than 25,000 gigawatt-hours of reliable, cost-based hydropower generated at 57 federal dams operated by the Bureau of Reclamation, United States Army Corps of Engineers, and the International Boundary and Water Commission. WAPA purchases additional energy from utilities on the open market to fully meet our contractual obligations and system reliability needs. Our approximately 700 customers then provide electric service to more than 40 million Americans from the Desert Southwest to the Canadian border, and from the lakes of Minnesota to the California coastline.

In addition to marketing federal hydropower, WAPA operates a diverse transmission system prioritizing service to our firm electric customers. We also sell additional transmission capacity service as an open access transmission provider and offer ancillary services for system operation reliability. Our advanced and complex grid has fueled rural electrification throughout the West.

WAPA's more than 1,500 federal employees provide or support these primary products and services:

- **Power marketing** for the sale and transmission of firm and nonfirm, long-term, short-term, and seasonal power to existing and new customers in accordance with project marketing plans
- **Transmission services** allowing other utilities to transmit nonfederal power across our transmission lines
- **Operation and maintenance services** that balance supply and demand, and ensure the vast transmission system is maintained and operable to deliver energy where and when it's needed
- **Transmission infrastructure program** providing external partners access to our borrowing authority to develop transmission and related facilities to support delivery of renewable energy
- **Ancillary services** that make the system work, including scheduling and dispatch, voltage control, energy imbalance, operating reserves, and others.

Our ability to restore the grid through a "black start" is a lesser-known, but critical, purpose. Hydropower's black start capabilities make us the guardians of the grid and a critical source of grid resilience.

Organizational Structure

Our organizational structure as of January 2025 is as follows. For more information, visit https://www.wapa.gov/about-wapa/organizational-chart/.

Administrator and CEO
Tracey LeBeau

Regional Executives	Corporate Executives	Ex Officio
Senior VP and Desert Southwest Regional Manager Jack Murray	**Executive VP and Chief Operating Officer** Tina Ko	**Chief of Staff** Erin Green
Senior VP and Rocky Mountain Regional Manager Lloyd Linke (Acting)	**Senior VP and Chief Administrative Officer** Jennifer Rodgers	**Chief Strategy Officer** Kerry Whitford
Senior VP and Sierra Nevada Regional Manager Michelle Williams	**Senior VP and Chief Financial Officer** Colin Marquez (Acting)	**Chief Public Affairs Officer** Angie Harsh
Senior VP and Upper Great Plains Regional Manager Gary Nansel (Acting)	**Senior VP and Chief Information Officer** Michael Montoya	**Human Resources Shared Service Center** Cheryl Reese
Senior VP and Colorado River Storage Project Manager Rodney Bailey	**Senior VP and General Counsel** Ron Klinefelter	
	Senior VP and Transmission Infrastructure Program Manager Paul Schwabe	
	Senior VP and Assistant Administrator for Corporate Liaison Dionne Thompson	

Performance Goals and Results

WAPA's performance and results are aligned with the Power Forward 2030, the agency's Strategic Plan for 2023–2030, and allow leadership to gauge performance in key areas related to power marketing and transmission.

Repayment of Investment

Measures WAPA's ability to meet legislated cost recovery requirements for timely repayment of federal investment based on the latest available power repayment studies. Ensures unpaid investment (UFI) is equal to or less than the allowable unpaid investment (AUFI) in accordance with Department of Energy (DOE) Order RA 6120.2 and Reclamation Law. Targets based on AUFI forecasted two years in advance. Reported UFI at the end of the current fiscal year is the actuals from the previous fiscal year (lagging indicator).

Measure benchmark is a UFI less than or equal to $8.743 billion.

Metric was met at $4.940 billion and $4.810 billion for the fiscal years ending September 30, 2024 and 2023, respectively.

Control Performance Standard

Measures WAPA's reliability of the electrical grid by attaining a North American Electric Reliability Council Control Performance Standard 1 rating of equal to or greater than 100 percent for each balancing authority (i.e., Western Area Lower Colorado, Western Area Colorado Missouri, and Western Area Upper Great Plains).

Measure benchmark is greater than 110%.

Metric was met at 161.94% and 166.33% for the fiscal years ending September 30, 2024 and 2023, respectively.

Annual Operations and Maintenance Cost Per Kilowatt Generated

Measures WAPA's ability to provide power at the lowest possible cost by keeping total operation and maintenance cost per kilowatt-hour generated at or below the national median for public power for entities with more than 100,000 customers.

Measure benchmark is less than or equal to $0.061.

Metric was met at $0.028 and $0.019 for fiscal years ending September 30, 2024 and 2023, respectively.

Systems Availability

Measures the extent at which significant systems, Supervisory Control and Data Acquisition/Energy Management System, are online and running as expected (includes underlying infrastructure, network computer systems, communication links, and storage devices).

Measure benchmark is less than 99.50%.

Metric was met at 100% for both fiscal years ending September 30, 2024 and 2023.

 (Continued)

Cybersecurity Response

Measures the percentage of cybersecurity threats resolved within two days of being identified by the QRadar system/incident logs.

Measure benchmark is greater than or equal to 90%.

Metric was met at 98.95% and 94.75% for the fiscal years ending September 30, 2024 and 2023, respectively.

Reliability Centered Maintenance

Measures WAPA’s ability to maintain an acceptable range that serves WAPA by placing special emphasis on conducting reliability centered maintenance over corrective/emergency maintenance.

Measure benchmark is greater than 90%.

Metric was met at 93.0% and 96.0% for the fiscal years ending September 30, 2024 and 2023, respectively.

Asset Data Use

Measures the extent at which WAPA emphasizes the use of asset management data to support strategic and operational actions. Data focuses on Health Index, Probability of Failure, and Risk Scores.

Measure benchmark is greater than 97%.

Metric was met at 100% and 97.9% for the fiscal years ending September 30, 2024 and 2023, respectively.

Analysis of Financial Statements

WAPA prepared annual financial statements in conformity with Generally Accepted Accounting Principles prescribed by the Federal Accounting Standards Advisory Board and the formats prescribed by the Office of Management and Budget (OMB).

WAPA, a federal power marketing administration, markets and transmits hydroelectric power generated from hydropower plants that are owned and operated by the U.S. Department of the Interior, Bureau of Reclamation; the U.S. Department of Defense, Army Corps of Engineers; and the U.S. Department of State, International Boundary and Water Commission (collectively referred to as the generating agencies). Users are advised that the statements presented do not include power-generating functions of the generating agencies.

For additional detailed breakout of cost drivers and expenditures by rate-setting system, see the published Financial Transparency reporting on The Source.

Statement of Net Cost

Presents WAPA costs and legislatively assigned generation costs incurred to conduct operations less any exchange revenues earned.

Hydroelectric and Transmission Program

Hydroelectric and transmission program activity represents WAPA’s marketing and distribution of hydroelectric power generation, supplemental power, transmission, and ancillary services for the 15 multipurpose water projects and the Desert Southwest Pacific NW-SW Intertie transmission project that have received reimbursable appropriations. Power rates are set to recover all costs associated with power delivery, such as annual operating costs, federal investment in WAPA and power allocated generation facilities, with interest, and legislatively assigned costs to power for repayment.

The program is operated to break even. Rates are separately established by project to ensure full cost recovery of both WAPA and power-allocated costs of generating agencies. Operating, purchased power, purchased transmission, and interest expenses are estimated to be recovered in current rates and trued up in subsequent rates. Plant assets are generally recovered over the lesser of estimated useful life or 50 years. Congressional appropriations for asset purchases and deficits bear interest at rates set by law or administrative orders until paid.

Sale of electric power reports revenues for recovery of both WAPA and generating agency costs. Power revenues transferred, advanced directly to, or allocated to recovery of generating agency costs reduce WAPA's gross revenues.

Revenues collected for plant repayment are typically allocated to the highest interest-bearing assets first, which may result in uneven revenue distributions between agencies year over year and net cost. Additionally, the timing of purchase power costs and recovery may fluctuate year over year due to drought conditions, operating constraints, and timing of rate adjustments.

Analysis of Significant Variances

Figure 1: Abbreviated Consolidated Net Cost, major program variances
Dollars in thousands

				Increase (decrease)	
		2024	2023	$	%
Major program:					
Hydroelectric power and transmission program costs:					
Operations and maintenance	$	420,583	394,564	26,019	6.6 %
Purchase power and wheeling		537,672	705,850	(168,178)	(23.8)%
Depreciation		101,525	105,316	(3,791)	(3.6)%
Net interest		4,306	8,742	(4,436)	(50.7)%
Total program costs		1,064,086	1,214,472	(150,386)	(12.4)%
Less: Earned revenues		(1,034,008)	(1,269,277)	235,269	(18.5)%
Net cost of hydroelectric power and transmission	$	30,078	(54,805)	84,883	(154.9)%

- Purchase power and wheeling decreased from fiscal year 2023 due to reduced market rates for power purchases, reduced energy imbalance costs and reduced wheeling transmission access rates.
- Earned revenues decreased from fiscal year 2023 due to decreased pass-through purchase power and wheeling and energy imbalance costs.

WESTERN AREA POWER ADMINISTRATION

Management's Discussion and Analysis (Unaudited)

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Balance Sheet

The balance sheet presents the amounts of future economic benefits owned or managed by WAPA (assets) against the amounts owed (liabilities) and the amounts that comprise the difference (net position).

Appropriated debt represents the unpaid balance of appropriations for purchase power, construction, operations and maintenance of power facilities, related interest, transfers of property and services, and postretirement benefits due the U.S. Treasury General Fund.

Figure 2: Abbreviated Consolidated Balance Sheet, key variances

Dollars in thousands

				Increase (decrease)	
		2024	2023	$	%
Assets:					
Fund balance with Treasury	$	3,829,211	3,842,802	(13,591)	(0.4)%
Accounts receivables, net		228,130	173,476	54,654	31.5 %
General property, plant, and equipment, net		2,910,541	2,880,868	29,673	1.0 %
Other assets		169,249	175,707	(6,458)	(3.7)%
Inventory		38,734	32,935	5,799	17.6 %
Total assets	$	7,175,865	7,105,788	70,077	1.0 %
Liabilities:					
Accounts payable	$	110,331	81,372	28,959	35.6 %
Debt		76,193	76,193	—	0.0 %
Advances from others		239,801	213,789	26,012	12.2 %
Appropriated debt		1,866,816	1,846,531	20,285	1.1 %
Other liabilities		174,149	164,462	9,687	5.9 %
Total liabilities	$	2,467,290	2,382,347	84,943	3.6 %
Total net position	$	4,708,575	4,723,441	(14,866)	(0.3)%
Total liabilities and net position	$	7,175,865	7,105,788	70,077	1.0 %

- Accounts receivables, net increased from fiscal year 2023 due to $17.1 million increased regulation charges and $26.1 million timing on collections and fluctuations in purchase power requirements for reimbursable customers, with a corresponding impact to accounts payable.
- Advances from others increased from fiscal year 2023 due to various construction and maintenance projects, including $14.6 million for construction of network upgrades and $15.5 million for the Vail to Tortolita transmission line project.

WESTERN AREA POWER ADMINISTRATION

Management's Discussion and Analysis (Unaudited)

Fiscal Year 2024

Analysis of Systems, Controls, and Legal Compliance

Management's Assurances

WAPA's leadership and management is responsible for establishing and maintaining an effective system of internal controls to meet the objectives of the Federal Managers' Financial Integrity Act of 1982 (FMFIA). To support WAPA's management responsibilities, an annual evaluation of management and financial system internal controls is required by Sections II and IV of FMFIA and OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control.* The annual assurances are made based on the results of these evaluations, which are reflected in reports and representations completed by senior accountable managers within WAPA.

