



U.S. DEPARTMENT OF ENERGY

Office of Inspector General

DOE-OIG-26-16

March 2, 2026

The Western Area Power Administration's Fiscal Year 2025 Financial Statements Audit



AUDIT REPORT



Department of Energy
Washington, DC 20585

March 2, 2026

MEMORANDUM FOR THE ADMINISTRATOR, WESTERN AREA POWER
ADMINISTRATION

SUBJECT: Audit Report: *The Western Area Power Administration's Fiscal Year 2025 Financial Statements Audit*

The Office of Inspector General (OIG) 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 the Western Area Power Administration's (WAPA) 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.

KPMG concluded that the financial statements present fairly, in all material respects, the financial position of WAPA as of September 30, 2025, and its net cost, changes in net position, budgetary resources, and custodial activity for the year then ended in accordance with U.S. generally accepted accounting principles. In addition, auditors also considered WAPA's internal control over financial reporting and did not identify any deficiency in internal control over financial reporting that is considered a material weakness.

Additionally, as part of obtaining a reasonable assurance that WAPA's financial statements were free from material misstatements, KPMG tested for 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. The results of the auditors' review disclosed no instances of noncompliance or other matters required to be reported under Government Auditing Standards, applicable Office of Management and Budget guidance, or the *Federal Financial Management Improvement Act of 1996*.

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. There are no formal recommendations that need to be tracked in the Departmental Audit Report Tracking System; therefore, an additional response is not required.

KPMG is responsible for the attached audit report dated February 6, 2026, and the conclusions expressed therein. The OIG did not express an independent opinion on WAPA's financial statements.

We appreciated the cooperation of your staff during the audit.

A handwritten signature in blue ink, appearing to read 'MDD', with a long horizontal line extending to the right.

Matthew D. Dove
Assistant Inspector General
for Audits
Office of Inspector General

cc: Deputy Secretary
Chief of Staff
Acting Chief Financial Officer, Western Area Power Administration
Acting Comptroller, Western Area Power Administration

DOE OIG HIGHLIGHTS

The Western Area Power Administration's Fiscal Year 2025 Financial Statements Audit

Why The Audit Was Performed

This audit was performed by the independent public accounting firm of KPMG LLP (KPMG) on behalf of the Department of Energy's Office of Inspector General. KPMG audited the balance sheet of the Department's Western Area Power Administration (WAPA), as of September 30, 2025, and the related consolidated statement of net cost, changes in net position, combined statement of budgetary resources, and custodial activity for the year then ended.

The audit's objective was to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that included an opinion.

KPMG performed the audit in accordance with generally accepted government auditing standards.

What the Audit Found

KPMG concluded that the financial statements present fairly, in all material respects, the financial position of WAPA as of September 30, 2025, and its net cost, changes in net position, budgetary resources, and custodial activity for the year then ended in accordance with U.S. generally accepted accounting principles. KPMG also considered WAPA's internal control over financial reporting as part of its review and did not identify any deficiency in internal control over financial reporting that was considered a material weakness. KPMG tested for compliance with certain provisions of laws, regulations, contracts, and grant agreements that could have a direct material effect on the financial statements. The results of the auditors' review disclosed no instances of noncompliance or other matters required to be reported under Government Auditing Standards, applicable Office of Management and Budget guidance, or the *Federal Financial Management Improvement Act of 1996*.

What the Audit Recommends

The Office of Inspector General 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. There are no formal recommendations that need to be tracked in the Departmental Audit Report Tracking System; therefore, an additional response is not required.



WESTERN AREA POWER ADMINISTRATION

Agency Financial Report

Fiscal Year 2025

WESTERN AREA POWER ADMINISTRATION

Agency Financial Report

Fiscal Year 2025

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Message from the Administrator (Unaudited)

WAPA Customers, Partners, and Stakeholders:

I am pleased to present the Western Area Power Administration's Agency Financial Report for fiscal year 2025. This report reflects our enduring commitment to financial stewardship, operational excellence, and our mission to safely provide reliable, cost-based hydropower and transmission to the communities we serve.

Fiscal year 2025 has been a year of operational achievement and disciplined financial management amid continued external pressures. Persistent drought conditions across the West, inflationary cost drivers, and long procurement lead-times for critical equipment continue to challenge utilities nationwide. Yet through disciplined planning, 24/7 operations, and a dedicated workforce, WAPA has continued to deliver value to our customer-owners while maintaining high reliability across our 40 million-people footprint.

A hallmark of WAPA's financial model remains its full-cost-recovery structure and ongoing contributions to the U.S. Treasury. Through prudent fiscal management and strong repayment performance, WAPA returned \$819.1 million to the Treasury over the past five years, reinforcing our commitment to responsible stewardship of federal resources.

Looking ahead, the need to reinvest in our aging infrastructure is clear. Approximately 70 percent of WAPA's transmission assets - lines, substations, and related facilities - require continued upgrades or replacements to ensure reliability, resilience, and public safety. Significant progress is already underway as WAPA modernizes assets, enhances cyber and physical security, and strengthens its operational posture.

This year also marks our continued maturation in federal financial governance. WAPA completed its third year of reporting under Federal Accounting Standards Advisory Board (FASAB) guidance, further aligning the agency with federal best practices around transparency, accountability, and enterprise risk management.

As always, WAPA's work is made possible by the dedication of our workforce and the strong partnerships forged with customers, federal and state agencies, tribes, and industry peers. We remain steadfast in our mission and grateful for the trust placed in us as stewards of a critical public resource.

Thank you for your continued partnership and support as we work together to maintain a resilient, reliable, and cost-effective energy system for generations to come.

