

DESIGNED TO SERVE

ANNUAL REPORT 2011
WESTERN AREA POWER ADMINISTRATION





MISSION

Market and deliver clean, renewable, reliable, cost-based Federal hydroelectric power and related services.

VISION

Provide premier power marketing and transmission services.

ABOUT WESTERN

Western is a Federal agency under the Department of Energy that markets and transmits wholesale electrical power through an integrated 17,000-plus circuit mile, high-voltage transmission system across our 15-state marketing area.

Employees work around the clock to sell power, operate transmission and provide maintenance and engineering services to:

- Cooperatives
- Federal and state agencies
- Municipalities
- Native American tribes
- Public utility and irrigation districts
- Other energy service providers

In turn, our customers provide electric service to millions of people from as far south as Texas to the Dakotas, and from the plains of Minnesota to the California coastline.

Western's role includes the Transmission Infrastructure Program, or TIP. Through funding partnerships, TIP develops transmission infrastructure that delivers renewable energy across the grid in the West.

For more than 30 years, Western employees have been dedicated to providing public service, such as promoting environmental stewardship, energy efficiency and renewable energy, as well as implementing new technologies to ensure our transmission system continues to be the most reliable possible.

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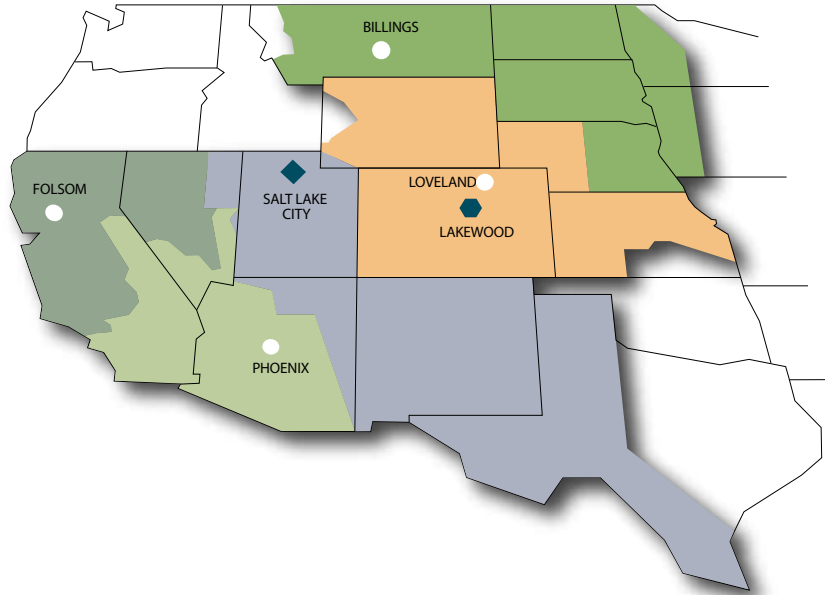
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*Note: Narrative and operational highlights are unaudited.

SERVICE AND MARKETING AREAS

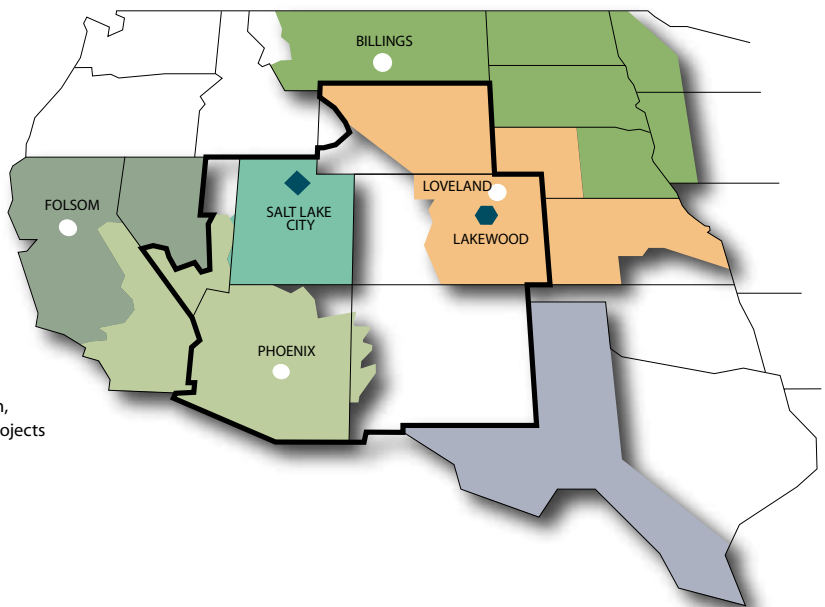
SERVICE AREAS

- Sierra Nevada Region
- CRSP Management Center
- Upper Great Plains Region
- Desert Southwest Region
- Rocky Mountain Region
- State boundaries
- Regional office
- ◆ Corporate Services Office
- ◆ CRSP Management Center



MARKETING AREAS

- Central Valley and Washoe projects
- Parker-Davis, Boulder Canyon and Central Arizona projects
- Falcon-Amistad Project
- Provo River Project
- Loveland Area Projects
- Pick-Sloan Missouri Basin Program—Western Division and Fryngpan-Arkansas Project
- Pick-Sloan Missouri Basin Program—Eastern Division
- Salt Lake City Area/Integrated Projects Colorado River Storage Project, Collbran, Rio Grande, Seedskadee and Dolores projects
- State Boundaries
- Regional Office
- ◆ Corporate Services Office
- ◆ CRSP Management Center



Western's role in delivering power also includes managing 10 rate-setting systems. These rate systems are made up of 13 multipurpose water resource projects, one coal-fired project and one transmission project. The systems include Western's transmission facilities along with power generation facilities owned and operated by the U.S. Bureau of Reclamation, the U.S. Army Corps of Engineers and the U.S. State Department's International Boundary and Water Commission. We set power rates to recover all costs associated with our reimbursable activities, such as annual operating costs, the specific and allocated multipurpose costs associated with recovering the Federal investment in the generation facilities (with interest) and certain other costs assigned to power for repayment, such as aid to irrigation development.