WAPA completed an evaluation of management and financial system internal controls, and as of September 30, 2024, WAPA provides reasonable assurance that internal controls for the effectiveness and efficiency of operations, reliability of reporting for internal and external use, and compliance with applicable laws and regulations are operating effectively in design and operation. The evaluation of internal controls for reporting included processes supporting the Digital Accountability and Transparency Act of 2014 and overall data quality contained in agency reports, as required by Appendix A of OMB Circular No. A-123 and agency requirements. The evaluation is an assessment of entity and process controls and considered risks associated with the Infrastructure Investment and Jobs Act, environmental management, cybersecurity, climate change, aging or deteriorating equipment, physical attack, and human capital management, along with results of audit reports and internal management reviews. WAPA has reasonable assurance that processes are in place to identify risks and establish controls to mitigate identified risks. Evaluation results indicate WAPA's financial system generally conforms to government financial systems requirements, and substantially complies with requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA).

WAPA has no material weaknesses to report as a result of the internal control evaluations.

Tracey A. LeBeau
Administrator and CEO
February 7, 2025

Federal Managers' Financial Integrity Act

The FMFIA requires agencies to establish internal controls and financial systems to provide reasonable assurance that the integrity of federal programs and operations remains protected. The FMFIA also mandates that the head of the agency provide an annual assurance statement detailing if the agency met this requirement and if material weaknesses exist.

In response to the FMFIA, WAPA has an internal control program that holds managers accountable for the performance, productivity, operations, and integrity of programs through the use of internal controls. Each year, senior WAPA managers evaluate the adequacy of the internal controls surrounding activities and determine whether the controls conform to the principles and standards established by OMB and the Government Accountability Office. The results of these evaluations and other senior management information determine if there are internal control matters resulting in material weaknesses.

OMB Circular No. A-123, Appendix A

OMB Circular No. A-123, Appendix A requires agencies to conduct management assessment and evaluation of internal controls over reporting, which includes processes supporting the Digital Accountability and Transparency Act of 2014 and overall data quality contained in agency reports. The evaluation requires an annual assessment of entity and process controls.

WAPA's evaluation for fiscal year 2024 provides reasonable assurance that processes are in place to identify risks and establish controls to manage these risks.

Federal Financial Management Improvement Act

The FFMIA improves federal financial management and reporting by requiring financial management systems to comply substantially with three requirements:

1. Federal financial management system requirements
2. Applicable federal accounting standards
3. The United States Standard General Ledger (USSGL) at the transaction level.

The FFMIA requires independent auditors to report on agency compliance with the three stated requirements as part of financial statement audit reports.

WAPA evaluated its financial management system and determined it substantially complies with federal financial management system requirements, applicable federal accounting standards, and the USSGL at the transaction level.

Financial Management Systems Plan

WAPA's enterprise-wide applications consist of financial and budgetary systems. These systems are supported by a data warehouse linking common data elements from each of the business systems and support external and internal reporting. The major business systems maintained by WAPA include:

Financial: Financial Management Information System (FIMS): Oracle's on-premises Business Intelligence Enterprise software solution is the principal financial management system used by WAPA for all financial transactions and budget distribution. FIMS is compliant with all annual Federal Information Security Management Act requirements and is fully accredited. Fiscal year 2024 FIMS activities included:

- General Ledger Journal Voucher workflow updated to include budget journals
- Implemented Federal Administrator module
- Created additional reporting needs that stemmed from General Ledger Journal Voucher workflow to include budget journals and Federal Administrator implementation
- Server upgrades
- Actively maintained required security posture and upgraded to most current patches
- Provided 24x7 support for key processing and reporting timeframes (month, quarter, year-end)

Fiscal year 2025 outlook includes database upgrades.

Budget: Budget Formulation Integration Tool (BFIT): This is WAPA's cloud budgetary funds formulation system that provides the capability to capture and report formulation, revalidation, and spend plan activities. Fiscal year 2024 BFIT activities included:

- Updated Facility ID metadata spacing to match FIMS
- Enhanced Project Initiation Document (PID) uploading process
- Initial report creation of reports related to PID for Program Managers and Budget Analysts
- Business Objects Enterprise (BOE) report enhancements for budget versus actual reporting
- Actively maintained required security posture and upgraded to most current patches

Fiscal year 2025 outlook includes PID uploading enhancements with possible external integration from Power App and internal integration between budgeting and capital cubes; adding reporting from the capital cube to accommodate reporting needs for both the Budget Analyst and Maintenance Program Manager; system changes to move old dimension data to new and remove unused dimensions; and investigations of the Enterprise Project Management (EPM) narrative reporting capabilities and create modeling scenarios.

Asset, Work, and Property Management System (Maximo): Maximo is an on-premises IBM enterprise asset management (CMMS/EAM) software system used to track, manage, and analyze power system assets throughout their lifecycle. The system plays a key role in asset, work, and property management. Fiscal year 2024 Maximo activities included:

- Required Maximo upgrade to V7.6.1.3 to maintain vendor support
- Maximo cloud upgrade readiness assessment

(Continued)

- Investigated hosting options, potential upgrade cost, and changes that are required during cloud upgrade
- Completed enhancement to track IT laptops/desktops to project future lifecycle replacement costs
- Completed enhancement allowing Office of General Council to retire docket system and track legal hours by case within Maximo
- Fleet cards functionality was updated from Citibank to Write Express (WEX) and used for several months before reverting to Citibank due to numerous issues with WEX that were out of WAPA's control
- Actively maintained required security posture and upgraded to most current patches
- Provided 24x7 support for key processing and reporting timeframes (month, quarter, year-end)

Fiscal year 2025 outlook includes continued efforts upgrading to Maximo Application Suite cloud with database conversion and DataSplice V7, and begin implementation of Maximo Application Suite 9.0 which will continue into fiscal year 2026.

Power Billing: Western Transmission and Power Billing System (WTPBS): The WTPBS creates bills for customers based on usage, contractual rates of delivery, or quantities of energy. The final bills are interfaced into FIMS where they are recognized as power revenue. Fiscal year 2024 PBS activities included:

- Actively maintained required security posture and upgraded to most current patches
- Provided support for key processing and reporting timeframes (month, quarter, year-end)
- Migrated off Windows 2016 servers to Windows 2019

Fiscal year 2025 outlook includes investigating a potential software replacement to meet growing needs.

Data Reporting: SAP's Business Intelligence Platform (BOE): BOE is an ad-hoc web intelligence reporting application used to create, manage, and refresh reports against WAPA's enterprise applications. Fiscal year 2024 BOE activities included:

- Performed review/cleanup efforts to eliminate, rename, and/or combine similar reports and queries
- Updated the knowledge/training classroom
- Continued to provide support to users on standard reports, ad-hoc queries, and data inquiries
- Attempted server upgrade from MSSQL 2016 to MSSQL 2019

Fiscal year 2025 outlook includes continued efforts to upgrade server from MSSQL 2016 to MSSQL 2019, investigation of BOE viability moving forward, and possibly upgrading on-premises application version from 4.2 to 4.3.

Data Warehouse: Central Data Repository (CDR): Data is copied daily into the CDR from FIMS, BFIT, and Maximo. WAPA's BOE system accesses the CDR data for various reporting needs.

WESTERN AREA POWER ADMINISTRATION

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Fiscal Year 2024

The following are used by WAPA but maintained outside of WAPA:

- Procurement: Strategic Integrated Procurement Enterprise System (STRIPES): STRIPES is DOE's procurement and contracts management system, automating all procurement and contract activities associated with planning, awarding, and administering various unclassified acquisition and financial assistance instruments. STRIPES data is transmitted to WAPA, which is uploaded into FIMS via a WAPA process. STRIPES is integrated with STARS and IDW, STRIPES connects DOE with General Services Administration's (GSA) Integrated Award Environment systems, including the System for Award Management (SAM), Federal Procurement Data System – Next Generation, and SAM.gov's Contracts Opportunities. STRIPES also interfaces with Grants.gov and Unison's FedConnect.
- Travel Processing: Services outsourced through the GSA's eTravel Services contract using a system called Concur Government Edition. In fiscal year 2025, WAPA will work with GSA and DOE on ETS-Next implementation.
- Payroll Processing: Automated Time and Attendance Production System along with internal systems for collating internal data, which is then outsourced to be serviced by Defense Finance and Accounting Service.

Analysis of Entity Specific Risks

OMB A-123 requires federal agencies to effectively identify and manage risks using an enterprise approach. The Enterprise Risk Management (ERM) program at WAPA is responsible for supporting all business units in the identification and assessment of risks providing the leadership team with a WAPA-wide view of risks that could negatively impact the accomplishment of the mission and strategic goals. ERM also works to integrate risk considerations into strategic planning efforts and within the daily execution of business processes and management operations across WAPA.

For fiscal year 2024, ERM has developed a risk profile that highlights seven risk categories and eleven specific risks. Figure 3 displays the impact and likelihood of each specific risk.

Figure 3: Risk Rating

		Inherent Risk Rating		Residual Risk Rating	
Risk Category	**Specific Risk**	**Impact**	**Likelihood**	**Impact**	**Likelihood**
Cybersecurity	Cybersecurity Incident	Very High	High	High	Moderate
Climate Change	Reduced Hydropower Generation	High	High	Moderate	High
Safety and Security	Physical Attack on Critical Assets	Very High	High	High	Moderate
Safety and Security	Safety Incident	High	High	High	Moderate
Physical Infrastructure	Key Material Shortages	High	High	Moderate	High
Physical Infrastructure	Failure of Critical Assets	High	Moderate	Moderate	Moderate
Financial Management	Financial Risk: Non-fraud	High	Moderate	Moderate	Moderate
Financial Management	Financial Risk: Procurement	Moderate	Low	Low	Low
Human Capital Management and Diversity and Inclusion	Human Capital Risk	High	Moderate	Moderate	Moderate
Reputational	Failure to Meet Regulatory Obligations	Moderate	Moderate	Moderate	Moderate
Reputational	Wildfire Risk	High	Moderate	High	Low

Risk Category 1: Cybersecurity

Specific Risk: Cybersecurity Incident

If unauthorized access to WAPA's information system occurs, then malicious actors could impede WAPA's ability to operate its transmission system and/or market operations. This risk includes the potential for an insider threat, using authorized access to systems and the IT supply chain to compromise or cause harm to WAPA or to allow the misuse of systems resulting in negative information system impacts or exposure to an external breach.

WAPA's current strategy is to reduce risk through utilizing a robust information security program that includes continuous review of WAPA's security posture and Plan of Action and Milestones processes serve as corrective action plans for tracking and planning the resolution of information security weakness. Additionally, WAPA continues to maintain strong partnerships with the DOE chief information officer, DOE chief information security officer, and the intelligence community to exchange best practices and timely threat information.

Risk Category 2: Climate Change

Specific Risk: Reduced Hydropower Generation

If prolonged drought conditions result in constrained water resources and reduced hydropower generation, then there may be an inability for WAPA to reliably deliver affordable, cost-based power. Extreme environmental requirements coupled with operating restrictions could further reduce flexibility for operating agencies to generate hydropower when optimal.

WAPA's current strategy is to reduce risk by managing the financial impacts of drought using the purchase power and wheeling reserve fund to purchase alternative sources of energy. In addition, WAPA applies drought adders and cost recovery charges to cover additional costs and adjusts contractual agreements to ensure estimated future power sales align with projected hydropower generation. WAPA is pursuing alternative operating scenarios in cases of severe drought and will continuously review its internal processes and explore ways to improve the integration of severe weather and climate risks into management plans.

Risk Category 3: Safety and Security

Specific Risk: Physical Attack on Critical Assets

If unauthorized intrusion or destructive acts occur at a critical substation, communications hub, or control center, then malicious actors could impede WAPA's ability to operate its transmission system. This risk includes the potential for an insider threat, using their authorized access to facilities to cause harm to WAPA.

WAPA's current strategy is to reduce risk through the application of WAPA's Office of Security and Emergency Management (OSEM) Program that ensures security risk mitigation activities are undertaken regularly, including, physical security risk assessments and physical security remediation.

Specific Risk: Safety Incident

If WAPA's ability to maintain a high level of safety is compromised, then a significant safety incident could occur, which could negatively impact the ability of WAPA to meet our mission.

WAPA's current strategy is to reduce risk by continuing to maintain a comprehensive safety and occupational health program; activities include outreach and training to help reduce safety incidents; sharing information on safety best practices and near-miss lessons learned; and utilizing safety culture training courses.