Sincerely,



Tracey A. LeBeau
Administrator & Chief Executive Officer
Western Area Power Administration
February 6, 2026

WESTERN AREA POWER ADMINISTRATION
Management's Discussion and Analysis (Unaudited)
Fiscal Year 2025

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

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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 federal employees provide or support these primary products and services:

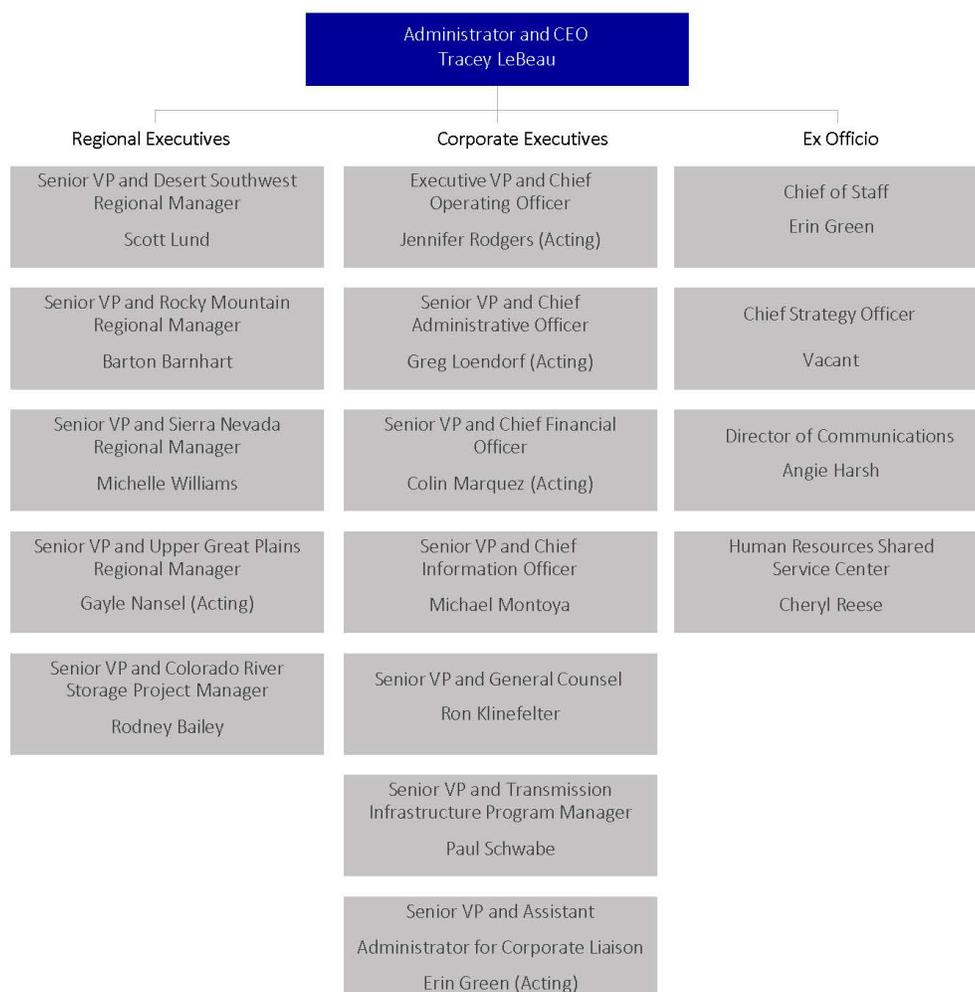
- **Power marketing** for the sale and transmission of firm and nonfirm, long-term, short-term, and seasonal power to existing and new customers in accordance with project marketing plans
- **Transmission services** allowing other utilities to transmit nonfederal power across our transmission lines
- **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.

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Organizational Structure

Our organizational structure as of January 2026 is as follows. For more information, visit <https://www.wapa.gov/about-wapa/organizational-chart/>.



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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 (AUF) in accordance with Department of Energy (DOE) Order RA 6120.2 and Reclamation Law. Targets based on AUF 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 \$8.867 billion.

Metric was met at \$4.968 billion for the fiscal year ending September 30, 2025.

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 169.15% for the fiscal year ending September 30, 2025.

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 \$0.050.

Metric was met at \$0.028 for the fiscal year ending September 30, 2025.

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 99.95%.

Metric was met at 100% for the fiscal year ending September 30, 2025.

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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 97.29% for the fiscal year ending September 30, 2025.

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 94.49% for the fiscal year ending September 30, 2025.

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% for the fiscal year ending September 30, 2025.

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.

Total net cost by program for fiscal year 2025 totaled \$66 million. Hydroelectric power and transmission program, accounts for 76% of total net cost. WAPA's other programs account for the remaining 24% of total net cost and allow for the effective management and support of WAPA's mission.

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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.

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).

Total assets for fiscal year 2025 totaled \$7.4 billion. Fund balance with Treasury (FBWT) is WAPA's largest asset and accounts for 54% of total assets. Fund balance with Treasury represents general, special and revolving funds that are available for expenditure, for additional information see note 1(c) and note 3. WAPA also has significant assets related to property plant and equipment, which accounts for 40% of total assets. WAPA's plant includes transmission lines, substations, buildings and related components, for additional information see note 1(f) and note 6.

Total liabilities for fiscal year 2025 totaled \$2.7 billion. Appropriated debt accounts for 74% of total liabilities. 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 post-retirement benefits due the U.S. Treasury General Fund, for additional information see note 1(k) and note 12.

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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, 2025, 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.

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).

During the financial statement audit, KPMG LLP identified two control deficiencies in WAPA's existing procedures and controls over operation and maintenance expenses and liability accruals. WAPA concurred with the findings and recommendations; however, management recognizes these are a control deficiency not rising to the level of a material weakness or a significant deficiency. WAPA is taking corrective action and expects the matter to be addressed by fiscal year 2026.



Tracey A. LeBeau
Administrator & Chief Executive Officer
Western Area Power Administration
February 6, 2026

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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 2025 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.

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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 2025 FIMS activities included:

- Various changes and/or additions to customizable data fields values
- Implemented new Subledger Accounting process for prior year refunds and advanced payments from G-Invoicing application
- Modifications to existing Mass Allocations and implemented new Mass Allocations for routine journals at fiscal year end
- Incorporated automated e-mail notifications for items requiring attention by users
- Developed journal process for accruals and their automatic reversals
- 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 2026 outlook includes Fedwire CIR EFT/ACH download and uploading changes, application patching, integrations updates/changes required for Go.gov, Workday Time Tracking, and Power Billing System.

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 annual forecast activities. Fiscal year 2025 BFIT activities included:

- Incorporated new budget dimension members into Business Objects Enterprise (BOE) reports
- Added modeling versions with relaxed dimension member security
- Actively maintained required security posture and upgraded to most current patches

Fiscal year 2026 outlook includes PID external integration from Power App system changes to accommodate future infrastructure planning posture.

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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 life cycle. The system plays a key role in asset, work, and property management. Fiscal year 2025 Maximo activities included:

- Procurement activities required for Maximo Cloud upgrade (set to begin in fiscal year 2026)
- Clean-up activities required in advance of Maximo Cloud upgrade
- Additional enhancements and reporting requirements necessary to track IT laptops/desktops to project future lifecycle replacement costs
- 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 2026 outlook includes Maximo Cloud upgrade (required to maintain vendor support), DataSplice V7.x upgrade (required as part of Maximo upgrade), IQGeo changes to accommodate future infrastructure planning posture, and GSA fleet card integrations with G-Invoicing.