WESTERN AT A GLANCE (unaudited)

MARKETING PROFILE

FY 2011

Long-term energy sales	35.5 billion kWh
Pass-through energy sales	0.1 billion kWh
Other energy sales	6.8 billion kWh
Total	42.4 billion kWh

FINANCIAL PROFILE

Sales of electric power	\$1,035.6 million
Total operating revenues	\$1,382.1 million
Total operating expenses	\$1,017.1 million
Purchased power and transmission expenses	\$355.9 million

ASSETS

Powerplants ¹	57
Installed capacity (MW)	10,505
Net generation 2011 (GWh)	37,383
Substations	321
Transmission line miles	17,135

OUR PEOPLE

Customers	687
Employees	1,418

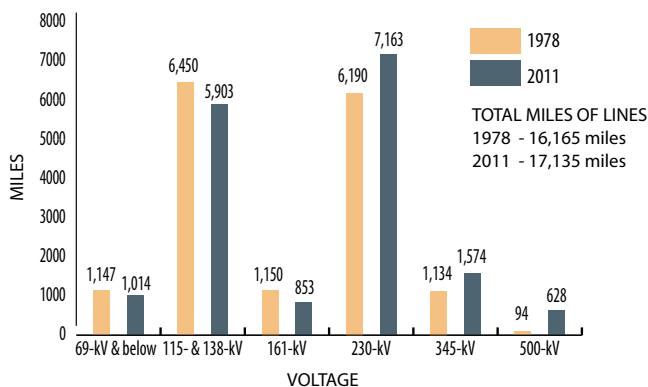
PEAK LOAD

July 19, 2011	7,027 MW
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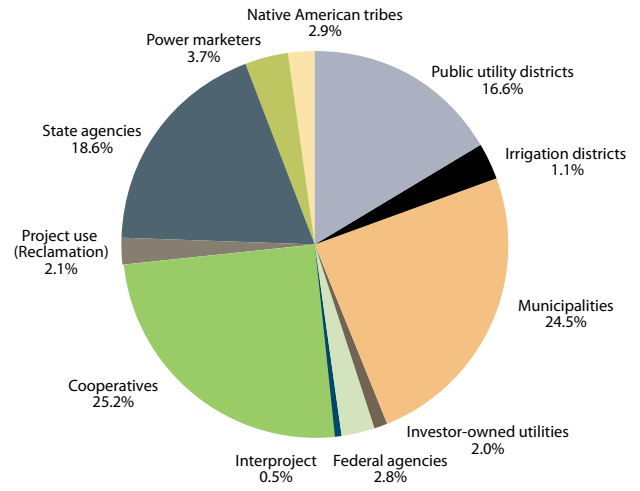
¹ Includes 56 hydropower and 1 coal-fired powerplants.

TRANSMISSION LINES IN SERVICE

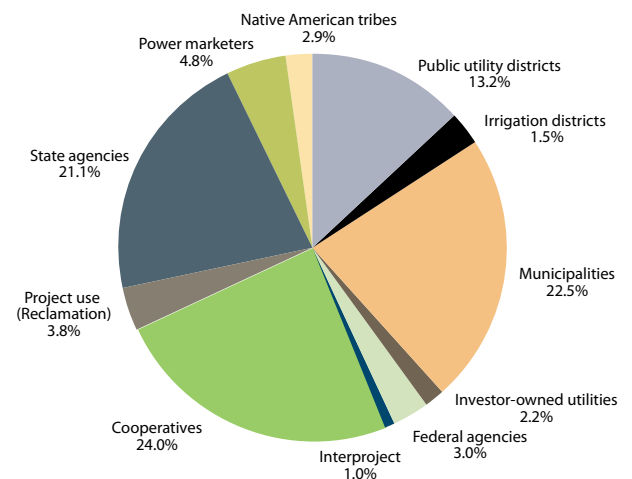
as of Oct. 1, 2011

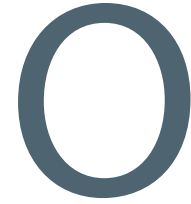


WHERE OUR REVENUES COME FROM (\$)



WHERE OUR ENERGY GOES (MWh)





Our Fiscal Year 2011 Annual Report highlights one of the tenets that make us particularly proud and equally humble—we are designed to serve. Beginning with our mission to market and deliver clean, renewable, reliable, cost-based Federal hydropower and related services, Western's leadership and staff have designed an agency to serve our customers and the American people.

With our 15-state service territory and extensive miles of transmission line, we are designed to play a leadership role in the energy industry throughout the West. Reliable and affordable electricity drives the economic viability of our customers, including cities and towns, rural electric cooperatives, public utilities and irrigation districts, Federal and state agencies and Native American tribes. In turn, our customers support the economic strength of millions of consumers with low-cost, reliable power.

**"...WE ARE
DESIGNED TO
PLAY A
LEADERSHIP
ROLE IN THE
ENERGY INDUSTRY
THROUGHOUT
THE WEST."**

We are designed to keep rates as low as possible, consistent with sound business principles. We are watchful to make the most of the resources we have and to conduct our business efficiently. In 2011, we concluded our Operations Consolidation Project and are now implementing the consolidation of power system operation and transmission functions within our Desert Southwest Region, Rocky Mountain Region and Colorado River Storage Project Management Center. We expect to reduce the resources required to develop and maintain multiple operations systems, while we maintain our strong commitment to reliability standards and Open Access Transmission Tariff requirements.

The efforts will create future cost-savings for our customers by limiting our additional facility investments, eliminating duplicative activities and sharing common Information Technology tools.

But we can't stand still. We are designed to keep up with the changing demands of our customers and the industry. In 2011, we began offering intra-hour transmission scheduling to make the transmission and scheduling services Western provides even more flexible for our customers. Intra-hour scheduling allows for more efficient use of available transmission and also more effectively accommodates intermittent generation resources, like wind and solar.

We have designed our systems for reliability, the hallmark of the electric industry. Between load growth and aging infrastructure, we need to work with our customers and interconnected transmission owners to replace and add to our transmission system to maintain reliability. In 2011, we and the Sacramento Municipal Utility District completed the Sacramento Voltage Support Project. The project eases transmission congestion in the greater Sacramento area, allowing local utilities to import power during times of peak demand and minimizing the potential for outages.