Risk Category 4: Physical Infrastructure

Specific Risk: Key Material Shortages

If supply cannot keep pace with demand for critical equipment and system components (e.g., transformers, power circuit breakers, line conductors, and critical IT software and hardware), and acquisitions are delayed or prohibited, then WAPA's ability to replace aging equipment or construct new transmission and IT infrastructure will be limited, increasing risk of failure, emergency response, and IT capabilities.

WAPA's current strategy is to reduce risk by increasing understanding of the current supply chain landscape and adapt to diminished supplies of critical components by standardizing equipment requirements so common parts can be shared, prioritizing replacements and upgrades of the most critical systems, establishing or reinforcing certain contract strategies to expedite acquisition, and sharing supplies with other utilities should the availability of critical equipment pose a significant risk to grid reliability.

Specific Risk: Failure of Critical Assets

If significant and widespread equipment failures occur due to aging or deteriorating equipment or widespread natural disaster events, then system resiliency and WAPA's ability to reliably deliver power and transmission services to customers could be impacted.

WAPA's current strategy is to reduce risk by continuing to maintain a robust asset management program and utilize a reliability centered maintenance program to evaluate electric power system assets and make investments that increase reliability.

Risk Category 5: Financial Management

Specific Risk: Financial Risk: Non-fraud

If WAPA's funding is uncertain or limited due to insufficient power sales and appropriations, unanticipated costs, and/or legislative or political decisions, then WAPA's ability to secure adequate funding for operations and maintain reserves to offset the inherent volatility of the energy commodity markets would be jeopardized, affecting our ability to perform mission-essential functions.

WAPA's current strategy is to reduce risk by relying on WAPA's rate-making authority, comprised of 11 rate-setting projects that represent 15 multipurpose water resource projects and 3 transmission projects, serving as the primary control point for revenues. Budget performance assessments and other financial controls serve as governance to keep expenditures in check. Active management of WAPA's requested authorities and appropriations, combined with proactive management of WAPA's reserves on-hand, enhance the key controls available to offset financial risk.

(Continued)

Specific Risk: Financial Risk: Procurement

If intentional violations of the procurement process occur (e.g., kickbacks, conflicts of interest, improper invoicing, collusion, bid rigging, improper or fraudulent charges, etc.), then WAPA could experience financial and/or business losses and disruption; reduced credibility and reputation; noncompliance with procurement laws, regulations, policies, or procedures; and increased oversight by auditing agencies.

WAPA's current strategy is to reduce risk by continuing to conduct various routine reviews of the procurement program including planned procurement profiles, procurement office reviews, and internal audit.

Risk Category 6: Human Capital Management and Diversity and Inclusion

Specific Risk: Human Capital Risk

If workforce trends, employee needs and labor market dynamics continue to rapidly change, this could result in a situation where WAPA may lose its ability to attract and retain employees with the institutional knowledge, skills, and expertise needed to deliver mission-critical products and services.

WAPA's current strategy is to reduce risk by continuing to focus on strategic workforce management in the Power Forward 2030 Strategic Plan, identify methods to improve recruitment and retention, and analyze workforce data analytics to continuously improve its workforce planning program to ensure the organization remains agile and adaptable to change.

Risk Category 7: Reputational

Specific Risk: Failure to Meet Regulatory Obligations

If WAPA does not maintain sufficient rigor in its programs, processes, and procedures, then it may fail to meet regulatory obligations leading to potential compromise of reliability, regulatory violations that could result in monetary impacts, the inability to meet contractual obligations, and exposure to reputational risk.

WAPA's current strategy is to reduce risk through continuously addressing North American Electric Reliability Council regulatory requirements through WAPA's Reliability Compliance Program, which provides ongoing oversight and support in this operational area.

Specific Risk: Wildfire Risk

If a wildfire occurs near existing transmission lines, or impacts a substation, it could result in large-scale damage to infrastructure and/or shut down of a line causing outages and reduced reliability. In specific cases, wildfires could also pose a risk to employee safety. This risk could include a scenario where electrical equipment fails during elevated fire conditions resulting in a potential ignition of a wildfire.

WAPA's current strategy is to reduce this risk by proactively monitoring and maintaining situational awareness of changing wildfire conditions and performing routine inspections of transmission lines and equipment in wildfire prone areas. In addition, WAPA applies Integrated Vegetation Management (IVM) techniques to ensure that rights-of-way (ROWs) are cleared of hazard trees and/or extensive vegetation that could pose a wildfire risk.

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Independent Auditor's Report

The Inspector General, United States Department of Energy, and
The Administrator, Western Area Power Administration:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Western Area Power Administration (WAPA), which comprise the consolidated balance sheets as of September 30, 2024 and 2023, and the related consolidated statements of net costs, changes in net position, and custodial activity, and combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of WAPA as of September 30, 2024 and 2023, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-02 are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of WAPA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in note 1(f) to the consolidated financial statements, in 2024, WAPA adopted new accounting guidance relates to leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-02 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-02, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WAPA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis and Required Supplementary Information sections be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audits of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the Agency Financial Report (AFR). The other information comprises the Table of Contents, Message from the Administrator, and Management's Assurances but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

KPMG

Other Reporting Required by *Government Auditing Standards*

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements as of and for the year ended September 30, 2024, we considered WAPA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of WAPA's internal control. Accordingly, we do not express an opinion on the effectiveness of WAPA's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether WAPA's consolidated financial statements as of and for the year ended September 30, 2024 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 24-02.

We also performed tests of WAPA's compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances in which WAPA's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of WAPA's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Denver, Colorado
February 7, 2025

WESTERN FEDERAL POWER SYSTEM

Consolidated Balance Sheets

September 30, 2024 and 2023

(In thousands)

		2024	2023
Assets			
Intragovernmental assets:			
Fund Balance with Treasury – budgetary (note 1(c))	$	2,267,022	2,084,622
Fund Balance with Treasury – non-budgetary (note 1(c))		1,562,189	1,758,180
Total fund balance with Treasury (note 3)		3,829,211	3,842,802
Accounts receivables, net (note 4)		67,632	38,290
Total intragovernmental assets		3,896,843	3,881,092
With the public:			
Accounts receivables, net (note 4)		160,498	135,186
Inventory, net (note 5)		38,734	32,935
General property, plant, and equipment, net:			
Completed utility plant, net		2,147,034	2,141,347
Construction work in progress		274,614	248,613
Contributed property, plant, and equipment, net		366,447	374,829
Other		122,446	116,079
Total general property, plant, and equipment, net (note 6)		2,910,541	2,880,868
Other assets:			
Regulatory assets (note 8)		77,818	78,647
Power rights, net		80,881	86,022
Other		8,812	9,239
Contributed power rights, net		1,738	1,799
Total other assets (note 7)		169,249	175,707
Total with the public assets		3,279,022	3,224,696
Total assets	$	7,175,865	7,105,788
Liabilities			
Intragovernmental liabilities:			
Accounts payable	$	4,509	3,334
Debt (note 10)		76,193	76,193
Advances from others and deferred revenue		584	592
Other liabilities:			
Appropriated debt		1,866,816	1,846,531
Other		42,388	39,119
Total other liabilities (note 12)		1,909,204	1,885,650
Total intragovernmental liabilities		1,990,490	1,965,769
With the public:			
Accounts payable		105,822	78,038
Federal employee salary, leave, and benefits payable		34,494	33,618
Veterans, pensions, and post-employment – related benefit		13,972	14,827
Environmental and disposal liabilities (note 11)		33,531	33,657
Advances from others		239,217	213,197
Other liabilities (note 12)		49,764	43,241
Total with the public liabilities		476,800	416,578
Total liabilities (note 9)		2,467,290	2,382,347
Net position:			
Unexpended appropriations		11,429	180,424
Cumulative results of operations		4,697,146	4,543,017
Total net position		4,708,575	4,723,441
Total liabilities and net position	$	7,175,865	7,105,788

See accompanying notes to financial statements.

WESTERN FEDERAL POWER SYSTEM

Consolidated Statements of Net Cost

September 30, 2024 and 2023

(In thousands)

		2024	2023
Major programs:			
Hydroelectric power and transmission program costs:			
Operations and maintenance	$	420,583	394,564
Purchase power		296,050	416,120
Purchased transmission services		241,622	289,730
Depreciation		101,525	105,316
Interest on appropriated debt		12,130	14,531
Allowance for funds used during construction		(9,224)	(7,196)
Net interest to U.S. Treasury		2,906	7,335
Interest on long-term debt		1,400	1,407
Total hydroelectric power and transmission program costs		1,064,086	1,214,472
Less: earned revenues:			
Sales of electric power		(456,824)	(605,101)
Transmission and other operating revenues		(577,184)	(664,176)
Total hydroelectric power and transmission earned revenues		(1,034,008)	(1,269,277)
Net cost of hydroelectric power and transmission		30,078	(54,805)
Other programs:			
Transmission infrastructure program:			
Program costs		7,229	9,135
Less: earned revenues		(4,731)	(8,646)
Net cost of transmission infrastructure program		2,498	489
Reimbursable programs:			
Program costs		328,752	283,738
Less: earned revenues		(327,170)	(283,795)
Net cost of reimbursable programs		1,582	(57)
Other programs:			
Program costs		27,174	17,230
Less: earned revenues		(20)	(14)
Net cost of other programs		27,154	17,216
Net costs of operations	$	61,312	(37,157)

See accompanying notes to financial statements.

WESTERN FEDERAL POWER SYSTEM

Consolidated Statements of Changes in Net Position

September 30, 2024 and 2023

(In thousands)

	Funds from dedicated collections 2024	Funds from dedicated collections 2023
Unexpended appropriations:		
Beginning balances	$ 180,424	164,923
Appropriations received	—	520,000
Appropriations used	(168,995)	(504,499)
Net change in unexpended appropriations	(168,995)	15,501
Total unexpended appropriations	11,429	180,424
Cumulative results of operations:		
Beginning balances	4,543,017	4,530,120
Changes in accounting principles (note 1(f))	331	—
Appropriations used	168,995	504,499
Nonexchange revenue	—	3
Transfers – in/(out) without reimbursement:		
Generating agency warrant transfers	(111,886)	(106,821)
Other transfers	1	205
Total transfers – in/(out) without reimbursement	(111,885)	(106,616)
Donations and forfeitures of property	6,701	19,408
Imputed financing	17,328	13,661
Other:		
Generating agency revenue transfers (note 1(n))	115,128	83,451
Irrigation assistance (note 14(b))	—	(21,798)
Constructive returns	18,767	3,111
Appropriations received	—	(520,000)
Miscellaneous	76	21
Net costs of operations	(61,312)	37,157
Net change in cumulative results of operations	154,129	12,897
Total cumulative results of operations	4,697,146	4,543,017
Net position	$ 4,708,575	4,723,441

See accompanying notes to financial statements.

WESTERN FEDERAL POWER SYSTEM

Combined Statements of Budgetary Resources

September 30, 2024 and 2023

(In thousands)

		2024	2023
Budgetary resources:			
Unobligated balance from prior year budget authority, net	$	1,657,760	907,642
Appropriations		100,100	618,960
Spending authority from offsetting collections		1,386,205	1,624,246
Total budgetary resources	$	3,144,065	3,150,848
Status of budgetary resources:			
New obligations and upward adjustments (total)	$	1,305,143	1,501,722
Unobligated balance, end of year:			
Apportioned, unexpired accounts		1,742,337	1,212,381
Unapportioned, unexpired accounts		96,585	436,745
Unobligated balance, end of year (total)		1,838,922	1,649,126
Total budgetary resources	$	3,144,065	3,150,848
Outlays, net:			
Outlays, net (total)	$	(82,300)	(97,337)
Distributed offsetting receipts		(27,396)	(72,614)
Agency outlays, net	$	(109,696)	(169,951)

See accompanying notes to financial statements.