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 it is recognized as power revenue. Fiscal year 2025 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)

Fiscal year 2026 outlook includes migrating from Windows 2019 Servers to Windows 2022.

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 2025 BOE activities included:

- Application upgrade to 4.3
- Upgrade operating system to Windows Server 2022
- Converted BOE reports to Power BI
- Performed review/cleanup effort to eliminate, rename, and/or combine similar reports and queries
- Updated the knowledge/training classroom
- Support users on standard reports, ad hoc queries, and data inquiries

Fiscal year 2026 outlook includes applying new service packs and providing continued support to users on standard reports, ad hoc queries, and data inquiries along with potential redesign of Crystal reports required as part of Maximo Cloud upgrade.

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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.

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, which include 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 General Services Administration's (GSA) eTravel Services contract using a system called Concur Government Edition. In fiscal year 2026, WAPA will work with GSA and DOE on Go.Gov implementation.
- **Payroll Processing:** Automated Time and Attendance Production System (ATAAPS) along with internal systems for collating internal data, which is then outsourced to be serviced by Defense Finance and Accounting Service. In fiscal year 2026, DOE will migrate ATAAPS to Workday Time and Attendance.

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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 2025, 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

Risk Category	Specific Risk	Inherent Risk Rating		Residual Risk Rating	
		Impact	Likelihood	Impact	Likelihood
Cybersecurity	Cybersecurity Incident	Very High	High	High	Moderate
Other	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 & Diversity and Inclusion	Human Capital Risk	High	Moderate	Moderate	Moderate
Reputational	Failure to Meet Regulatory Obligations	Moderate	Moderate	Moderate	Low
Reputational	Wildfire Risk	High	Moderate	High	Low

Risk Category 1: Cybersecurity

Specific Risk: Cybersecurity Incident

If unauthorized access to WAPA's information systems occurs, malicious actors could impede WAPA's ability to operate its transmission system and/or market operations. Risk includes the potential for an insider threat, malware/ransomware, phishing, using authorized access to compromise or cause harm, or unintentional misuse, resulting in system impact or exposure to external breach. WAPA's current strategy is to reduce risk through utilizing a robust cybersecurity risk management and information security program that adheres to the five tenants of the NIST Cybersecurity Framework. This includes continuous review of WAPA's security posture; Plan of Action and Milestones (POA&M) processes serve as corrective action plans for tracking and planning the resolution of information security weaknesses. In addition, WAPA maintains strong partnerships with the DOE CIO, DOE CISO and others focused on evolving cybersecurity threats.

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Risk Category 2: Other

Specific Risk: Reduced Hydropower Generation

If a prolonged drought affects the WAPA operating area it could result in constrained water resources and reduced hydropower generation. A reduction in power sales revenues could increase financial risks to WAPA and elevate funding needs for Purchase Power and Wheeling (PPW). In this scenario, WAPA may not be able to reliably deliver affordable, cost-based hydropower. Environmental mitigation requirements, exacerbated by drought, could create additional restrictions. WAPA's current strategy is to reduce risk by managing the financial impacts of drought using drought adders and cost recovery charges to cover additional costs. Adjustments to contractual agreements are being evaluated to better align estimated future power sales with projected hydropower generation. WAPA is pursuing alternative operating scenarios in cases of severe drought and will continuously explore ways to improve integration of weather and drought risk into management plans. A PPW reserve fund is used to purchase alternative sources of energy when necessary.

Risk Category 3: Safety and Security

Specific Risk: Physical Attack on Critical Assets

If unauthorized intrusion or destructive acts occur at a critical substation, key communications hub, or a control center, then WAPA's ability to operate its transmission system could be impeded, and result in possible Bulk Electric System (BES) instability. This risk also includes the potential for an insider threat, using authorized access to deliberately damage critical facilities and cause harm. WAPA's current strategy is to reduce risk through the application of WAPA's Office of Security and Emergency Management (OSEM) Program that ensures the following activities are undertaken regularly: Background Investigations, Physical Security Risk Assessments, Physical Security Remediation Plans, Performance Assurance Testing, and ongoing local Insider Threat Working Group meetings. OSEM also participates in GridEx security exercises to enhance coordination across agencies and to evaluate lessons learned and best practices identified.

Specific Risk: Safety Incident

If WAPA's ability to operate and maintain a high level of safety is compromised, then a significant safety incident could occur, causing harm to employees, increasing liability, and negatively impacting the ability 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 as well as timely and proactive knowledge sharing across the organization from any near-miss incidents. Safety culture training courses are offered to leaders and employees. WAPA is participating in DOE Safety Program Assessment and Safety Culture Assist visits and is integrating findings and recommendations into a comprehensive Safety Strategy in FY25.

WESTERN AREA POWER ADMINISTRATION
 Management's Discussion and Analysis (Unaudited)
 Fiscal Year 2025

Risk Category 4: Physical Infrastructure

Specific Risk: Key Material Shortages

If supply cannot keep pace with demand for critical equipment and electric system components (e.g., transformers, power circuit breakers, line conductors, and critical IT software and hardware) then WAPA's ability to replace aging equipment or construct new transmission and IT infrastructure will be limited. Long lead times or unavailability of power system equipment can exacerbate the risks from unexpected asset failures, or slow down repairs during emergency response situations. WAPA actively tracks and analyzes lead time trends for major electric power equipment. Opportunities are being evaluated to better define and standardize critical equipment so common parts can be shared, but the diverse operating environment of WAPA can be challenging (e.g. extreme cold requirements in Upper Great Plains vs. extreme heat in Desert Southwest). The procurement team has implemented various contract strategies to expedite acquisitions. Improvements have been made to critical spare parts management. WAPA also seeks opportunities to partner with and share supplies with other utilities, if needed.

Specific Risk: Failure of Critical Assets

If significant or widespread equipment failures occur due to aging or deteriorating equipment, or a widespread natural disaster event, then system resiliency and WAPA's ability to reliably deliver power and transmission services to our customers and the electric grid will be negatively impacted. WAPA's current strategy is to reduce risk by continuing to maintain a robust Asset Management (AM) program and a Reliability Centered Maintenance Program to evaluate electric power system assets and make investments that seek to increase system reliability. The AM program continuously monitors the asset health of critical in-service assets, and a risk ranking of critical assets is maintained.