In all our work, we are designed for accountability. Our Transmission Infrastructure Program exemplifies that principle. In calendar year 2011, we continued to implement our TIP borrowing authority, committing funds to two additional projects: the Electrical District No. 5 to Palo Verde Hub Project and the development phase of the TransWest Express Transmission Project. The Montana Alberta Tie Limited Project was the first to be funded under our borrowing authority in 2009. All the approved projects have contractual arrangements to minimize risk, holding fast to the principle that the beneficiary should pay for the use of Federal resources. We will continue to adhere to these principles for future projects.

Our strong relationships with our customers and partners make all of this possible. At Western, we look forward to maintaining and strengthening those relationships, because ... we are designed to serve.

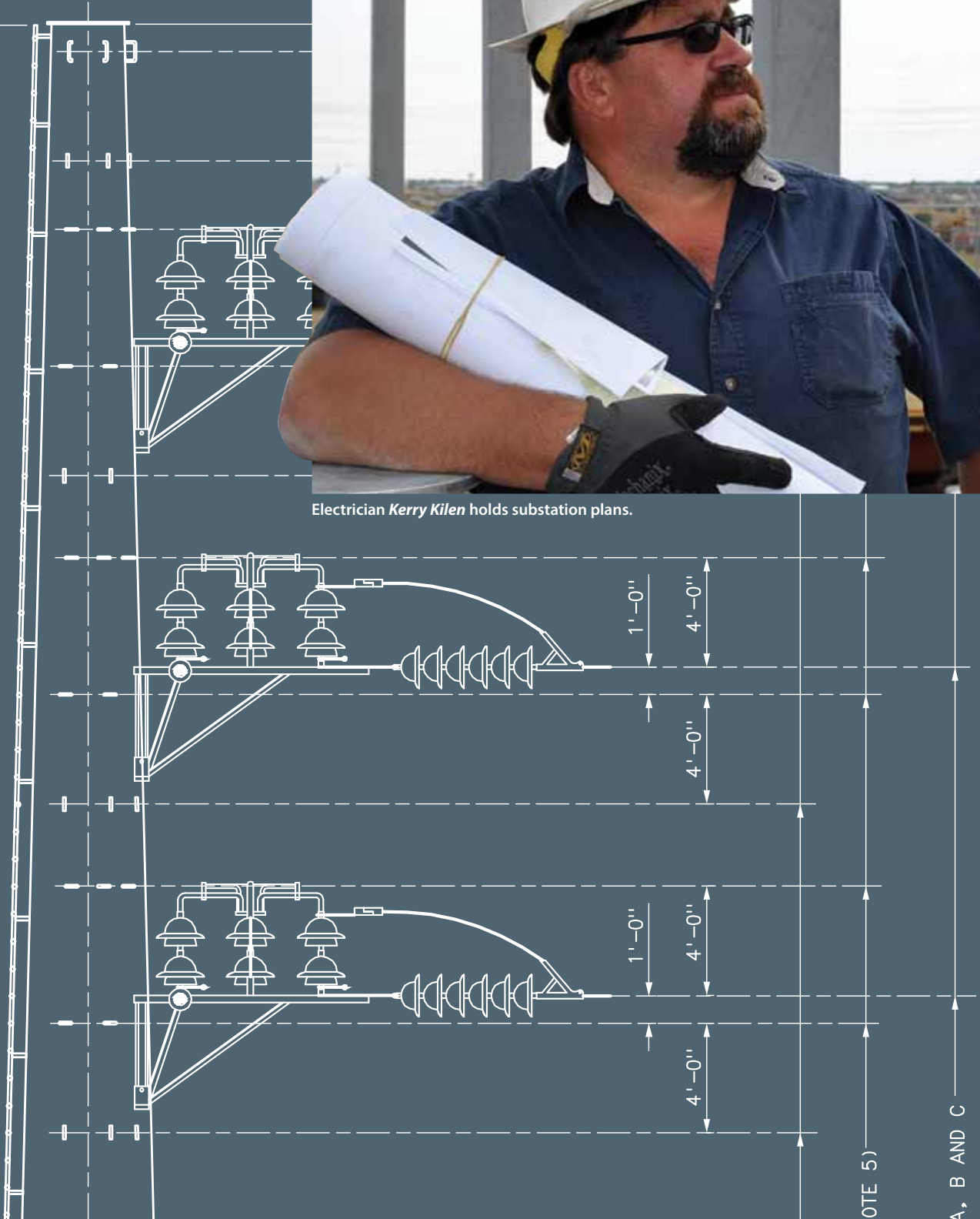


Tim Meeks





Electrician *Kerry Kilen* holds substation plans.



DESIGNED TO SERVE ... YOU!

WESTERN EMPLOYEES and our vast network of transmission lines, substations, switchyards, power operations dispatch centers and offices are designed to serve customers and the public every minute of every day. Our dedicated staff ensures that power flows seamlessly from renewable and fossil-fueled powerplants to municipalities, irrigation districts, public utility districts, tribes, cooperatives and Federal and state agencies throughout our 15-state territory.

Our 2011 Annual Report theme, "Designed to Serve," highlights our commitment and all the teamwork it takes to deliver clean, reliable, cost-based energy to customers on behalf of the nation. In turn, our cost-based rates encourage and stimulate economic development in our customers' service areas.

WESTERN'S ACHIEVEMENTS

- Experienced a banner water year – meaning more hydropower delivered
- Changed energy scheduling— to better support intermittent renewable resources
- Maintained reliability— ensuring maximum use of the grid by reducing the frequency and duration of planned and unplanned outages
- Connected communities— providing customers energy products and related services at cost-based rates
- Managed transmission projects



Electronic Equipment Craftsman
Cristina Tweten

Construction Control Representative
Ed Halland



WESTERN'S BANNER WATER YEAR, 2011

Western used only 36 percent of its purchase power and wheeling authority in 2011 because of the extremely good water year!

Over the years, the cost of producing and delivering Federal hydropower has gone up because of increased environmental and regulatory compliance requirements, higher operations and maintenance expenses and investment in new and replacement transmission and generation infrastructure. Regardless, Western does its best to keep costs and rates low for our customers.

Western sets its firm-power, transmission and ancillary service rates to recover costs for annual operations and maintenance in addition to paying back the Department of the Treasury for the capital investments and annual interest costs associated with the hydropower Western markets.

In 2011, Western kept costs for customers at the lowest possible rates while still repaying about \$680 million to the Treasury. Our Rates staff meets with customers annually to discuss work plans, repayment trends, the availability of hydropower generation for the upcoming water year and any potential rate changes.