WESTERN FEDERAL POWER SYSTEM

Consolidated Statements of Custodial Activities

September 30, 2024 and 2023

(In thousands)

	2024	2023
Sources of collections:		
Cash collections:		
Miscellaneous	$ 204,930	175,284
Total cash collections	204,930	175,284
Accrual adjustment	574	(510)
Total custodial revenue	205,504	174,774
Disposition of revenue:		
Transfers to others:		
Department of Treasury	(15,113)	(533)
Bureau of Indian Affairs	(218)	—
Bureau of Reclamation	(189,599)	(174,751)
(Increase)/decrease in amounts to be transferred	(574)	510
Total disposition of revenues	(205,504)	(174,774)
Net custodial activity	$ —	—

See accompanying notes to financial statements.

WESTERN AREA POWER ADMINISTRATION

Notes to the Consolidated and Combined Financial Statements

September 30, 2024 and 2023

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

Western Area Power Administration (WAPA) is a power marketing administration within the U.S. Department of Energy (DOE) that markets and transmits wholesale electrical power across 15 western states through an integrated 17,000-plus circuit-mile, high-voltage transmission system.

WAPA delivers power from 11 rate-setting projects that encompass both WAPA's transmission facilities and the power-generating facilities owned and operated by the Bureau of Reclamation (BOR), the Army Corps of Engineers (COE) and the International Boundary and Water Commission (IBWC) (collectively - Generating Agencies). These projects are made up of 15 multipurpose water resource projects and three transmission projects.

Project	Rate Setting	Facilities Use Charge	Mulitpurpose Water	Transmission Only
Boulder Canyon Project	x		x	
Central Arizona Project	x			x
Parker-Davis Project	x		x	
Pacific NW-SW Intertie - DSW	x			x
Electrical District 5-to-Palo Verde Hub		x		x
Central Valley Project	x		x	
Washoe Project			x	
Salt Lake City Integrated Projects	x			
Dolories Project			x	
Colorado River Storage Project			x	
Seedskadee Project			x	
Colbran Project			x	
Rio Grande Project			x	
Falcon-Amistad Project	x		x	
Provo River Project	x		x	
Olmsted Project	x		x	
Loveland Area Projects	x			
Fryingpan-Arkansas Project			x	
Pick Sloan Western Division			x	
Pick Sloan Eastern Division	x		x	

The financial statements contain four primary program activities: Hydroelectric Power and Transmission, Transmission Infrastructure Program (TIP), Reimbursable and Other.

i. *Hydroelectric Power and Transmission*

Hydroelectric Power and Transmission activity represent WAPA's marketing and distribution of hydroelectric power generation, supplemental power, transmission, and ancillary services for the 15 multipurpose water resource projects and the Desert Southwest Pacific NW-SW Intertie transmission project that have received appropriations requiring repayment. Rates are set to recover costs associated with power delivery, transmission and ancillary services, such as annual operating costs, transmission construction costs and specific multipurpose costs associated with recovering the federal investment in WAPA and power allocated generation facilities, with interest, and legislatively assigned costs to power for repayment.

The program is cost based and as such seeks to recover costs incurred or statutorily allocated to power customers. Rates for power and transmission customers are established by project, or a collection of projects, to ensure cost recovery of both WAPA and power allocated costs of Generating Agencies. Operating, purchase power, purchased transmission and interest expenses are estimated to be recovered in current rate and trued up in subsequent rates. Plant assets are generally recovered over the lesser of estimated useful life or 50 years. Congressional appropriations for asset purchases and deficits bear interest at rates set by law or administrative orders until repaid.

The statement of net cost reports WAPA costs and legislatively assigned generation costs. The sale of electric power in the consolidated statements of net cost reports gross revenues collected for recovery of WAPA costs. Power revenues are derived from bundled rates that include collection for both energy and transmission. The portion of power revenues collected for the recovery of Generating Agencies costs are separately reported as custodial collections in the consolidated statements of custodial activity.

Revenues collected for plant repayment are allocated to highest interest-bearing assets first which may result in uneven revenue distributions between WAPA and the Generating Agencies year-over-year and WAPA's net cost of operations. Additionally, the timing of purchase power costs and recovery may fluctuate year-over-year due to drought conditions, operating performance, and timing of rate adjustments.

ii. *Transmission Infrastructure Program (TIP)*

TIP activity represents WAPA activity related to Section 402 of the American Recovery and Reinvestment Act of 2009 (Recovery Act), Public Law No. 111-5, which was signed into law on February 17, 2009. Section 402 of the Recovery Act added Section 301 to the Hoover Power Plant Act of 1984 (Public Law No. 98-381) giving WAPA's Administrator the discretion to borrow up to $3.25 billion from the U.S. Treasury for the purposes of (1) constructing, financing, facilitating, planning, operating, maintaining, or studying construction of new or upgraded electric power transmission lines and related facilities that have at least one terminus within the area served by WAPA and (2) delivering or facilitating the delivery of power generated by renewable energy resources constructed or reasonably expected to be constructed after the Recovery Act was enacted.

TIP activity includes revenues and expense of the Electric District 5-to-Palo Verde Hub project (ED5 PVH) funded by the Recovery Act.

iii. *Reimbursable Activity*

Reimbursable activity represents agreements WAPA has with federal and non-federal customers to provide service on a fee basis for purchase power under agreements contracted outside of the rate setting process, transmission interconnections and maintenance. Activity includes reimbursement from BOR for transmission maintenance for the Boulder Canyon and Central Arizona Projects since BOR receives budget authority and has repayment obligation for both projects.

iv. *Other Activity*

Other activity represents WAPA activity that is not reimbursable through the rate process or reimbursable agreements and include congressional funding for specific activities.

(b) Basis of Accounting

The accompanying financial statements have been prepared to report the financial position, net cost, changes in net position, budgetary resources, and custodial activities of WAPA. These financial statements have been prepared from the books and records of WAPA in accordance with generally accepted accounting principles promulgated by Federal Accounting Standards Advisory Board (FASAB) and presentation guidelines in Office of Management and Budget (OMB) Circular No. A-136. The accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

Transactions are recorded on the accrual and budgetary bases of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recognized when liabilities are incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds. All material inter-entity balances and transactions have been eliminated in the consolidated balance sheets, statements of net cost, statements of changes in net position, and statements of custodial activities. The statements of budgetary resources (SBR) are prepared on a combined basis and do not include inter-entity eliminations.

Throughout these financial statements, assets, liabilities, earned revenue, and costs have been classified according to the type of entity with which the transactions were made. Intragovernmental assets and liabilities are those from or to other federal entities.

(c) Fund Balance with U.S. Treasury

Budgetary fund balance with U.S. Department of the Treasury (U.S. Treasury) (FBWT) represents special expenditure funds and revolving funds that are available to pay current liabilities and finance authorized purchases. Non-budgetary fund balance with U.S. Treasury represents special fund receipt accounts, deposit funds, and clearing and suspense account balances awaiting disposition or reclassification.

Disbursements and receipts are processed by the U.S. Treasury, and WAPA's records are reconciled with those of the U.S. Treasury.

(d) Accounts Receivable, Net

Intragovernmental accounts receivable represents amounts due from other federal agencies. Receivables due from the public and from federal agencies are stated net of an allowance for uncollectible accounts. The estimate of the allowance is based on experience in the collections of receivables and an analysis of the outstanding balances (note 4).

(e) Inventory, Net

Inventory is recorded at cost and consists of operating materials, supplies, and minor equipment held for future use in connection with construction or maintenance.

(f) General Property, Plant, and Equipment, Net

Beginning in 2024, FASAB Statement of Federal Financial Accounting Standards (SFFAS) 54, *Leases*, requires the adoption of new lease accounting standards as a prospective change in accounting principle and new note disclosure for right-to-use (RTU) leases and intragovernmental leases. An RTU lease includes an asset and a lease liability for non-intragovernmental, non-short-term contracts or agreements, when the entity has the right to obtain and control access to economic benefits or services from an underlying asset for a period of time in exchange for consideration under the terms of the contract or agreement. WAPA has established a RTU lease capitalization threshold of $500,000. The adoption of SFFAS 54 resulted in the recognition of $5.1 million in net RTU assets, $5.5 million in RTU liabilities, and $331,000 as an adjustment to cumulative results of operations.

Property, plant, and equipment (PP&E) that are purchased, constructed, or fabricated in-house, including major modifications or improvements, are capitalized at cost. Contributed PP&E is capitalized at estimated fair market value. WAPA capitalizes all costs associated with utility plant and real property. WAPA’s threshold for capitalization is $25,000 and $150,000 for equipment and software, respectively.

Utility plant includes transmission lines, substations, buildings, and related components. Costs include direct labor and materials; payments to contractors; indirect charges for engineering, supervision, and overhead; and interest during construction. The costs of additions, major replacements and betterments are capitalized, whereas repairs and maintenance are charged to operation and maintenance expense as incurred. Utility plant assets are depreciated using the straight-line method over the estimated service lives ranging from 5 to 50 years.

Utility plant is capitalized at the time a project or feature of a project is deemed to be substantially complete. A project is substantially complete when it is providing benefits and services for the intended purpose, and is generating project purpose revenue, where applicable.

Other PP&E consists of moveable equipment and internal use software. Moveable equipment cranes, energy testing equipment, helicopters, trucks, woodchippers and computers. Moveable equipment is depreciated using the straight-line method over the estimated service lives ranging from 3 to 20 years. Internal use software includes software purchased from commercial vendors “off the shelf” and internally developed software. Internal use software is depreciated over five years, using the straight-line method.

(g) Regulatory Assets

WAPA has elected to record certain amounts as assets in accordance with Financial Accounting Standards Board (FASB) ASC Topic 980, *Regulated Operations*. SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*, allows application of FASB standards when a transaction or event is not specified by FASAB standards, and a FASB standard more appropriately meets the entity’s unique financial reporting objectives.

 (Continued)

WAPA is not a public utility within the jurisdiction of Federal Energy Regulatory Commission (FERC) under the Federal Power Act. The Secretary of Energy, through the Under Secretary for Science (and Energy) and the Assistant Secretary for Electricity, has delegated authority to WAPA's Administrator to confirm, approve, and place into effect on an interim basis power and transmission rates for the individual power systems included in the combined financial statements. FERC has the exclusive authority to confirm, approve and place into effect on a final basis, and to remand or to disapprove rates developed by WAPA's Administrator.

Regulatory assets are assets that result from rate actions of WAPA's Administrator and other regulatory agencies (note 8) and relate to the Hydroelectric Power and Transmission program. These assets arise from specific costs that would have been included in the determination of net cost in one period but are deferred for purposes of developing rates to charge for services. WAPA defers costs as regulatory assets enabling the costs to be recovered through the rates during the periods when the costs are scheduled to be collected from customers. This ensures the matching of revenues and expenses.

(h) Power Rights

WAPA capitalizes all costs associated with power rights. Purchased power rights are capitalized at cost. Contributed power rights are capitalized at estimate fair market value. Power rights are amortized using the straight-line method over the lesser of the contract term or 40 years.

(i) Liabilities

Liabilities represent amounts of monies or other resources to be paid by WAPA because of a transaction or event that has already occurred.

(j) Advances From Others

Customer advances represent the balance of advance payments received from power customers under agreements for purchase power and wheeling, construction, operation and maintenance or other furnished items. Subsidiary accounts are maintained by customer to reflect the status of each advance. Customer advances also include revenue financing contracts that provide advanced customer funds in exchange for revenue credits on future power bills up to the amount of the advanced funds and, if applicable, any interest or fees.

(k) Appropriated Debt

Appropriated debt represents the unpaid balance of appropriations for purchase power and construction, operation and maintenance of power facilities, related interest, transfers of property and services and post-retirement benefits due the U.S. Treasury General Fund (note 12). Interest on the unpaid federal investment and cost of post-retirement benefits are recovered annually. WAPA generally sets its rates to recover the construction costs within a 50 year period. Replacements are generally expected to be repaid over their estimated useful service lives. There is no requirement for repayment of a specific amount of federal investment on an annual basis.

(l) Federal Employee Salary, Leave, and Benefits Payable

(i) Federal Employees Compensation Act

The Federal Employees' Compensation Act (FECA) actuarial liability represents the liability for future workers' compensation benefits, which includes the expected liability for disability, survivors, and medical benefits to employees who are injured, or become ill, in the course of federal employment and to the survivors of employees killed on the job. This liability is calculated annually by the Department of Labor (DOL) and allocated by DOE to WAPA for financial reporting purposes. The FECA actuarial liability has been deferred as a regulatory asset (note 8), while the current amounts are expensed.