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. In addition, budget performance assessments and other financial controls serve as governance to keep expenditures in check. Financial system controls ensure funds are available prior to expenditure (fund check controls) and budget plans are established at both program and account levels. Spend plans monitor execution and projected execution of the budget.

Specific Risk: Financial Risk: Procurement

If there are intentional violations of the procurement process (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 Internal Audit & Compliance Office performs monitoring of Purchase Card transactions on a semi-annual basis. WAPA's Procurement Office has procedures to review planned procurement profile forms for actions exceeding

WESTERN AREA POWER ADMINISTRATION
Management's Discussion and Analysis (Unaudited)
Fiscal Year 2025

\$250,000, and weekly reviews of awards to ensure documentation is uploaded to the STRIPES system. WAPA's Regional Program Coordinators (RPC) and Organizational Program Coordinators (OPC) also review Purchase Card transactions.

Risk Category 6: Human Capital Management and Diversity and Inclusion

Specific Risk: Human Capital Risk

If workforce trends continue to rapidly change, retirements increase, and competition for talent continues, then WAPA may face increasing challenges in attracting and retaining employees with the necessary institutional knowledge, skills, and expertise required to deliver mission critical products and services in a dynamic energy industry. Strategic workforce management is a key initiative in WAPA's Power Forward 2030 strategic plan to ensure the right people are in the right place at the right time to address recruitment, retention, and development. WAPA continues to focus on workforce data analytics and has developed an initial strategic workforce plan that is focused on strategies to recruit, develop, and retain mission critical, hard-to-fill positions.

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, or regulatory violations that could result in fines and penalties, 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. In addition, WAPA assigns governance and develops policies, orders and procedures to ensure compliance with legal and other requirements.

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. Risk also includes a possible scenario where electrical equipment fails 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 sheet as of September 30, 2025, and the related consolidated statements of net cost, changes in net position, and custodial activity, and combined statement of budgetary resources for the year 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, 2025, and its net cost, changes in net position, budgetary resources, and custodial activity for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit 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 the WAPA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter - Interactive Data

Management has elected to reference to information on websites or other forms of interactive data outside the Agency Financial Report to provide additional information for the users of its consolidated financial statements. Such information is not a required part of the consolidated financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

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.

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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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about WAPA's ability to continue as a going concern for a reasonable period of time.

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 audit 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. The other information comprises the Table of Contents, and Message from the Administrator 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.

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, 2025, 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, 2025 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. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WAPA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Denver, Colorado
February 6, 2026

WESTERN AREA POWER ADMINISTRATION

Consolidated Balance Sheet

September 30, 2025

(In thousands)

	<u>2025</u>
Assets	
Intragovernmental assets:	
Fund balance with Treasury – budgetary (note 1(c))	\$ 2,572,634
Fund balance with Treasury – non-budgetary (note 1(c))	<u>1,407,593</u>
Total fund balance with Treasury (note 3)	3,980,227
Accounts receivables, net (note 4)	<u>38,410</u>
Total intragovernmental assets	4,018,637
With the public:	
Accounts receivables, net (note 4)	164,081
Inventory, net (note 5)	38,236
Property, plant, and equipment, net:	
Completed utility plant, net	2,185,159
Construction work in progress	262,536
Contributed property, plant, and equipment, net	377,584
Other	<u>136,557</u>
Total property, plant, and equipment, net (note 6)	2,961,836
Other assets:	
Regulatory assets (note 8)	78,392
Power rights, net	76,325
Other	16,702
Contributed power rights, net	<u>1,676</u>
Total other assets (note 7)	<u>173,095</u>
Total with the public assets	<u>3,337,248</u>
Total assets	<u>\$ 7,355,885</u>
Liabilities	
Intragovernmental liabilities:	
Accounts payable	\$ 8,184
Debt (note 10)	76,193
Advances from others and deferred revenue	923
Other liabilities:	
Appropriated debt	1,995,098
Other	<u>22,282</u>
Total other liabilities (note 12)	<u>2,017,380</u>
Total intragovernmental liabilities	2,102,680
With the public:	
Accounts payable	89,319
Federal employee salary, leave, and benefits payable	36,369
Veterans, pensions, and post-employment – related benefit	12,068
Environmental & disposal liabilities (note 11)	35,493
Advances from others	394,007
Other liabilities (note 12)	<u>27,926</u>
Total with the public liabilities	<u>595,182</u>
Total liabilities (note 9)	<u>2,697,862</u>
Net position:	
Unexpended appropriations	3,159
Cumulative results of operations	<u>4,654,864</u>
Total net position	<u>4,658,023</u>
Total liabilities and net position	<u>\$ 7,355,885</u>

See accompanying notes to the consolidated and combined financial statements.

WESTERN AREA POWER ADMINISTRATION

Consolidated Statement of Net Cost

September 30, 2025

(In thousands)

	<u>2025</u>
Major programs:	
Hydroelectric power and transmission program costs:	
Operations and maintenance	\$ 462,159
Purchase power	330,462
Purchased transmission services	252,147
Depreciation	106,618
Interest on appropriated debt	14,274
Allowance for funds used during construction	<u>(7,753)</u>
Net interest to U.S. Treasury	6,521
Interest on long-term debt	<u>1,004</u>
Total hydroelectric power and transmission program costs	1,158,911
Less earned revenues:	
Sales of electric power	(494,700)
Transmission and other operating revenues	<u>(614,082)</u>
Total hydroelectric power and transmission earned revenues	<u>(1,108,782)</u>
Net cost of hydroelectric power and transmission	50,129
Other programs:	
Transmission infrastructure program:	
Program costs	6,056
Less earned revenues	<u>(6,024)</u>
Net cost of transmission infrastructure program	32
Reimbursable programs:	
Program costs	336,698
Less earned revenues	<u>(337,619)</u>
Net cost of reimbursable programs	(921)
Other programs:	
Program costs	16,528
Less earned revenues	<u>(22)</u>
Net cost of other programs	<u>16,506</u>
Net costs of operations	<u>\$ 65,746</u>

See accompanying notes to the consolidated and combined financial statements.