Most of Western's power systems had an abundance of water last year, which had a two-fold impact on keeping customer costs low:

- More hydropower to market
- Less need to purchase replacement power

**"FEDERAL
HYDROPOWER
IS THE HEART
OF WESTERN'S
MISSION, JUST AS
WATER IS THE LIFE-
BLOOD OF MANY
COMMUNITIES."**

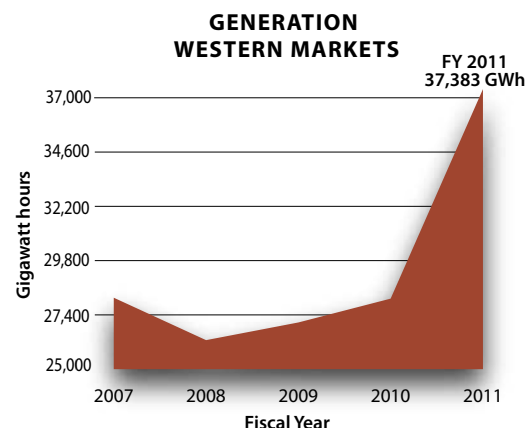


Safety and Occupational Health Specialists *Scott McGaugh* and *Bruce Unger* observe water flowing over the spillway at Fort Peck Dam.

MORE HYDROPOWER TO MARKET

In FY 2011, Western sold more than 42.4 billion kilowatt-hours of energy—5 billion kWhs more than FY 2010. That’s enough power to keep the lights on in millions of homes and businesses throughout the West.

When there’s not enough Federal hydroelectric power for Western to fulfill our obligations in the firm power contracts, we purchase power in the competitive energy market. We also make purchases on behalf of our customers, when requested, and then send the energy and costs along to those benefiting from the power as a pass-through purchase. In 2011, we purchased 6.6 million MWhs of power for \$288.9 million, compared to 9.3 million MWhs for \$388.8 million in 2010. Even though the average price for purchase power across all hydropower projects in 2011 was \$2 per MWh more than in 2010, Western was still able to save customers about \$100 million in purchase power costs.



COMPOSITE FIRM POWER RATES (MILLS/KILOWATT-HOUR) unaudited

POWER SYSTEM	FY 2010	FY 2011	FY 2012
Boulder Canyon Project	18.93	19.73	21.11
Central Valley Project (derived)	31.76	19.85	23.02
Loveland Area Projects	41.42	41.42	41.42
Parker-Davis Project	8.48	8.48	8.48
Pick-Sloan Missouri River Basin Program – Eastern Division	33.25	33.25	33.25
Salt Lake City Area/Integrated Projects	29.62	29.62	29.62

PROJECT SPOTLIGHT

BRINGING CITY INTO BALANCING AREA LOWERED CUSTOMER’S COSTS

The City of Needles, population 5,302, sits on the border of California and Arizona. The city transferred to the Western Area Lower Colorado Balancing Authority in 2008 and now pays lower costs for services it receives.

Less than three years later, Western showed Needles how much it saved by using Western BA services, network integration transmission services and marketing services.

Needles’ peak load is 17 megawatts with an annual energy usage of about 60,000 megawatt-hours. Through open competition, the Desert Southwest Energy Management and Marketing Office purchased more than 49,000 MWh directly for the city and supported power procurements for an additional 55,000 MWh, costing slightly more than \$5 million. Needles’ annual purchase power cost from 2007 to 2011 was significantly reduced, based on Needles’ data. Additionally, a comparison of two months of transmission service invoices showed a savings of more than \$56,000, which is considerably more than the estimated 12- to 15-percent reduction the city had hoped to save through switching to Western’s services.



Needles’ Administrative building and utilities services

→ OPERATING THE GRID WITH RENEWABLE ENERGY IN MIND

Delivering power requires a constant balance between the energy customers' need and the transmission available to deliver that energy.

**"ON TASK
AROUND THE
CLOCK TO
ENSURE POWER
GETS FROM
MARKETERS TO
CUSTOMERS
SEAMLESSLY."**

INTRA-HOUR TRANSMISSION SCHEDULING NOW AVAILABLE

Western's Power Marketing, Transmission Services and Power Operations staff work hourly, daily, weekly, monthly and annually to plan how much energy customers will likely need and through which transmission lines to deliver it. Then, Western's Energy Management and Marketing Offices and Power Operations staff take over to balance the hour-to-hour demands of a constantly changing environment. Managing the system in real time ensures consumers have the power they need and the transmission to deliver it at any given moment.

In the past, services were scheduled hourly. Although sufficient for conventional generation, the introduction of renewable, "variable" energy resources, such as wind and solar generation, made output less predictable. Starting in July 2011, Western's balancing authorities added intra-hour scheduling to make the transmission and scheduling services Western provides even more flexible for customers.



Energy Management and Marketing Specialist *David Kennedy* monitors the system.

The change to 30-minute scheduling allows everyone on the grid to respond quicker to changes in supply and demand, and makes it easier to handle the influx of variable energy resources like wind and solar power. “The initiative provides renewable generators the ability to have their actual [generation] closer to the schedule, reducing their exposure to imbalance penalties,” said Mike McElhany, Western Transmission Business Unit manager. “It helps level the playing field and provides more flexibility to integrate renewable energy.”

Allowing market participants to make changes every half hour also permits more flexible and efficient use of available transmission.

SPOTLIGHT

BRINGING RENEWABLES TO MARKET

To date, Western has interconnected more than 1,030 megawatts of renewable wind energy.

RENEWABLE RESOURCES IN WESTERN'S INTERCONNECTION QUEUES

8,577 MW wind

2,585 MW solar

35 MW biomass

And there's more to come. Sixty eight projects, making up about 11,200 MW of renewable generation, are still in Western's interconnection queues.



Wilton Wind Farm, N.D.

KEEPING THE WEST'S TRANSMISSION INFRASTRUCTURE HEALTHY

The thousands of transmission lines that make up Western's portion of the Bulk Electric System require a dedicated workforce to maintain its health. From our linemen, electricians and meter and relay craftsmen to our dispatchers, engineers and office staff, Western's team is committed to ensuring customers receive reliable, dependable power.

"CREWS MEET COMPLIANCE DEMANDS WHILE MAINTAINING OUR RELIABILITY."