(ii) Accrued Annual, Sick, and Other Leave

Federal employees' annual leave is accrued as it is earned, and the accrual is reduced annually for actual leave taken. Each year, the accrued annual leave balance is adjusted to reflect the latest pay rates. To the extent that current year or prior year appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future financing sources.

Sick leave and other types of non-vested leave are expensed as taken. Accrued annual leave, not funded by revolving funds, has been deferred as a regulatory asset (note 8).

(m) Pension, Post-Employment, and Veterans Benefits Payable

There are two primary retirement systems for Federal employees. Employees hired prior to January 1, 1984, may participate in the Civil Service Retirement System (CSRS). On January 1, 1984, the Federal Employees Retirement System (FERS) went into effect pursuant to Public Law 99-335. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, elected to either join FERS and Social Security or remain in CSRS. All employees are eligible to contribute to the Federal Thrift Savings Plan (TSP). For employees covered by FERS, a TSP account is automatically established to which the WAPA is required to contribute one percent of gross pay and match employee contributions up to an additional four percent. For most employees hired since December 31, 1983, WAPA also contributes the employer's matching share for Social Security. WAPA does not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to its employees. Reporting such amounts is the responsibility of the Office of Personnel Management (OPM).

Other postretirement benefits administered and partially funded by OPM are the Federal Employees Health and Benefits Program (FEHB) and the Federal Employee Group Life Insurance Program (FEGLI). FEHB is calculated at $9,445 and $9,640 per employee in fiscal years 2024 and 2023, respectively, and FEGLI is based on 0.02% of base salary for each employee enrolled in these programs.

WAPA records an imputed financing source (see note 1(n)) and a program expense equal to the difference between its contributions to federal employee pension and other retirement benefits and the estimated actuarial costs as computed by OPM for all programs except Hydroelectric Power and Transmission program. For the Hydroelectric Power and Transmission program, the difference is recorded as an increase in appropriated debt and the program expense is recovered in rates. WAPA's contributions for the two plans amounted to $43.4 million and $41.0 million for the years ended

September 30, 2024 and 2023, respectively. WAPA recorded an expense for pension and other postretirement benefits of $21.8 million and $17.3 million for the years ended September 30, 2024 and 2023, respectively.

(n) Revenue and Other Financing Sources

Exchange and Non-Exchange Revenues: In accordance with FASAB accounting standards, WAPA classifies revenues as either exchange (earned) or non-exchange. Exchange revenues are those that derive from transactions in which WAPA provides goods and services to the public or another government entity at a price. These revenues are presented on the consolidated statements of net cost and serve to offset the costs of these goods and services.

Non-exchange revenues result from donations to WAPA and derive from WAPA's sovereign right to demand payment, including fines and penalties. These revenues are not considered to reduce the cost of operations and are reported on the consolidated statements of changes in net position. Penalties are in other revenues.

Generating Agency Collections: WAPA bills and collects electric power revenues to cover Generating Agency power allocated costs including utility plant repayment, interest, operation, and maintenance expenses. WAPA incurs virtually no costs associated with these revenues and, consequently, these revenues are reported as custodial collections and distributions in the consolidated statements of custodial activities (note 17). In certain cases, advances to cover the Generating Agency power allocated costs are collected directly by the Generating Agency from the customer and bill credited by WAPA. Since these revenues are collected directly by the Generating Agency, these revenues are excluded from the consolidated statements of custodial activities.

Certain electric power revenues collected to recover Generating Agency costs occurs within the Reclamation Fund, which is managed by WAPA. Since FBWT within the Reclamation Fund is recorded in WAPA's consolidated balance sheets, these revenue collections are retained by WAPA and are reported as revenue allocations from generating agencies as a financing source in the consolidated statements of net position.

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The below table displays total exchange revenue reported by WAPA less the revenue associated with generating agency collections in the four primary program activities as of September 30, 2024 and 2023 (in thousands):

		2024				
		Hydro	TIP	Reimbursable	Other	Total
Sales of electric power	$	894,585	58	203,456	30,693	1,128,792
Transmission and other operating revenues		577,184	4,731	123,714	20	705,649
Total WAPA billings		1,471,769	4,789	327,170	30,713	1,834,441
Less:						
Bill credits on customer advances		(125,340)	—	—	—	(125,340)
Financing sources		(115,128)	—	—	—	(115,128)
Revenue allocation		(22,540)	—	—	—	(22,540)
Custodial revenue		(174,753)	(58)	—	(30,693)	(205,504)
Total earned revenues	$	1,034,008	4,731	327,170	20	1,365,929

		2023				
		Hydro	TIP	Reimbursable	Other	Total
Sales of electric power	$	951,392	33	205,932	31,153	1,188,510
Transmission and other operating revenues		664,176	8,646	77,863	14	750,699
Total WAPA billings		1,615,568	8,679	283,795	31,167	1,939,209
Less:						
Bill credits on customer advances		(118,932)	—	—	—	(118,932)
Financing sources		(83,451)	—	—	—	(83,451)
Revenue allocation		(320)	—	—	—	(320)
Custodial revenue		(143,588)	(33)	—	(31,153)	(174,774)
Total earned revenues	$	1,269,277	8,646	283,795	14	1,561,732

Appropriations: WAPA receives funding needed to perform its mission through Congressional appropriations. These appropriations may be used, within statutory limits, for operating and capital expenditures. These funds are made available to WAPA until expended. Reimbursable Hydroelectric Power and Transmission program appropriations are reported as an increase in appropriated debt in the consolidated balance sheets.

Imputed Financing Sources: In certain instances, program costs of WAPA are paid out of the funds appropriated to other Federal agencies. For example, certain costs of retirement programs are paid by OPM. When costs are incurred by other Federal entities because of WAPA's programs, WAPA recognizes these amounts on the consolidated statements of net cost. In addition, these amounts are recognized as imputed financing sources on the consolidated statements of changes in net position.

(o) Net Cost of Operations

Program costs are summarized in the consolidated statements of net cost by programs. Full costs are reduced by exchange (earned) revenues to arrive at net operating cost.

(p) Interest on Appropriated Debt

Interest, a component of appropriated debt, is accrued annually based on Federal statutes and project legislation. Such interest is reflected as an expense in the consolidated statements of net cost within the Hydroelectric Power and Transmission program. WAPA calculates interest annually based on the unpaid balances owed to the U.S. Treasury using rates set by law, administrative orders following law or administrative policies. Interest rates on unpaid balances ranged from 2.38% to 11.38% for the years ended September 30, 2024, and 2023.

Funding received from the Reclamation Fund and related interest is not reported as appropriated debt since the Reclamation Fund is managed by WAPA and all intra-fund activity is eliminated in the consolidated statements of net cost (note 12).

As provided by Federal law, interest is not assessed on unpaid balances in irrigation facilities anticipated to be repaid through power sales (note 15(b)).

(q) Allowance for Funds Used During Construction

Allowance for funds used during construction (AFUDC or interest during construction) represents interest on funds borrowed from the U.S. Treasury during the construction of utility plant. WAPA calculates AFUDC based on the average annual outstanding balance of construction work in progress and is calculated through the date in which assets are placed in service. AFUDC is capitalized and depreciated over the underlying asset's estimated useful life (note 1(f)). Applicable interest rates ranged from 3.00% to 8.21% for the years ended September 30, 2024, and 2023, depending on the year in which construction of utility plant was initiated and requirements of the authorizing legislation.

(r) Funds From Dedicated Collections

Funds from dedicated collections are financed by specifically identified revenues provided to the government by non-federal sources, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statue to be used for designated activities, benefits, or purposes, and must be accounted for separately from the government's general revenues. WAPA's predominate source of funding is from dedicated collections and all activity is reported as funds from dedicated collections in the consolidated statements of net position.

(s) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant items subject to such estimates and assumptions include the useful lives of completed utility plant; allowances for doubtful accounts; employee benefit obligations; environmental cleanup liabilities; and other contingencies.

(t) Reclassifications

Some balances in the consolidated balance sheets have been reclassified to conform with current presentation as prescribed by the Treasury Financial Manual and the U.S. Standard General Ledger. Balances and account descriptions impacted by the reclassification include federal employee salary, leave, and benefits payable; veterans, pensions, and post-employment - related benefit; and other liabilities.

(2) Non-Entity Assets (in thousands)

		2024	2023
Intragovernmental			
Fund balance with Treasury – non-budgetary	$	5,708	5,078
Accounts receivable		214	179
Total intragovernmental		5,922	5,257
Accounts receivable		8,514	7,975
Total non-entity assets		14,436	13,232
Total entity assets		7,161,429	7,092,556
Total assets	$	7,175,865	7,105,788

Assets in the possession of WAPA that are not available for its use are considered non-entity assets. WAPA's non-entity assets are custodial receivables that will be collected on behalf of others and custodial fund balance with U.S. Treasury that will be transferred to others (note 18).

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(3) Fund Balance with Treasury (in thousands)

		2024	2023
Status of fund balance with Treasury			
Unobligated balance:			
Available	$	1,742,338	1,212,381
Unavailable		96,939	437,099
Obligated balance not yet disbursed		442,535	449,932
Borrowing authority not yet converted to fund balance		(14,790)	(14,790)
Non-budgetary fund balance with Treasury (note 1(c))		1,562,189	1,758,180
Total fund balance with Treasury	$	3,829,211	3,842,802

Unobligated balance and obligated balance not yet disbursed amounts reported above differ from related amounts on the SBR because unobligated and obligated balances reported on the SBR are supported by both FBWT and other budgetary resources that do not affect FBWT. These amounts include borrowing authority, budgetary receivables, and budgetary resources temporarily precluded or reduced.

Borrowing authority not yet converted to fund balance represents unobligated and obligated amounts recorded that will be funded by future borrowings.

(4) Accounts Receivable, Net (in thousands)

		2024			2023		
		Receivable	Allowance	Net	Receivable	Allowance	Net
Intragovernmental	$	69,215	(1,583)	67,632	38,290	—	38,290
With the public		161,542	(1,044)	160,498	136,233	(1,047)	135,186
Total accounts receivable, net	$	230,757	(2,627)	228,130	174,523	(1,047)	173,476

Accounts receivable represents amounts earned but not collected primarily for Hydroelectric Power and Transmission and Reimbursable programs. The estimate of the allowance is based on experience in the collection of receivables and an analysis of the outstanding balances. Interest is charged on the principal portion of delinquent receivables based on rates published by the U.S. Treasury for the period in which the debt became delinquent. Delinquent receivables are charged off against the allowance once they are deemed uncollectible. Generally, all delinquent receivables are charged off once the delinquency exceeds two years or the debtor has filed for bankruptcy.