WESTERN AREA POWER ADMINISTRATION
 Consolidated Statement of Changes in Net Position
 September 30, 2025
 (In thousands)

	Funds from dedicated collections
	2025
Unexpended appropriations:	
Beginning balances	\$ 11,429
Appropriations received	—
Appropriations used	(8,270)
Net change in unexpended appropriations	(8,270)
Total unexpended appropriations	3,159
Cumulative results of operations:	
Beginning balances	4,697,146
Appropriations used	8,270
Nonexchange revenue	—
Transfers – in/(out) without reimbursement:	
Generating agency warrant transfers	(125,921)
Other transfers	672
Total transfers – in/(out) without reimbursement	(125,249)
Donations and forfeitures of property	26,285
Imputed financing	27,259
Other:	
Generating agency revenue transfers (note 1(n))	160,467
Irrigation assistance (note 14(b))	(85,204)
Constructive returns	11,657
Appropriations received	—
Miscellaneous	(21)
Net costs of operations	(65,746)
Net change in cumulative results of operations	(42,282)
Total cumulative results of operations	4,654,864
Net position	\$ 4,658,023

See accompanying notes to the consolidated and combined financial statements.

WESTERN AREA POWER ADMINISTRATION

Combined Statement of Budgetary Resources

September 30, 2025

(In thousands)

	<u>2025</u>
Budgetary resources:	
Unobligated balance from prior year budget authority, net	\$ 1,858,559
Appropriations	100,772
Spending authority from offsetting collections	<u>1,555,113</u>
Total budgetary resources	<u>\$ 3,514,444</u>
Status of budgetary resources:	
New obligations and upward adjustments (total)	\$ 1,367,903
Unobligated balance, end of year:	
Apportioned, unexpired accounts	1,909,155
Unapportioned, unexpired accounts	<u>237,386</u>
Unobligated balance, end of year (total)	<u>2,146,541</u>
Total budgetary resources	<u>\$ 3,514,444</u>
Outlays, net:	
Outlays, net (total)	\$ (204,841)
Distributed offsetting receipts	<u>(94,975)</u>
Agency outlays, net	<u>\$ (299,816)</u>

See accompanying notes to the consolidated and combined financial statements.

WESTERN AREA POWER ADMINISTRATION

Consolidated Statement of Custodial Activities

September 30, 2025

(In thousands)

	<u>2025</u>
Sources of collections:	
Cash collections:	
Miscellaneous	\$ 206,054
Total cash collections	206,054
Accrual adjustment	1,177
Total custodial revenue	<u>207,231</u>
Disposition of revenue:	
Transfers to others:	
Department of Treasury	(13,805)
Bureau of Indian Affairs	(920)
Bureau of Reclamation	(191,329)
Decrease in amounts to be transferred	<u>(1,177)</u>
Total disposition of revenues	<u>(207,231)</u>
Net custodial activity	<u>\$ —</u>

See accompanying notes to the consolidated and combined financial statements.

WESTERN AREA POWER ADMINISTRATION

Notes to the Consolidated and Combined Financial Statements

September 30, 2025

(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	Multipurpose 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			
Dolores 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

WESTERN AREA POWER ADMINISTRATION

Notes to the Consolidated and Combined Financial Statements

September 30, 2025

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 the 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 \$3.2 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

WESTERN AREA POWER ADMINISTRATION

Notes to the Consolidated and Combined Financial Statements

September 30, 2025

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 includes 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 basis 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

WESTERN AREA POWER ADMINISTRATION

Notes to the Consolidated and Combined Financial Statements

September 30, 2025

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) Property, Plant, and Equipment, Net

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.

Costs of construction are accumulated as construction work in progress. When the project or feature of a project is deemed to be substantially complete, the costs are transferred to the appropriate property account. A project is substantially complete when it is providing benefits and services for the intended purpose, and is generating project purpose revenue, where applicable.

PP&E also includes 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.

Other PP&E consists of moveable equipment and internal use software. Moveable equipment includes 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 FASB standards, and a FASB standard more appropriately meets the entity's unique financial reporting objectives.

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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.

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

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.

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) Veterans, Pensions, and Post-Employment – Related Benefit

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 post-retirement 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 \$11,028 per employee in fiscal year 2025 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 \$45 million for the year ended September 30, 2025. WAPA recorded an expense for pension and other post-retirement benefits of \$27.1 million for the year ended September 30, 2025.

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(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 occur 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.

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, 2025 (in thousands):

	<u>Hydro</u>	<u>TIP</u>	<u>Reimbursable</u>	<u>Other</u>	<u>Total</u>
Sales of electric power	\$ 954,152	53	183,487	43,837	1,181,529
Transmission and other operating revenues	<u>614,082</u>	<u>6,024</u>	<u>154,132</u>	<u>22</u>	<u>774,260</u>
Total WAPA billings	1,568,234	6,077	337,619	43,859	1,955,789
Less:					
Bill credits on customer advances	(122,457)	—	—	—	(122,457)
Financing sources	(160,467)	—	—	—	(160,467)
Revenue allocation	(13,187)	—	—	—	(13,187)
Custodial revenue	<u>(163,341)</u>	<u>(53)</u>	<u>—</u>	<u>(43,837)</u>	<u>(207,231)</u>
Total earned revenues	<u>\$ 1,108,782</u>	<u>6,024</u>	<u>337,619</u>	<u>22</u>	<u>1,452,447</u>

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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 1.63% to 11.07% for the year ended September 30, 2025.

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 14(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 year ended September 30, 2025, 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 statute to be used for designated activities, benefits, or purposes, and must be accounted for separately

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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.

(2) Non-Entity Assets (in Thousands)

	<u>2025</u>
Intragovernmental	
Fund balance with Treasury – non-budgetary	\$ 6,251
Accounts receivable	233
Total intragovernmental	<u>6,484</u>
Accounts receivable	<u>9,673</u>
Total non-entity assets	16,157
Total entity assets	<u>7,339,728</u>
Total assets	\$ <u>7,355,885</u>

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 17).

(3) Fund Balance With Treasury (in Thousands)

	<u>2025</u>
Status of fund balance with Treasury	
Unobligated balance:	
Available	\$ 1,909,154
Unavailable	237,741
Obligated balance not yet disbursed	440,529
Borrowing authority not yet converted to fund balance	(14,790)
Non-budgetary fund balance with Treasury (note 1(c))	<u>1,407,593</u>
Total fund balance with Treasury	\$ <u>3,980,227</u>

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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 obligated amounts recorded that will be funded by future borrowings.