KEEPING ACCOUNTABLE OUTAGES LOW

Although we strive to always "keep the lights on," circumstances do arise that result in an outage. Some outages, called non-accountable outages, are beyond Western's control—such as ones caused by weather. However, we do have some accountable outages, which could have been avoided if different actions were taken. Potential causes are failure to install new equipment or maintain equipment as necessary or incorrect operation of equipment. Western works diligently to limit our number of accountable outages.

In 2011, Western had 27 accountable outages—most lasting less than 35 minutes. While we missed our "stretch goal" of 20 or fewer, Western will continue to target this high goal for reliability. For FY 2012, Western is looking to keep our accountable outages to 20 or fewer.

PROJECT SPOTLIGHT

UPGRADING SUBSTATION IMPROVES REGION'S RELIABILITY

Western's Davis Switchyard, just outside Bullhead City, Ariz., along the Colorado River, is a vital transmission hub connecting Desert Southwest customers to hydropower from Reclamation's Davis Dam through a network of 69-kV and 230-kV transmission lines.

To continue reliably serving customers, in June 2011, Western upgraded the 69-kV switchyard to include two 230/69-kV transformers just in time to meet summer energy demands.

The new arrangement provides better reliability to Western's 69-kV customers, who have relied on the original switchyard built in the 1950s. Also, if a transformer needs repair today, there is now a backup power source that will prevent customer outages.



Davis Switchyard

SYSTEM BY THE NUMBERS

15-STATE, 1.3 MILLION-ACRE SERVICE TERRITORY, INCLUDING:

17,135 Miles of transmission line	298 Transformers
321 Substations	1,741 Circuit Breakers
481 Communications sites	

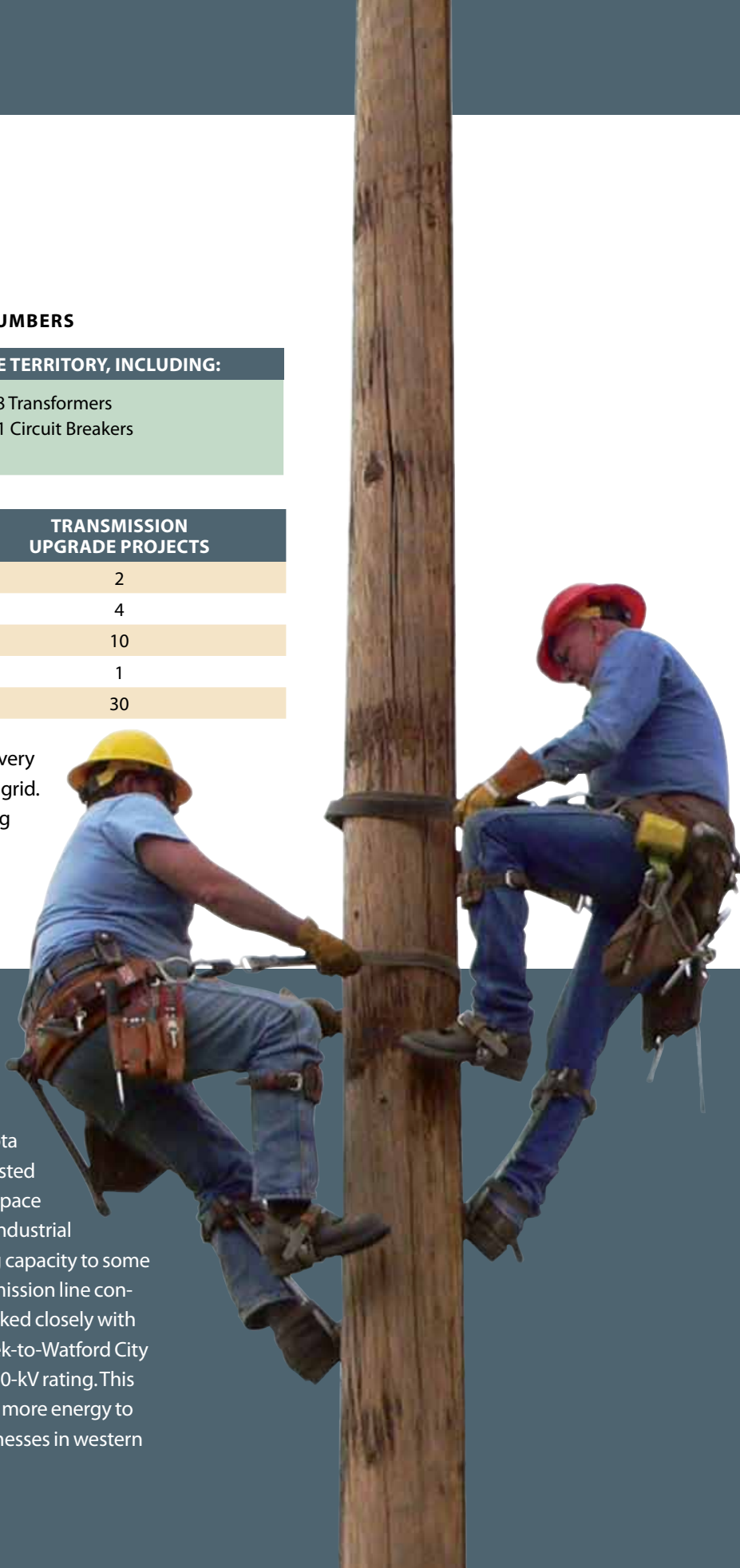
SERVICE AREA	TRANSMISSION UPGRADE PROJECTS
Colorado River Storage Project	2
Desert Southwest	4
Rocky Mountain	10
Sierra Nevada	1
Upper Great Plains	30

Part of keeping outages low and energy delivery dependable is maintaining the health of the grid. Western upgrades its infrastructure, including aging transmission lines and substation equipment, to guarantee reliable service.

PROJECT SPOTLIGHT

BRINGING MORE CAPACITY TO N.D. BOOM AREA

The Williston area in western North Dakota is experiencing a large amount of non-forecasted load growth because of an oil boom. To keep pace with the growing population and increased industrial load in the area, Western has been upgrading capacity to some of its lines and substations. Along with transmission line construction contractors, Western line crews worked closely with Engineering staff to upgrade the Charlie Creek-to-Watford City transmission line from a 115-kV rating to a 230-kV rating. This upgrade will allow Western to reliably deliver more energy to the local utilities that power homes and businesses in western North Dakota.