WESTERN AREA POWER ADMINISTRATION

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(5) Inventory, Net (in thousands)

		2024	2023
Operating materials	$	17,246	17,242
Supplies		17,574	12,163
Minor equipment		3,914	3,530
Total inventory, net	$	38,734	32,935

(6) General Property, Plant, and Equipment, Net (in thousands)

		2024			
		Acquisition Costs	Accumulated Depreciation	Net Book Value	Useful Life
Structures and facilities	$	4,669,026	(2,665,923)	2,003,103	10 - 50 years
Land and land improvements		143,931	—	143,931	
Construction work in process		274,614	—	274,614	
Lessee right-to-use lease asset (note 13)		6,324	(809)	5,515	44 years
Equipment		237,690	(154,033)	83,657	5 - 20 years
Internal use software		79,337	(46,063)	33,274	5 years
Contributed structures and facilities		686,626	(344,427)	342,199	10 - 50 years
Contributed land and land improvements		24,248	—	24,248	
Total general property, plant & equipment	$	6,121,796	(3,211,255)	2,910,541	

		2023			
		Acquisition Costs	Accumulated Depreciation	Net Book Value	Useful Life
Structures and facilities	$	4,591,003	(2,588,530)	2,002,473	10 - 50 years
Land and land improvements		138,874	—	138,874	
Construction work in process		248,613	—	248,613	
Lessee right-to-use lease asset (note 13)		5,835	(700)	5,135	50 years
Equipment		228,824	(148,443)	80,381	5 - 20 years
Internal use software		95,388	(64,825)	30,563	5 years
Contributed structures and facilities		680,080	(329,441)	350,639	10 - 50 years
Contributed land and land improvements		24,190	—	24,190	
Total general property, plant & equipment	$	6,012,807	(3,131,939)	2,880,868	

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(7) Other Assets (in thousands)

		2024	2023
With the public			
Regulatory assets (note 8)	$	77,818	78,647
Power rights		223,173	223,173
Amortization of power rights		(142,292)	(137,151)
Subtotal power rights, net (note 1(h))		80,881	86,022
Contributed power rights		2,459	2,458
Amortization of contributed power rights		(721)	(659)
Subtotal contributed power rights, net (note 1(h))		1,738	1,799
Cap and trade		6,976	6,438
Capital credits		1,709	1,606
Interchange energy		127	1,195
Total other assets	$	169,249	175,707

(8) Regulatory Assets (in thousands)

		2024	2023
Environmental cleanup liabilities	$	33,514	33,640
Accrued annual leave		19,193	18,630
Workers' compensation actuarial cost		13,829	14,668
Recovery implementation program		11,282	11,709
Total regulatory assets	$	77,818	78,647

(a) Environmental Cleanup Liabilities

Environmental liabilities represent the amount recorded for the estimated liability for projected future cleanup costs associated with removing, containing, and/or disposing of hazardous waste, including asbestos. A liability, as well as a regulatory asset, is recorded for the estimated environmental cleanup costs. The costs are recorded when the future remediation costs are known and estimable. The cost is deferred until incurred and recovered through the rate making process.

(b) Accrued Annual Leave

Accrued annual leave represents benefits that will be paid out to employees upon retirement or separation from employment with the government. The amount not funded by revolving funds has been deferred as a regulatory asset to reflect the effects of the rate making process. Deferred annual leave costs are expensed as used.

(c) Workers' Compensation Actuarial Cost

DOL determines an actuarial liability associated with cases incurred for which additional future claims may be made on an annual basis. DOL determines the actuarial liability associated with future claims using historical benefit payment patterns discounted to present value (37 years) using economic assumptions for 10-year U.S. Treasury notes and bonds.

The recovery of future claims is deferred for rate making purposes until such time as the claims are submitted to and paid by DOL. Therefore, the recognition of the actuarial expense associated with hydroelectric power operations has been deferred as a regulatory asset in the consolidated balance sheets to reflect the effects of the rate making process.

(d) Recovery Implementation Program (RIP)

Section 8 of the Colorado River Storage Project (CRSP) Act of 1956, as amended, mandates that the U.S. Department of the Interior (Interior) establish and implement programs to conserve fish and wildlife. Under this Act and other legislation, Reclamation has established programs to preserve the habitat and otherwise aid endangered fish and wildlife. The RIP is an example of such a program and is managed by the U.S. Fish and Wildlife Service. On October 30, 2000, Congress passed Public Law 106 392 that authorized additional funding to Reclamation to continue the RIP. The legislation specifies that a total of $17.0 million is to be collected by WAPA from its power customers and provided to Reclamation to finance capital costs. WAPA received loans from the State of Colorado to finance the RIP $5.5 million was financed in December 2002 at an interest rate of 4.50% per year and an additional $5.9 million was received in December 2004 with an interest rate of 3.25%. Repayment of amounts borrowed from the State of Colorado for the RIP and accrued interest were deferred until October 1, 2012. All interest accrued during the deferral period of $4.0 million was accreted into the outstanding principal balance. Commencing October 1, 2012, all costs are amortized to expense over the repayment period of 30 years. Total expense amortized was $0.5 million and $0.4 million for the years ended September 30, 2024 and 2023. The status of the State of Colorado financing is disclosed in note 10.

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(9) Liabilities Not Covered by Budgetary Resources (in thousands)

		2024	2023
Intragovernmental:			
Appropriated capital and other adjustments (note 12)	$	1,866,816	1,846,531
Debt (note 10)		76,193	76,193
Irrigation assistance (note 14(b))		21,798	21,798
Other		77	123
Total intragovernmental		1,964,884	1,944,645
Federal debt held by the public		30,989	35,615
Federal employee salary, leave, and benefits payable		19,193	18,630
Veterans, pensions, and post-employment - related benefit		13,972	14,830
Environmental liabilities (note 11)		33,514	33,640
Other liabilities			
Contingencies and commitments		8,212	300
Other		8,759	6,435
Total liabilities not covered by budgetary resources		2,079,523	2,054,095
Total liabilities covered by budgetary resources		368,394	313,165
Total liabilities not requiring budgetary resources		19,373	15,087
Total liabilities	$	2,467,290	2,382,347

(10) Debt (in thousands)

		2024			2023		
		Beginning Balance	Net Borrowings	Ending Balance	Beginning Balance	Net Borrowings	Ending Balance
Debt owed to Treasury other than FFB	$	76,193	—	76,193	76,193	—	76,193
Debt owed to the public (note 12)		35,615	(4,626)	30,989	40,246	(4,631)	35,615
Total debt	$	111,808	(4,626)	107,182	116,439	(4,631)	111,808

(a) Debt Owed to Treasury other than Federal Financing Bank (FFB)

TIP borrowed funds from the U.S. Treasury for ED5 PVH. The ED5 PVH project is a 109-mile transmission project which encompasses the acquisition of 64 miles of capacity rights in the new Southeast Valley Project from the Duke/Test Track Substation to the Palo Verde Hub; and new construction of 45 miles of a WAPA transmission line and upgraded facilities from the ED5 Substation to the Test Track Substation. The OMB authorized use of up to $91 million in borrowing authority to finance the construction and related costs of the ED5 PVH project. As of September 30, 2024, and 2023, the outstanding amount borrowed was $76.2 million. In 2015, the project was completed, and the outstanding loan was converted to a 30-year long-term financing agreement with the U.S. Treasury. The principle is due at maturity in 2045 while interest is due semi-annually at a rate of 3.03%.

(b) Debt Owed to the Public

Debt owed to the public includes borrowing form the State of Colorado and customer construction financing.

WAPA received loans from the State of Colorado totaling $11.9 million. The purpose of these loans was to fund BOR’s endangered fish recovery implementation programs (note 8). Interest began accruing at the time loans were granted and was accreted into the outstanding principal balance until repayment began in 2012. The loan will be repaid through power revenues through 2041. Principal outstanding was $11.2 million and $11.7 million, as of September 30, 2024, and 2023, respectively.

WAPA enters long-term financing arrangements with customers for project improvements and construction of interconnection facilities. These obligations are scheduled to be satisfied by issuing credits against future power bills through December 2031 at interest rates ranging from 0.00% to 3.00%. Principal outstanding was $19.8 million and $23.9 million, as of September 30, 2024 and 2023, respectively.

(11) Environmental and Disposal Liabilities (in thousands)

		2024	2023
Beginning balance	$	33,657	22,226
Changes to environmental cleanup and disposal liability estimates		(126)	11,431
Costs applied to reduction of legacy environmental liabilities		—	—
Ending environmental cleanup and disposal liabilities	$	33,531	33,657
Unfunded environmental liabilities	$	33,514	33,640
Funded environmental liabilities		17	17
Total environmental cleanup and disposal liabilities	$	33,531	33,657

WAPA’s environmental liabilities primarily consists of the estimated cleanup costs for asbestos. Asbestos related cleanup costs are the costs of removing, containing, and/or disposing of (1) asbestos containing materials from property, or (2) material and/or property that consists of asbestos containing material at permanent or temporary closure or shutdown of associated property, plant, and equipment. WAPA estimated cleanup costs based on an inventory of assets and estimated cleanup costs per square foot, consistent with cost factors prescribed by DOE. The unfunded asbestos related cleanup costs are deferred as a regulatory asset until actual cleanup expenditures are incurred (note 8).

(12) Other Liabilities (in thousands)

		2024	2023
Intragovernmental:			
Appropriated debt	$	1,866,816	1,846,531
Irrigation assistance (note 14(b))		21,798	21,798
Custodial		14,437	13,232
Other		6,153	4,089
Total intragovernmental		1,909,204	1,885,650
With the public:			
Lessee right-to-use lease liability		5,626	5,466
Contingencies and commitments		8,212	300
Debt owed to the public (note 10)		30,989	35,615
Other		4,937	1,860
Total other than intragovernmental		49,764	43,241
Total other liabilities	$	1,958,968	1,928,891

Appropriated Debt

Appropriated debt represents the unpaid balance of appropriations, related interest, transfers of property and services and post-retirement benefits due the U.S. Treasury General Fund (note 1(k)).

During fiscal year 2023 WAPA received $520 million from the Disaster Relief and Emergency Assistance Act to address drought impacts and funding requirements for purchase power and wheeling. These appropriations are collectively referred to as purchase power appropriations, do not bear interest, but are payable to the U.S. Treasury from available receipts.

WAPA's financial statements include Treasury Account Symbol 5000.27 within the Reclamation Fund. Funding received from the Reclamation Fund is not reported as appropriated debt since the Reclamation Fund is managed by WAPA and all intra-fund activity is eliminated.

Status of appropriated debt (in thousands):

		2024	2023
General fund – construction and operation:			
Appropriations	$	942,569	946,628
Transfer of property and services, net		2,400,674	2,359,098
Post-retirement benefits		56,156	51,693
Interest		865,976	853,848
Payments to the U.S. Treasury		(3,418,559)	(3,384,736)
		846,816	826,531
General fund – purchase power:			
Appropriations		1,020,000	1,020,000
Payments to the U.S. Treasury		—	—
		1,020,000	1,020,000
Total general fund		1,866,816	1,846,531
Reclamation fund – construction and operation:			
Appropriations		6,770,641	6,687,790
Transfer of property and services, net		3,624,080	3,508,929
Post-retirement benefits		224,071	207,516
Interest		3,631,346	3,525,099
Payments to the U.S. Treasury		(10,779,764)	(10,770,583)
		3,470,374	3,158,751
Reclamation fund elimination		(3,470,374)	(3,158,751)
Total reclamation fund		—	—
Appropriated Debt	$	1,866,816	1,846,531

(13) Leases (in thousands)

(a) Lessee Right-To-Use Leases

		2024	2023
Summary of lessee right-to-use lease assets:			
Power line equipment	$	6,324	5,835
Total lessee right-to-use lease assets		6,324	5,835
Less accumulated depreciation		(809)	(700)
Net lessee right-to-use lease assets	$	5,515	5,135

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Future payments due under lessee right-to-use lease liabilities as of September 30, 2024, consist of the following:

		Principal Payments	Interest Payments	Total Payments
Future lease payments:				
2025	$	748	233	981
2026		801	203	1,004
2027		38	171	209
2028		40	169	209
2029		42	167	209
2030 - 2034		236	808	1,044
2035 - 2039		291	753	1,044
2040 - 2044		358	686	1,044
2045 - 2049		442	602	1,044
2050 - 2054		545	499	1,044
2055 - 2059		673	371	1,044
2060 - 2064		829	215	1,044
2065 - 2069		583	36	619
Total future lease payments	$	5,626	4,913	10,539
Lessee right-to-use lease liabilities covered by budgetary resources	$	4,149	4,823	8,972
Lessee right-to-use lease liabilities not covered by budgetary resources		1,477	90	1,567
Total lessee right-to-use lease liability	$	5,626	4,913	10,539

WAPA has two lessee right-to-use lease liabilities. One for the lease of two 230-kV transmission lines from the Hoover Power Plant to Mead Substation. The lease originated in 2018 with a term of 50 years and gross asset value and obligation of $5.8 million. The second lease is for equipment. For both leases, the lease net asset value is included in general property, plant and equipment (note 6) and the remaining lease obligation is reported in other liabilities (note 12). The discount rate used to calculate the lease liability is provided by OMB Circular No. A-94, *Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs*, and was 4.2% for the transmission lines and 4.0% for the equipment. Amortization expense of $809 and $117 thousand dollars is included in operation and maintenance expense for the year ended September 30, 2024 and 2023.