(4) Accounts Receivable, Net (in Thousands)

	2025		
	Receivable	Allowance	Net
Intragovernmental	\$ 39,075	(665)	38,410
With the public	165,110	(1,029)	164,081
Total accounts receivable, net	<u>\$ 204,185</u>	<u>(1,694)</u>	<u>202,491</u>

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.

(5) Inventory, Net (in Thousands)

	2025	
	Operating materials	\$ 17,264
Supplies	16,573	
Minor equipment	<u>4,399</u>	
Total inventory, net	<u>\$ 38,236</u>	

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(6) Property, Plant, and Equipment, Net (in Thousands)

	2025			Useful life
	Acquisition costs	Accumulated depreciation	Net Book value	
Structures and facilities	\$ 4,794,089	(2,753,456)	2,040,633	10 – 50 years
Land and land improvements	144,526	—	144,526	
Construction work in process	262,536	—	262,536	
Lessee right-to-use lease asset (note 13)	6,324	(1,618)	4,706	3 – 44 years
Equipment	252,412	(157,338)	95,074	5 – 20 years
Internal use software	83,154	(46,377)	36,777	5 years
Contributed structures and facilities	709,189	(357,854)	351,335	10 – 50 years
Contributed land and land improvements	24,779	—	24,779	
Contributed software	2,004	(534)	1,470	5 years
Total property, plant & equipment	\$ 6,279,013	(3,317,177)	2,961,836	

(7) Other Assets (in Thousands)

	2025
With the public	
Regulatory assets (note 8)	\$ 78,392
Power rights	223,767
Amortization of power rights	(147,442)
Subtotal power rights, net (note 1(h))	76,325
Contributed power rights	2,458
Amortization of contributed power rights	(782)
Subtotal contributed power rights, net (note 1(h))	1,676
Cap and trade	11,928
Capital credits	1,762
Interchange energy	3,012
Total other assets	\$ 173,095

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(8) Regulatory Assets (in Thousands)

		2025
Environmental cleanup liabilities	\$	35,476
Accrued annual leave		20,125
Workers' compensation actuarial cost		11,953
Recovery implementation program		10,838
Total regulatory assets	\$	78,392

(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. A liability is recorded when 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 two loans from the State of Colorado to finance the RIP. The first loan for \$5.5 million was financed in December 2002 at an interest rate of 4.50% per year and an additional loan for \$5.9 million was received in December 2004 with an interest rate of

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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 \$0.4 million for the year ended September 30, 2025. The status of the State of Colorado financing is disclosed in note 10.

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

	<u>2025</u>
Intragovernmental:	
Appropriated debt (note 12)	\$ 1,995,098
Debt (note 10)	<u>76,193</u>
Total intragovernmental	2,071,291
Federal debt held by the public	28,196
Federal employee salary, leave, and benefits payable	20,125
Veterans, pensions, and post-employment – related benefit	12,068
Environmental and disposal liabilities (note 11)	35,476
Other liabilities	
Contingencies and commitments	206
Other	<u>12,689</u>
Total liabilities not covered by budgetary resources	2,180,051
Total liabilities covered by budgetary resources	507,008
Total liabilities not requiring budgetary resources	<u>10,803</u>
Total liabilities	\$ <u>2,697,862</u>

(10) Debt (in Thousands)

	<u>2025</u>		
	<u>Beginning balance</u>	<u>Net borrowings</u>	<u>Ending balance</u>
Debt owed to Treasury other than FFB	\$ 76,193	—	76,193
Debt owed to the public (note 12)	<u>30,989</u>	<u>(2,793)</u>	<u>28,196</u>
Total debt	\$ <u>107,182</u>	<u>(2,793)</u>	<u>104,389</u>

(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

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finance the construction and related costs of the ED5 PVH project. As of September 30, 2025, 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 from 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 \$10.8 million as of September 30, 2025.

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 \$17.4 million as of September 30, 2025.

(11) Environmental and Disposal Liabilities (in Thousands)

	2025
Beginning balance	\$ 33,531
Changes to environmental cleanup and disposal liability estimates	1,962
Costs applied to reduction of legacy environmental liabilities	—
Ending environmental cleanup and disposal liabilities	\$ 35,493
Unfunded environmental liabilities (note 9)	\$ 35,476
Funded environmental liabilities	17
Total environmental cleanup and disposal liabilities	\$ 35,493

WAPA's environmental liabilities primarily consist 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).

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(12) Other Liabilities (in Thousands)

	2025
Intragovernmental:	
Appropriated debt	\$ 1,995,098
Custodial	16,157
Other	6,125
Total intragovernmental	2,017,380
With the public:	
Lessee right-to-use lease liability	4,879
Contingencies and commitments	206
Debt owed to the public (note 10)	28,196
Other	(5,355)
Total other than intragovernmental	27,926
Total other liabilities	\$ 2,045,306

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.

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Status of appropriated debt (in thousands):

	2025
General fund – construction and operation:	
Appropriations	\$ 948,280
Transfer of property and services, net	2,421,914
Post-retirement benefits	61,613
Interest	880,257
Payments to the U.S. Treasury	(3,336,966)
	975,098
General fund – purchase power:	
Appropriations	1,020,000
Payments to the U.S. Treasury	—
	1,020,000
Total general fund	1,995,098
Reclamation fund – construction and operation:	
Appropriations	6,852,776
Transfer of property and services, net	3,785,138
Post-retirement benefits	244,681
Interest	3,741,390
Payments to the U.S. Treasury	(10,856,061)
	3,767,924
Reclamation fund elimination	(3,767,924)
Total reclamation fund	—
Appropriated debt	\$ 1,995,098

(13) Leases (in Thousands)

(a) Lessee Right-To-Use Leases:

	2025
Summary of lessee right-to-use lease assets:	
Power line equipment	\$ 6,324
Total lessee right-to-use lease assets	6,324
Less accumulated amortization	(1,618)
Net lessee right-to-use lease assets	\$ 4,706

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Future payments due under lessee right-to-use lease liabilities as of September 30, 2025, consist of the following:

	<u>Principal payments</u>	<u>Interest payments</u>	<u>Total payments</u>
Future lease payments:			
2026	\$ 801	203	1,004
2027	38	171	209
2028	40	169	209
2029	42	167	209
2030	44	165	209
2031 – 2035	245	798	1,043
2036 – 2040	303	740	1,043
2041 – 2045	373	670	1,043
2046 – 2050	460	583	1,043
2051 – 2055	568	475	1,043
2056 – 2060	700	343	1,043
2061 – 2065	864	179	1,043
2066 – 2070	401	17	418
Total future lease payments	<u>\$ 4,879</u>	<u>4,680</u>	<u>9,559</u>
Lessee right-to-use lease liabilities covered by budgetary resources	\$ 4,115	4,649	8,764
Lessee right-to-use lease liabilities not covered by budgetary resources	764	31	795
Total lessee right-to-use lease liability	<u>\$ 4,879</u>	<u>4,680</u>	<u>9,559</u>

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 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 transmission lines and 4.0% for the equipment. Amortization expense of \$809 thousand dollars is included in operation and maintenance expense for the year ended September 30, 2025.