Linemen from Havre, Mont., climb a transmission pole during a repair job.

INTERCONNECTING POWER RESOURCES FOR FUTURE NEED

Populations in towns and cities throughout the West continue to increase. More people translate to a need for more power. Western uses 10-year network load addition studies to identify locations on the existing transmission system that will require an upgrade, additional interconnection or another power line to support increased energy demands.

Investment in electric transmission infrastructure around the country has also been on the rise because of:

- Growth of renewable generation, which is typically far away from the communities that need the energy.
- More specific economic analysis for towns and cities, which pinpoints congested areas, and helps find a way to use lower-cost resources to support needs in high-cost demand areas.
- Lack of transmission capacity close to likely generation development areas.

Western is helping with the expansion of the Bulk Electric System by building transmission lines and interconnecting new and existing energy resources. Most of these projects are collaborative efforts with Western's customers.

“SOMETIMES ENERGY RESOURCES ARE FAR AWAY FROM THE CITIES AND TOWNS THAT NEED THE POWER. PART OF OUR JOB IS CONNECTING THE TWO.”

PROJECT SPOTLIGHT

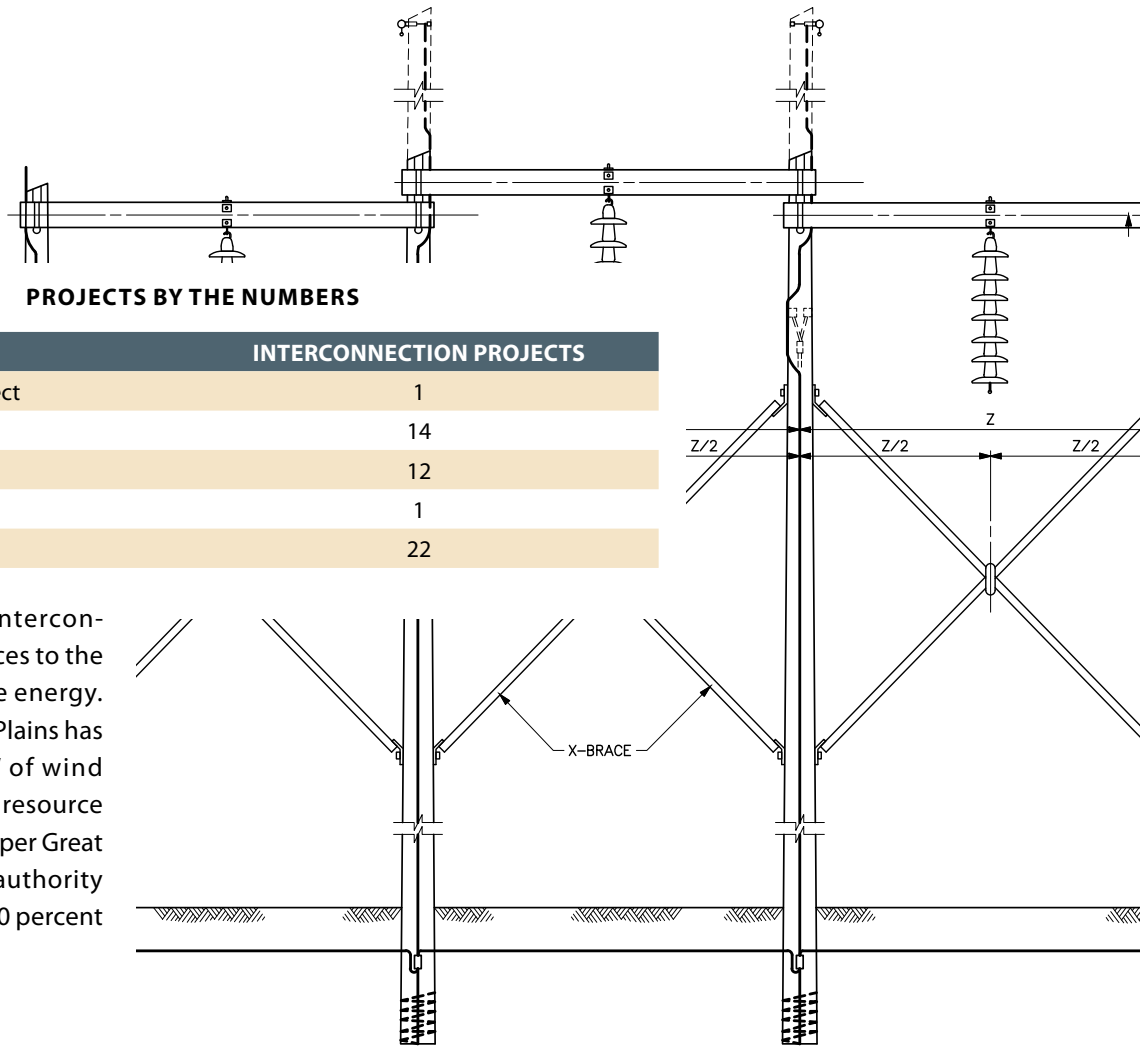
CALIFORNIA PROJECT ADDS STABILITY

In May 2011, Western's Sierra Nevada Region in California worked with the Sacramento Municipal Utility District to complete the Sacramento Voltage Support Project. Western built a new 31-mile, double-circuit, 230-kV transmission line between Western's O'Banion Substation and the area just south of SMUD's Elverta Substation. Western also reconstructed about five miles of SMUD's existing 230-kV/115-kV transmission line between its Elverta and Natomas substations.

Without this additional infrastructure, local utilities would have faced an increased risk of uncontrolled system-wide outages, especially during the peak summer operating season when high temperatures result in high electrical demand for air conditioning. But with the SVS project completed, the lines have more transfer capability to alleviate congestion on the transmission grid around the greater Sacramento area, improving the ability for utilities to import power as needed and ensuring the stability, reliability and security of the region's power system.



Line Foreman II Ron Burbridge



PROJECTS BY THE NUMBERS

SERVICE AREA	INTERCONNECTION PROJECTS
Colorado River Storage Project	1
Desert Southwest	14
Rocky Mountain	12
Sierra Nevada	1
Upper Great Plains	22

Every year Western interconnects more energy resources to the grid, including renewable energy. For example, Upper Great Plains has interconnected 841 MW of wind generation. The result is a resource mix in the Western Area Upper Great Plains Eastern balancing authority incorporating more than 20 percent wind energy.