(b) Intragovernmental Leases:

		2024	2023
Summary of intragovernmental leases:			
Buildings and structures	$	3,656	2,208
Vehicles and equipment		5,291	5,130
Total expenses	$	8,947	7,338

WAPA has one noncancelable lessee right-to-use lease asset that has a remaining noncancelable term more than year with the General Services Administration (GSA) for WAPA's headquarters office building in Lakewood, Colorado. The lease has a remaining lease term of approximately 3 years as of September 30, 2024.

WAPA has several cancelable lessee right-to-use leases, primarily for general purpose motor vehicles, office, and warehouse space that expire during the next 15 years. The right to relinquish space on cancelable leases is available with 120-day notice to terminate. The GSA is generally the leaseholder for all cancelable equipment and building leases. These leases generally contain renewal options for periods ranging from three to five years and require the lessee to pay all costs, such as maintenance and insurance.

(14) Contingencies and Commitments

(a) General

WAPA is involved in various claims, suits, and complaints routine to the nature of their business and could be liable for damages associated with these matters. It is management's opinion that the ultimate disposition of these claims will not have a material adverse effect on the combined financial statements. In some cases, a portion of any loss that may occur may be paid from the U.S. Treasury's Judgment Fund (Judgment Fund). The Judgment Fund is a permanent, indefinite appropriation available to pay judgments against the government.

WAPA has accrued contingent liabilities of $8.2 million and $0.3 million as of September 30, 2024, and 2023, where losses are determined to be probable and the amounts can be estimated. It is reasonably possible that a change in estimate will occur. However, any associated losses are expected to be paid by the Judgment Fund.

WAPA is involved in a suit in which the plaintiffs are seeking $60 million in personal injuries under the Federal Tort Claims Act due to a motor vehicle accident involving a WAPA tractor-trailer. Based on the Administrative Record, the acts of the United States' agent occurred within their scope of employment. WAPA believes a finding of total or partial liability against WAPA is reasonably possible, however, the amount is not currently measurable, and no liability is accrued as of September 30, 2024. Any associated losses are expected to be paid by the Judgment Fund.

WAPA is involved in a suit in which the plaintiffs are seeking $3.3 million in personal injuries and loss of consortium under the Federal Tort Claims Act due to an accident involving a pedestrian riding a bike and a WAPA government-owned vehicle. WAPA believes a finding of total or partial liability against

WAPA is reasonably possible, however, the amount is not currently measurable, and no liability is accrued as of September 30, 2024. Any associated losses are expected to be paid by the Judgment Fund.

Contingencies as of September 30, 2024, and 2023, consist of the following (in thousands):

		2024	2023
Unfunded contingencies:			
Legal contingencies	$	8,212	300
Subtotal		8,212	300
Funded contingencies		—	—
Total contingencies	$	8,212	300

		2024			2023		
		Estimated Range of Loss			Estimated Range of Loss		
		Accrued Liabilities	Lower End	Upper End	Accrued Liabilities	Lower End	Upper End
Legal contingencies:							
Probable	$	8,212	—	9,400	300	—	9,400
Reasonably possible		—	—	63,300	—	—	63,300
Total contingencies	$	8,212	—	72,700	300	—	72,700

(b) Irrigation Assistance

As directed by law, WAPA is required to establish rates sufficient to make cash distributions to the U.S. Treasury for the portion of Reclamation's original capital construction costs allocated to irrigation purposes, which were determined by the Secretary of the Interior to be beyond the ability of the irrigation customers to pay. These irrigation distributions do not specifically relate to power generation. In establishing power rates, particular statutory provisions guide the assumptions that WAPA makes as to the amount and timing of such distributions. As a result, WAPA includes a schedule of irrigation assistance costs in each respective power system's power repayment study to demonstrate repayment of principal within the allowable repayment period. These repayment amounts do not incur or accumulate interest from the date that Reclamation determines the irrigators' inability to pay.

Although these repayments will be recovered through power sales, they do not represent an operating cost of the individual power systems Irrigation assistance represents a non-exchange liability under SFFAS No. 5, *Accounting for Liabilities*, and repayments are not recorded as a liability on the combined balance sheets until the due date established by the Secretary of Interior. Repayments made by WAPA are recorded as a financing source transferred out on the consolidated statements of net position.

Depending on legislation, irrigation assistance payments are transferred to the U.S. Treasury General Fund or covered into the Reclamation Fund. The Reclamation Fund is a component of WAPA, and all related irrigation assistance activity has been eliminated. Irrigation assistance payments covered into the Reclamation Fund, and eliminated for combination, totaled $22,500 and $600,000 in 2024 and 2023, respectively.

The 2023 irrigation assistance distribution payable to the U.S. Treasury General Fund for the Colorado River Storage Project of $21.8 million has been accrued as other intragovernmental liabilities (note 12) due to legislation to withhold payments to U.S. Treasury during extreme drought conditions.

Anticipated future payments are not accrued until both due and payable as of the balance sheet date. As of September 30, 2024, anticipated irrigation assistance payments are as follows (in thousands):

		Payment to the Reclamation Fund	Payable to the General Fund
Anticipated payments:			
2025	$	—	106,261
2026		—	534
2027		—	172
2028		—	—
2029			18,885
2030+		694,529	654,326
Total anticipated irrigation assistance payments	$	694,529	780,178

(c) Power Contract Commitments

WAPA has entered into various agreements for power and transmission purchases that vary in length but generally do not exceed 20 years. The current period purchased power and purchased transmission costs are included in the consolidated statements of revenues and expenses. WAPA's long-term commitments for these power and transmission contracts, subject to the availability of federal funds and contingent upon annual appropriations from Congress, are as follows (in thousands):

		Purchased Power	Purchased Transmission	Total
Anticipated payments:				
2025	$	41,554	5,852	47,406
2026		7,708	5,852	13,560
2027		—	5,756	5,756
2028		—	4,552	4,552
2029		—	4,552	4,552
2030+		—	59,401	59,401
Total anticipated payments	$	49,262	85,965	135,227

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In addition to these contracts, WAPA maintains other long-term contracts which provide the ability to purchase unspecified quantities of transmission services within a contractually determined range and rate to fulfill its contractual obligations to deliver power. WAPA has historically had to purchase a certain level of transmission services under these agreements.

(15) Inter-Entity Costs

Goods and services are received from other federal entities at no cost or at a cost less than the full cost to the providing federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by WAPA are recognized as imputed cost in the consolidated statements of net cost and are offset by imputed financing in the consolidated statements of changes in net position. Such imputed costs relate to post-retirement benefits described in note 1(m).

(16) Combined Statements of Budgetary Resources

The combined statement of budgetary resources is presented on a combined, rather than a consolidated, basis in accordance with OMB guidance.

Net Adjustments to Unobligated Balance, Brought Forward:

		2024	2023
		($ in thousands)	
Unobligated balance brought forward, Oct 1	$	1,649,126	902,465
Recoveries of prior year unpaid obligations		8,634	9,177
Unobligated balance transferred to other accounts		—	(4,000)
Total adjusted unobligated balance brought forward	$	1,657,760	907,642

(a) Borrowing Authority

The amount of borrowing authority available for WAPA has remained unchanged at $3.2 billion as of September 30, 2024.

(b) Undelivered Orders at the End of the Period

		2024		2023	
		Federal	Non-federal	Federal	Non-federal
		($ in thousands)			
Undelivered orders – unpaid	$	24,932	399,243	27,545	414,122
Undelivered orders – paid		—	—	—	—
Total undelivered orders	$	24,932	399,243	27,545	414,122

(c) Permanent Indefinite Appropriations

WAPA has no permanent indefinite appropriations. A permanent indefinite appropriation is open ended as to both period of availability and amount.

(d) Legal Arrangements Affecting the Use of Unobligated Balances

WAPA has no legal arrangements affecting the use of unobligated balances.

(e) Explanation of Differences Between the SBR and the Budget of the U.S. Government

The table below presents a reconciliation between the Budgetary Resources, New Obligations and Upward Adjustments, Distributed Offsetting Receipts, and Net Outlays from the FY 2023 SBR and the actual amounts from the "Appendix – Detailed Budget Estimates by Agency" sections of the FY 2025 President's Budget; distributed offsetting receipts is reconciled to the "Analytical Perspectives – Federal Budget by Agency and Account."

		Budgetary Resources	New Obligations & Upward Adjustments	Distributed Offsetting Receipts	Net Outlays
		($ in thousands)			
Combined statement of budgetary resources as published	$	3,151	1,502	(73)	(97)
Differences		1	—	—	(1)
Budget of the United States Government	$	3,152	1,502	(73)	(98)

The budget with actual amounts is available with the President's Budget, typically in March the following year.

(17) Custodial Activities

WAPA's mission requires it to collect hydroelectric power revenues and miscellaneous fees from its power customers and others which are designated as custodial collections. The custodial collections do not affect WAPA's net cost or net position. Instead, the collections are transferred to others where the impact on financial statements is shown.

A summary of custodial activities for the years ended September 30, 2024 and 2023, are presented below.

		2024	2023
Bureau of Indian Affairs:			
Sale of electric power	$	218	—
Bureau of Reclamation:			
Sale of electric power:			
Boulder Canyon Project		75,030	67,680
Central Arizona Project Receipts		9,418	8,962
Colorado River Storage Project		82,171	72,911
Pick Sloan Western Division		2,497	2,497
Surcharges:			
Restoration Fund		9,057	9,071
Lower Colorado River Basin Development Fund		12,000	13,120
		190,173	174,241
U.S. Treasury:			
Debt Repayment – Falcon-Amistad Project		500	500
Debt Repayment – Pick Sloan Eastern Division		14,555	—
Miscellaneous Fees		58	33
		15,113	533
Total custodial revenue	$	205,504	174,774

(18) Reconciliation of Net Cost to Net Outlays

This reconciliation explains the relationship between the entity's net outlays on a budgetary basis and the net cost of operations during the reporting period. It serves not only to identify costs paid for in the past, and those that will be paid for in the future, but also to assure integrity between budgetary and financial accounting.

The table illustrates the key reconciling items between net operating cost and net outlays which includes three sections. (1) The components of net cost not part of budgetary outlays includes proprietary accounts that do not result in net outlays during the current fiscal year. This includes items such as depreciation, changes to certain assets and liabilities, and imputed financing; (2) The components of the budget outlays that are not part of net operating cost accounts for budgetary outlays that do not result in proprietary costs for the current fiscal year. This includes acquisition of capitalized assets and inventory, both of which have disbursements without associated costs, and transfers; and (3) The miscellaneous items section includes custodial/non-exchange revenue.

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September 30, 2024 and 2023

The reconciliation of net cost of operations to budgetary accounts for the years ending September 30, 2024, and 2023 is presented below.