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(b) Intragovernmental Leases:

		2025
Summary of intragovernmental leases:		
Buildings and structures	\$	3,859
Vehicles and equipment		5,804
Total expenses	\$	9,663

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 2 years as of September 30, 2025.

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 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 consolidated 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 \$206 thousand as of September 30, 2025, where losses are determined to be probable and the amounts can be estimated. The plaintiff's had sought a total of \$2 million in damages in the lawsuit brought under the Federal Tort Claims Act. 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, 2025. Any associated losses are expected to be paid by the Judgment Fund.

WESTERN AREA POWER ADMINISTRATION

Notes to the Consolidated and Combined Financial Statements

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Contingencies as of September 30, 2025 consist of the following (in thousands):

Unfunded contingencies:		
Legal contingencies	\$	206
Subtotal		206
Funded contingencies		—
Total contingencies	\$	206

Estimated Range of Loss			
	Accrued Liabilities	Lower End	Upper End
Legal contingencies:			
Probable	\$ 206	206	2,000
Reasonably possible	—	—	60,000
Total debt	\$ 206	206	62,000

(b) Irrigation Assistance

Federal statute requires that certain individual power systems repay the U.S. Treasury the portion of Reclamation's project capital costs allocated to irrigation purposes determined by the Secretary of the Interior to be beyond the ability of the irrigation customers to repay. As a result, WAPA has included these capital costs in each respective power system's power repayment study. WAPA intends to collect the necessary revenue from power customers in accordance with the required repayment periods based on legislation, which generally does not exceed a maximum period of 50 years. These repayment amounts do not incur or accumulate interest from the date that Reclamation determines the irrigators' inability to pay. In addition, prior advance payments to U.S. Treasury may be reclassified to irrigation assistance as due.

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 \$590.5 thousand in 2025.

WESTERN AREA POWER ADMINISTRATION

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In the current year, irrigation assistance to the U.S. Treasury General Fund for the Colorado River Storage Project totaled \$107 million, consisting of \$21.8 million previously accrued, resulting in a net current year impact of \$85.2 million.

As of September 30, 2025, anticipated irrigation assistance payments are as follows (in thousands):

	Payment to the Reclamation Fund	Payable to the General Fund
Anticipated payments:		
2026	\$ —	534
2027	—	172
2028	—	—
2029	—	18,782
2030	—	—
2031+	<u>709,905</u>	<u>655,299</u>
Total anticipated irrigation assistance payments	\$ <u>709,905</u>	<u>674,787</u>

(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:			
2026	\$ 7,708	6,541	14,249
2027	—	6,445	6,445
2028	—	5,241	5,241
2029	—	5,241	5,241
2030	—	5,183	5,183
2031+	<u>—</u>	<u>63,175</u>	<u>63,175</u>
Total anticipated payments	\$ <u>7,708</u>	<u>91,826</u>	<u>99,534</u>

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.

WESTERN AREA POWER ADMINISTRATION
Notes to the Consolidated and Combined Financial Statements
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(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:

	2025
	(\$ in thousands)
Unobligated balance brought forward, Oct 1	\$ 1,838,922
Recoveries of prior year unpaid obligations	19,637
Unobligated balance transferred to other accounts	—
Total adjusted unobligated balance brought forward	\$ 1,858,559

(a) Borrowing Authority

WAPA's authority to borrow from the Treasury has remained unchanged of \$3.2 billion as of September 30, 2025.

(b) Undelivered Orders at the End of the Period

	2025	
	Federal	Non-federal
	(\$ in thousands)	
Undelivered orders – unpaid	\$ 25,867	362,965
Undelivered orders – paid	—	—
Total undelivered orders	\$ 25,867	362,965

(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.

WESTERN AREA POWER ADMINISTRATION
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(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 fiscal year 2024 SBR and the actual amounts from the "Appendix – Detailed Budget Estimates by Agency" sections of the fiscal year 2026 President's Budget; distributed offsetting receipts is reconciled to the "Analytical Perspectives – Federal Budget by Agency and Account."

	<u>Budgetary resources</u>	<u>New obligations & upward adjustments</u>	<u>Distributed offsetting receipts</u>	<u>Net outlays</u>
	(\$ in thousands)			
Combined statement of budgetary resources as published	\$ 3,144	1,305	(27)	(82)
Adjustments made to WAPA financials	<u>(3)</u>	<u>24</u>	<u>—</u>	<u>—</u>
Adjusted WAPA SBR	3,141	1,329	(27)	(82)
Differences	<u>(2)</u>	<u>(2)</u>	<u>—</u>	<u>(2)</u>
Budget of the United States Government	\$ <u>3,139</u>	<u>1,327</u>	<u>(27)</u>	<u>(84)</u>

The difference between the SBR and the Budget of the United States Government is due to a temporary timing difference related to manual deobligations.

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.

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A summary of custodial activities for the year ended September 30, 2025, are presented below (in thousands):

Bureau of Indian Affairs:		
Sale of electric power	\$	980
Bureau of Reclamation:		
Sale of electric power:		
Boulder Canyon Project		75,814
Central Arizona Project Receipts		8,167
Colorado River Storage Project		71,278
Pick Sloan Western Division		2,497
Surcharges:		
Restoration Fund		21,236
Lower Colorado River Basin Development Fund		13,455
		193,427
U.S. Treasury:		
Debt Repayment – Pick Sloan Eastern Division		13,752
Miscellaneous fees		52
		13,804
Total custodial revenue	\$	207,231

(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.

WESTERN AREA POWER ADMINISTRATION
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The reconciliation of net cost of operations to budgetary accounts for the year ending September 30, 2025 is presented below.