Western's line crews continued work on one of the Sacramento Voltage Support towers near Elverta, Calif., March 17, 2011. Because of the extremely wet conditions along the route, helicopters were used to transport workers, material and equipment to and from the towers.

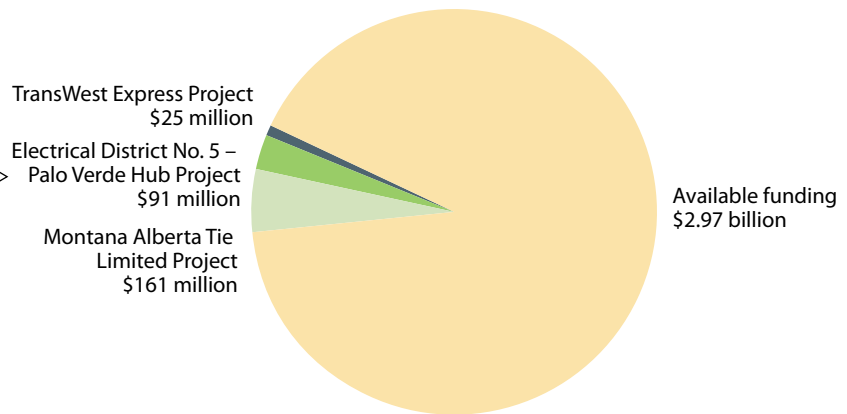


EACH PROJECT FACTORS IN RENEWABLE ENERGY, INTERCONNECTIONS

The Federal financing available through Western’s Transmission Infrastructure Program is an opportunity for Western to stimulate and support the continuing development of emerging renewable generation resources.

“FEDERAL FINANCING OF TRANSMISSION IMPROVEMENTS IS AN AREA WHERE WESTERN CAN HELP MOVE PROJECTS FORWARD.”

**TRANSMISSION INFRASTRUCTURE FUNDING
CY 2011**



TOTAL POTENTIAL TIP FUNDING FROM U.S. TREASURY: \$3.25 BILLION

PROJECT SPOTLIGHT

MATL PROJECT CONTINUES TO MAKE PROGRESS

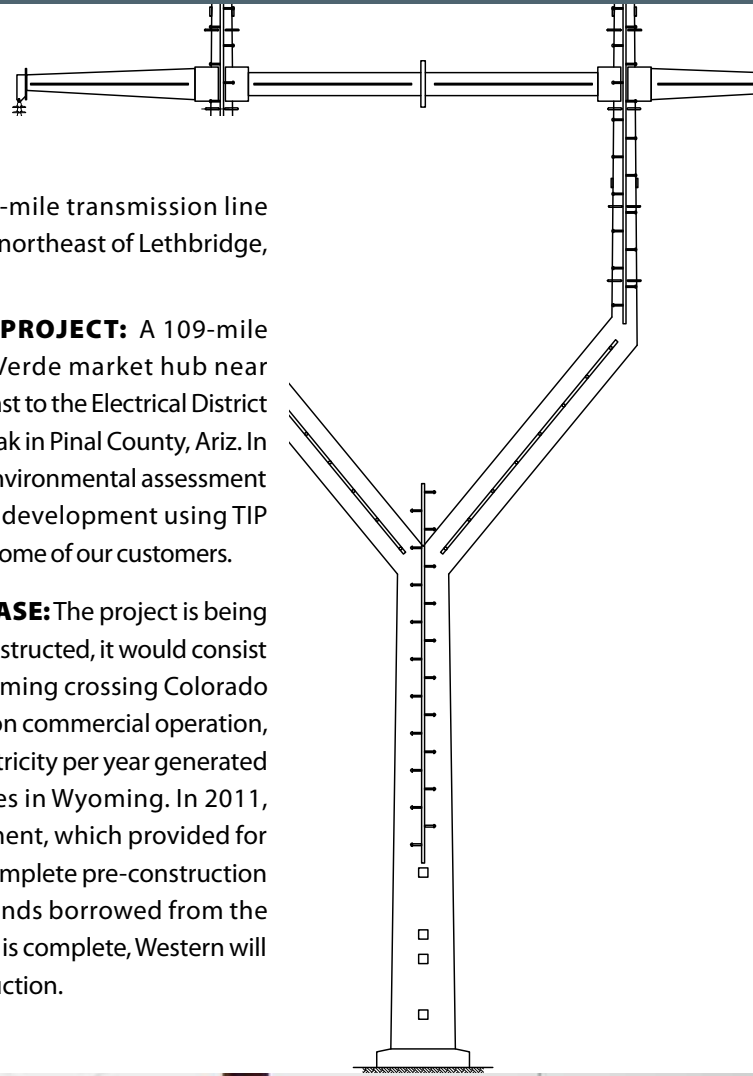
The construction of the Montana Alberta Tie Limited Project—Western’s first project under the Transmission Infrastructure Program—continues. There were several delays due to rights-of-way concerns and construction work halting in Spring 2011.

In October 2011, the project and its parent company, Tonbridge, Inc., were acquired by Enbridge, Inc. A new construction contract was executed in December 2011, and Notice to Proceed was issued in January 2012. The project is scheduled to be complete in 2012.

Once the line is energized, MATL will bring new transmission capacity online that will help deliver 300 megawatts of wind energy—enough to power 150,000 to 300,000 homes and serve up to a million people with renewable energy.



Lineman *Ron Smith*



By the end of calendar year 2011, TIP had three projects:

- **MONTANA ALBERTA TIE LIMITED PROJECT:** A 214-mile transmission line project between Great Falls, Mont., and a new substation northeast of Lethbridge, Alberta, Canada.
- **ELECTRICAL DISTRICT NO. 5 – PALO VERDE HUB PROJECT:** A 109-mile transmission project in Arizona, starting at the Palo Verde market hub near Wintersburg, in Maricopa County, Ariz., and running southeast to the Electrical District No. 5 Substation south of Casa Grande and near Picacho Peak in Pinal County, Ariz. In 2011, Western's Desert Southwest Region completed the environmental assessment and signed the necessary agreements to begin project development using TIP borrowing authority to fund the project in partnership with some of our customers.
- **TRANSWEST EXPRESS PROJECT DEVELOPMENT PHASE:** The project is being co-developed by Western and TransWest Express LLC. If constructed, it would consist of 725 miles of transmission line from south-central Wyoming crossing Colorado and Utah, to the marketplace hub in southern Nevada. Upon commercial operation, this project would transmit about 3,000 megawatts of electricity per year generated primarily from renewable resources at planned facilities in Wyoming. In 2011, Western and TransWest executed a development agreement, which provided for each party to equally share the estimated \$50 million to complete pre-construction development work. Western will fund its share using funds borrowed from the Department of Treasury. Once the pre-construction phase is complete, Western will decide whether or not to participate in the project's construction.