	2024		
	Intra-governmental	Other than Intra-governmental	Total
		($ in thousands)	
Net cost	$ (245,898)	307,210	61,312
Components of net operating cost not part of the budgetary outlays:			
Property, plant, and equipment depreciation	—	(139,130)	(139,130)
Property, plant, and equipment disposal & reevaluation	—	7,263	7,263
Lessee lease amortization	—	(809)	(809)
Cost capitalization offset	—	132,087	132,087
Increase/(decrease) in assets:			
Accounts receivable	9,941	25,309	35,250
Other assets	—	(1,257)	(1,257)
(Increase)/decrease in liabilities:			
Accounts payable	(1,176)	(27,784)	(28,960)
Lessee right-to-use lease liability	—	(4,149)	(4,149)
Environmental and disposal liabilities	—	126	126
Federal employee salary, leave, and benefits payable	—	(875)	(875)
Veterans, pensions, and post-employment - related benefit	—	855	855
Advances from others and deferred revenue	8	(26,020)	(26,012)
Other liabilities	(22,995)	(897)	(23,892)
Financing sources:			
Imputed cost	(17,329)	—	(17,329)
Other imputed finance	(115,128)	—	(115,128)
Total components of net operating cost not part of budgetary outlays	(146,679)	(35,281)	(181,960)
Components of the budget outlays not part of the net operating cost:			
Acquisition of capital assets	1,907	20,108	22,015
Acquisition of inventory	—	5,799	5,799
Other	3,713	—	3,713
Total components of the budget outlays not part of net operating cost	5,620	25,907	31,527
Miscellaneous Items:			
Custodial/non-exchange revenue	—	(15,109)	(15,109)
Non-entity activity	—	—	—
Other adjustments	—	(5,466)	(5,466)
Total other reconciling items	—	(20,575)	(20,575)
Total net outlays (calculated total)	$ (386,957)	277,261	(109,696)
Related amounts on the statement of budgetary resources:			
Outlays, net (total) (SBR 4210)			$ (82,300)
Distributed offsetting receipts			(27,396)
Agency outlays, net			$ (109,696)

WESTERN AREA POWER ADMINISTRATION

Notes to the Consolidated and Combined Financial Statements

September 30, 2024 and 2023

	2023		
	Intra-governmental	Other than Intra-governmental	Total
		($ in thousands)	
Net cost	$ (201,307)	164,150	(37,157)
Components of net operating cost not part of the budgetary outlays:			
Property, plant, and equipment depreciation	—	(139,535)	(139,535)
Property, plant, and equipment disposal & reevaluation	—	4,874	4,874
Cost capitalization offset	—	174,455	174,455
Increase/(decrease) in assets:			
Accounts receivable	(7,058)	(18,030)	(25,088)
Other assets	—	18,870	18,870
(Increase)/decrease in liabilities:			
Accounts payable	997	29,377	30,374
Environmental and disposal liabilities	—	(11,431)	(11,431)
Federal employee salary, leave, and benefits payable	—	(1,671)	(1,671)
Veterans, pensions, and post-employment - related benefit	—	(1,811)	(1,811)
Advances from others and deferred revenue	1,969	(81,481)	(79,512)
Other liabilities	(35,383)	2,870	(32,513)
Financing sources:			
Imputed cost	(13,661)	—	(13,661)
Other imputed finance	(83,451)	—	(83,451)
Total components of net operating cost not part of budgetary outlays	(136,587)	(23,513)	(160,100)
Components of the budget outlays not part of the net operating cost:			
Acquisition of capital assets	1,020	14,633	15,653
Acquisition of inventory	—	5,596	5,596
Other	6,592	—	6,592
Total components of the budget outlays not part of net operating cost	7,612	20,229	27,841
Miscellaneous Items:			
Custodial/non-exchange revenue	—	(535)	(535)
Non-entity activity	—	—	—
Other adjustments	—	—	—
Total other reconciling items	—	(535)	(535)
Total net outlays (calculated total)	$ (330,282)	160,331	(169,951)
Related amounts on the statement of budgetary resources:			
Outlays, net (total) (SBR 4210)			$ (97,337)
Distributed offsetting receipts			(72,614)
Agency outlays, net			$ (169,951)

(19) Subsequent Events

WAPA has evaluated subsequent events through the date the consolidated and combined financial statements were available to be issued as of February 7, 2025 and identified the following subsequent event. In February 2025, the contingent liability accrued for $8.2 million as of September 30, 2024 (note 14(a)) was disposed, resulting in a payment of $5.5 million from the Judgment Fund.

WESTERN AREA POWER ADMINISTRATION

Required Supplementary Information (Unaudited)

Year ended September 30, 2024

This section of the report provides required supplementary information for WAPA on deferred maintenance, Government Land, and budgetary resources by major budget account.

(1) Deferred Maintenance

Deferred maintenance and repairs (DM&R) information is a requirement under Statement of Federal Financial Accounting Standards (SFFAS) No. 42, *Deferred Maintenance and Repairs*, which requires deferred maintenance disclosures as of the end of each fiscal year. Deferred maintenance is defined in SFFAS No. 42 as "maintenance and repairs that were not performed when they should have been or were scheduled to be and which are put off or delayed for a future period."

WAPA's policy is to maintain real property assets in a manner that promotes operational safety, worker health, environmental protection and compliance, property preservation, and cost-effectiveness, while meeting program missions. Estimates reported include DM&R for capitalized or not capitalized, and fully depreciated and not fully depreciated buildings, and structures owned by WAPA.

WAPA's maintenance program is based on reliability centered maintenance (RCM) principles. RCM is a systematic approach to developing an optimal routine maintenance strategy and program. WAPA implemented RCM for several reasons, including: 1) to improve reliability and availability of equipment, 2) to optimize maintenance expenditures, 3) to establish technical justifications and provide documentation of maintenance activities, intervals and triggers, 4) to prioritize preventive and corrective maintenance tasks and 5) to balance cost of routine maintenance with service reliability.

RCM is a maintenance philosophy that strives to maximize system reliability by focusing resources on preserving overall system function as opposed to preventing individual equipment or component failures. After determining the ways in which equipment can fail (failure modes) and assessing the consequences of each failure on system function (criticality), optimal maintenance tasks can be selected.

a. There will be a maintenance priority system to focus maintenance resources on the more important equipment and jobs while providing more scheduling flexibility in accomplishing work related to lower priority equipment and jobs. The priority system is intended to assist maintenance staff in accomplishing the work identified in the RCM studies.

b. WAPA will plan and track its maintenance activities to help assure full compliance with the maintenance program and obtain feedback on its effectiveness. All preventative, predictive, and condition-based maintenance activities will have job plans with associated craft time and duration estimates for resource planning purposes.

c. Periodic reports will be prepared showing work backlog and potential resource problems developing in time for action to mitigate the impacts and maintain compliance with WAPA's RCM maintenance program.

For each specific class of equipment, WAPA's RCM team conducts a study that establishes the standard maintenance program for that equipment class for all of WAPA. WAPA's maintenance program is based on one common set of RCM studies. These studies provide the specific maintenance intervals and type(s) of maintenance to be performed on each type of equipment based on several factors including:

- Criticality of the equipment with regard to system reliability
- Manufacturer's recommendations
- Recognized industry standards
- Internal historical knowledge and past performance data
- Common industry practices

The RCM study consists of selecting critical functions and systematically developing an optimal maintenance strategy for assuring the reliability of that function. The systematic RCM process consists of five sub-processes. These sub-processes are listed below and are performed in the order listed:

1. Boundaries and Functions – This process defines equipment boundaries and interfaces which establishes the limits of the study and ensures any interface that relates to the critical function is addressed. This process is intended to provide a systematic focus for the study and limit scope of study.
2. Failure Mode Criticality – This process will establish the ways of how the equipment critical to the function will most likely fail, known as the dominant failure modes. It's assumed that the equipment failure will reasonably likely occur given no routine maintenance. This process is also used to assign criticality (high, medium, or low, based on economic and/or safety impact) to each failure mode. This process identifies dominant and critical failures.
3. Causes and Task Selection – This process will establish the ways of why the failure mode most likely occurred, known as the dominant failure causes. It's assumed that the equipment failure will likely occur given no routine maintenance. This process identifies dominant causes of critical failures. It is also used to identify the maintenance tasks and task frequencies required to address the dominant failure causes. Task types include condition monitoring and time directed or failure finding.
4. Task Roll-up – This section provides a summary listing of the maintenance tasks identified according to task frequency. It also provides a reference of where the tasks can be found. The process will establish a task for each separate cause of failure. The tasks are actions that are taken to correct or address or prevent failures.
5. Final Program Summary – The final program summary process basically sums up the failure modes, task, and task frequencies for that equipment class under the study.

Factors considered in determining acceptable condition standards includes health index, probability of failure, risk, age, maintenance history, recent maintenance issues, interrupt rating, availability of spare parts, and equipment test results.

WESTERN AREA POWER ADMINISTRATION

Required Supplementary Information (Unaudited)

Year ended September 30, 2024

WAPA reports deferred maintenance on buildings and critical power system equipment (transformers, reactors, breakers and transmission lines). DM&R is excluded on assets that have no impact on the operation of the power system such as vehicles, archaeological sites, and other immaterial items for which the omission would not change or influence the reader of the financial statements.

WAPA estimated DM&R as of September 30, 2024:

	2024 Ending DM&R	2023 Ending DM&R
	($ in thousands)	
Active:		
General property, plant and equipment:		
Buildings	$ 528	3,569
Structures	5,364	1,919
Total general property, plant and equipment	5,892	5,488
Stewardship land	—	—
Heritage assets	—	—
Total active	5,892	5,488
Inactive	—	—
Total deferred maintenance and repair cost	$ 5,892	5,488

(2) Land

Federal land reporting is a new requirement in FY 2023 under Statement of Federal Financial Accounting Standards (SFFAS) No. 59, *Accounting and Reporting of Government Land*. This standard provides requirements to report the estimated size (acres) of federal land use by purpose or intent and ownership status. WAPA uses its PP&E land to support its mission activities by providing area to primarily accommodate WAPA's electric power transmission system.

(Continued)

WESTERN AREA POWER ADMINISTRATION

Required Supplementary Information (Unaudited)

Year ended September 30, 2024

The following tables provide the required reporting detail: Table 1 is breakdown of all the land WAPA owns by general PP&E land and stewardship land followed by a subsequent breakout into three predominant use subcategories (Conservation and Preservation, Operational, and Commercial Use land); Table 2 shows estimated land held for disposal or exchange; Table 3 reports land rights (land not owned by WAPA), whether such rights are permanent or temporary, and amounts paid during the year to maintain such rights; Table 3a shows the permanent land rights by predominant use.

Table 1

	Characterized by Purpose or Intent at Acquisition			Sub-Categorized by Predominant Use			
	Stewardship Land (Acres)	General PP&E Land (Acres)	Total Land (Acres)	Conservation & Preservation (Acres)	Operational (Acres)	Commercial Use (Acres)	Total Land (Acres)
Start of FY 2024	4,676	4,526	9,202	—	19	9,183	9,202
End of FY 2024	4,676	4,526	9,202	—	19	9,183	9,202

Table 2

	Land Held for Disposal or Exchange		
	Stewardship Land (Acres)	General PP&E Land (Acres)	Total Land (Acres)
Start of FY 2024	—	9	9
End of FY 2024	—	9	9

Table 3

Land Rights			
Permanent Land Rights (Acres)	Temporary Land Rights (Acres)	Total Land Rights (Acres)	Total Cost to maintain Land Rights ($)
16,848	208,729	225,577	$6,501

Table 3a

Permanent Land Rights Sub-Catorized by Predominant Use			
Commerical Use (Acres)	Conservation & Preservation (Acres)	Operational (Acres)	Total Permanent Land Rights
16,848	—	—	16,848

WESTERN AREA POWER ADMINISTRATION

Required Supplementary Information (Unaudited)

Year ended September 30, 2024

(3) Combining Statement of Budgetary Resources - by Major Account

For the Year Ended September 30, 2024

		Recovery Act	Colorado River Basins Power Marketing Fund	Construction, Rehabilitation, Operation, and Maintenance	Emergency Fund	Falcon and Amistad Operation and Maintenance Fund	Total
				(In thousands)			
Budgetary resources:							
Unobligated balance from prior year budget authority, net	$	16,301	287,726	1,348,379	500	4,854	1,657,760
Appropriations		—	—	99,872	—	228	100,100
Spending authority from offsetting collections		7,251	188,854	1,186,203	—	3,897	1,386,205
Total budgetary resources	$	23,552	476,580	2,634,454	500	8,979	3,144,065
Status of budgetary resources:							
New obligations and upward adjustments (total)	$	6,944	217,071	1,078,117	—	3,011	1,305,143
Unobligated balance, end of year:							
Apportioned, unexpired accounts		16,120	259,509	1,460,240	500	5,968	1,742,337
Unapportioned, unexpired accounts		488	—	96,097	—	—	96,585
Unobligated balance, end of year (total)		16,608	259,509	1,556,337	500	5,968	1,838,922
Total budgetary resources	$	23,552	476,580	2,634,454	500	8,979	3,144,065
Outlays, net:							
Outlays, net (total)	$	365	7,177	(91,538)	—	1,696	(82,300)
Distributed offsetting receipts		—	—	(27,396)	—	—	(27,396)
Agency outlays, net	$	365	7,177	(118,934)	—	1,696	(109,696)
Disbursements, net (total)	$	—	—	—	—	—	—

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