	<u>Intra- governmental</u>	<u>Other than intra- governmental</u>	<u>Total</u>
		(\$ in thousands)	
Net cost	\$ (201,202)	266,948	65,746
Components of net operating cost not part of the budgetary outlays:			
Property, plant, and equipment depreciation	—	(144,362)	(144,362)
Property, plant, and equipment disposal & reevaluation	—	4,369	4,369
Lessee right-to-use lease amortization	—	(809)	(809)
Cost capitalization offset	—	136,408	136,408
Increase/(decrease) in assets:			
Accounts receivable	(29,928)	3,584	(26,344)
Other assets	—	8,463	8,463
(Increase)/decrease in liabilities:			
Accounts payable	(3,674)	16,502	12,828
Lessee right-to-use lease liability	—	35	35
Environmental and disposal liabilities	—	(1,962)	(1,962)
Federal employee salary, leave, and benefits payable	—	(1,878)	(1,878)
Veterans, pensions, and post-employment - related benefit	—	1,905	1,905
Advances from others and deferred revenue	(339)	(154,790)	(155,129)
Other liabilities	(33,910)	21,094	(12,816)
Financing sources:			
Imputed cost	(27,259)	—	(27,259)
Other imputed finance	(160,467)	—	(160,467)
Total components of net operating cost not part of budgetary outlays	(255,577)	(111,441)	(367,018)
Components of the budget outlays not part of the net operating cost:			
Acquisition of capital assets	3,205	21,701	24,906
Acquisition of inventory	—	96	96
Other	(9,748)	—	(9,748)
Total components of the budget outlays not part of net operating cost	(6,543)	21,797	15,254
Miscellaneous items:			
Custodial/non-exchange revenue	—	(13,798)	(13,798)
Non-entity activity	—	—	—
Other adjustments	—	—	—
Total other reconciling items	—	(13,798)	(13,798)
Total net outlays (calculated total)	\$ (463,322)	163,506	(299,816)
Related amounts on the statement of budgetary resources:			
Outlays, net (total) (SBR 4210)		\$ (204,841)	
Distributed offsetting receipts		(94,975)	
Agency outlays, net		\$ (299,816)	

WESTERN AREA POWER ADMINISTRATION
Notes to the Consolidated and Combined Financial Statements
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(19) Subsequent Events

WAPA has evaluated subsequent events through February 6, 2026, the date the consolidated and combined financial statements were available to be issued and identified no subsequent events.

WESTERN AREA POWER ADMINISTRATION
 Required Supplementary Information (Unaudited)
 Year ended September 30, 2025

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.

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 Required Supplementary Information (Unaudited)
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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 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 is 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 is 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 include 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
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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, 2025:

	2025 ending DM&R
	(\$ in thousands)
Active:	
General property, plant and equipment:	
Buildings	\$ 503
Structures	18,966
Total general property, plant and equipment	19,469
Stewardship land	—
Heritage assets	—
Total active	19,469
Inactive	—
Total deferred maintenance and repair cost	\$ 19,469

(2) Land

WAPA's policy is to acquire, manage, and retain land and interests in land only as necessary to support its statutory mission to construct, operate, maintain, and protect the federal transmission system used to deliver hydroelectric power. WAPA's land holdings consist primarily of rights-of-way, limited fee interests required for transmission lines, substations, switching stations, and related facilities. WAPA is responsible for land stewardship of specific areas directly supporting power generation and transmission, including access roads, buffer zones, erosion control, protection of natural and cultural resources, such as compensations for habitat disturbance and vegetation management. This comprehensive approach to land management, is critical to ensuring the safe, reliable, and efficient delivery of power and security of the transmission system.

WAPA's primary authority for the acquisition of real property and interests stems from various acts establishing the federal hydroelectric projects from which WAPA markets power, such as the Reclamation Act of June 17, 1902, 32 Stat. 388, the Federal Power Act of June 10, 1920, and the Department of Energy Organization Act of August 4, 1977, 91 Stat. 565. These statutes grant WAPA and the Secretary of Energy the authority to acquire, construct, operate, and maintain transmission lines and facilities, which inherently includes the acquisition of necessary land interests, such as rights-of-way and fee simple ownership for substations and other critical infrastructure. WAPA adheres to the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (PL 91-646), Department of Justice title standards, WAPA and DOE policies, including DOE Order 430.1C, Real Property Asset Management, and its associated guides,

WESTERN AREA POWER ADMINISTRATION
 Required Supplementary Information (Unaudited)
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which establish policy and procedures for the acquisition, management, and disposal of real property interests. WAPA also adheres to robust compliance with federal environmental laws, such as the National Environmental Policy Act (NEPA), the Endangered Species Act, and the National Historic Preservation Act, ensuring that land-related activities minimize environmental impacts and protect cultural resources. The disposal process is conducted in accordance with the Federal Property and Administrative Services Act of 1949, as amended, and regulations outlined in the Federal Management Regulation (41 CFR Chapter 102).

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 2025	4,676	4,526	9,202	—	19	9,183	9,202
End of FY 2025	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 2025	—	9	9
End of FY 2025	—	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-categorized by predominant use			
Commercial use (acres)	Conservation & preservation (acres)	Operational (acres)	Total permanent land rights (acres)
16,848	—	—	16,848

WESTERN AREA POWER ADMINISTRATION
 Required Supplementary Information (Unaudited)
 Year ended September 30, 2025

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

For the year ended September 30, 2025:

	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	\$ 16,608	260,879	1,574,605	500	5,967	1,858,559
Appropriations	—	—	100,544	—	228	100,772
Spending authority from offsetting collections	6,334	205,149	1,339,519	—	4,111	1,555,113
Total budgetary resources	\$ 22,942	466,028	3,014,668	500	10,306	3,514,444
Status of budgetary resources:						
New obligations and upward adjustments (total)	\$ 4,555	197,032	1,159,948	—	6,368	1,367,903
Unobligated balance, end of year:						
Apportioned, unexpired accounts	17,942	259,850	1,626,925	500	3,938	1,909,155
Unapportioned, unexpired accounts	445	9,146	227,795	—	—	237,386
Unobligated balance, end of year (total)	18,387	268,996	1,854,720	500	3,938	2,146,541
Total budgetary resources	\$ 22,942	466,028	3,014,668	500	10,306	3,514,444
Outlays, net:						
Outlays, net (total)	\$ (2,395)	12,340	(219,136)	—	4,350	(204,841)
Distributed offsetting receipts	—	—	(94,975)	—	—	(94,975)
Agency outlays, net	\$ (2,395)	12,340	(314,111)	—	4,350	(299,816)
Disbursements, net (total)	\$ —	—	—	—	—	—

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