Construction on the Montana Alberta Tie Limited Project continues about 5 miles north of Cut Bank, Mont.

Working in their areas of expertise, Western's dedicated employees make work practices and processes more efficient; their efforts save time and money while ensuring the reliable delivery of power to towns and cities throughout the West. As a result, Western saw many accomplishments in Fiscal Year 2011. The following highlights summarize a small number of the many achievements of our workforce.

RELIABILITY CENTERED MAINTENANCE CONSOLIDATED

Completing the Reliability Centered Maintenance consolidation project puts the agency in a better position for compliance audits and increases business efficiencies. By consolidating RCM, Western is now:

- Integrating the new North American Electric Reliability Corporation's protection system maintenance and testing requirements to improve Western's compliance with regulatory requirements
- Improving maintenance program documentation to assist in compliance audits
- Creating more systemic maintenance practices and goals

The effort took the best practices of the regional maintenance programs and merged them into a single maintenance program for Western.



HELICOPTERS SAVE LINEMEN TIME

Starting in late 2010, Western line crews began using helicopters to transport linemen and equipment to do a multitude of maintenance and construction-related activities, such as changing out insulators, installing or replacing overhead groundwires and repairing crossarms at various locations in Arizona, California, Nevada and New Mexico.

This technique, referred to as long-line operations, flies linemen, tools and equipment directly to a structure, allowing faster, easier and more cost-effective repairs.

Additionally, this method significantly reduces the environmental footprint associated with the activity, and is especially useful when working in areas where environmental and cultural sensitivity is of the utmost importance. Using a long-line operations technique has also reduced travel time for the crews while increasing the ratio of productive hours to total hours spent on a job. The bottom line is that Western customers are getting a "bigger bang for their buck" as the work is being performed more effectively and efficiently.

Helicopter transports two linemen to the top of a transmission tower in northern California.

HELPING FEDERAL AGENCIES INCORPORATE RENEWABLE ENERGY

In FY 2011, Western connected six Federal agencies with renewable resources through the Renewable Resources for Federal Agencies program by coordinating Renewable Energy Credit purchases, or RECs. The contracts will provide agencies, including the Department of Energy, National Park Service and the Environmental Protection Agency, up to 600,000 megawatt-hours of RECs for periods of up to five years. Western uses its purchase power authority to help Federal agencies interested in RECs meet Energy Policy Act of 2005 and Executive Order mandates as well as individual environmental stewardship and leadership goals. Additionally, Western's RRFA program staff assist other Federal agencies with on-site renewable energy development, delivery of renewables to an agency site and transmission prefeasibility studies.

INSPIRING THE FUTURE

In California, employees cheered on the Mira Loma high school team as it once again won the Sacramento Regional Science Bowl. Western employees volunteered at six different regional science bowls throughout our service territory to encourage middle school and high school students to enter into science and technology career fields. Mira Loma went on to capture the title of National Science Bowl champions in 2011.



The Mira Loma High School of Sacramento, Calif., won first place at the 2011 National Science Bowl. (Photo credit Dennis Brack/Department of Energy)

PREPARING FOR HIGH-VOLTAGE 'SMART GRID'

Western's Upper Great Plains region is installing a Phasor Data Concentrator that will collect and send data to the Mid-West Independent System Operator in real time. This effort is part of Western's active support for the development, networking and deployment of a synchrophasor system to enhance the reliability of the North American transmission grid. The synchrophasors, designed to monitor conditions on transmission lines, are proposed to be installed at Western and non-Western sites that are within MISO's operation area. UGP has committed to installing the new equipment at four sites: Bismarck N.D., Dawson County, Mont., and Fort Thompson and Sioux City, S.D.

Additionally, Western has agreed to participate in Western Electricity Coordinating Council's Western Interconnection Synchrophasor Program to upgrade a synchrophasor system that includes the Rocky Mountain, Desert Southwest and Sierra Nevada regions. A new Phasor Data Concentrator will be installed in the RM office in Loveland, Colo., to collect data and pass it onto the WECC Reliability Centers in real time. Phasor Measurement Units, called PMUs, at Ault, Bears Ears, Shiprock and Yellowtail substations will be replaced. A new PMU at Olinda Substation and the existing PMU at Mead Substation will also collect data for the project.

WESTERN CUSTOMER RECOGNIZED FOR INCLUDING THE PUBLIC IN IRP PROCESS

Western's Rocky Mountain Region Manager Brad Warren presented Tri-State Generation and Transmission Association's CEO Ken Anderson an Administrator's award in recognition of Tri-State's exceptional energy efficiency and renewable energy contributions.

Tri-State earned this peer-recognition award for going above the standards to engage the public in its Integrated Resource Plan process. Tri-State engaged consumers and others interested in its future resources, listened to their input and incorporated some of their ideas. Tri-State also doubled the budget for demand-side management programs to conserve and use energy more efficiently to support the public's need.

PROVIDING DOE A BIRD'S EYE VIEW

As part of her effort to facilitate development of our nation's electrical infrastructure, DOE Senior Advisor Lauren Azar visited with Western's Desert Southwest employees Aug. 1, 2011, to talk about the agency's transmission objectives and challenges.

Left to right: Transmission Services Manager *Rick Hillis*, *Lauren Azar*, Senior Advisor to Secretary *Chu*, Project Manager *Todd Rhoades* and Foreman III Lineman *Mark DePoe* prepare for an aerial tour.



CREWS BRING POWER BACK TO WILLISTON, N.D.

Montana Maintenance crews and two linemen from Fargo, N.D., replaced 14 structures on the Williston-to-Richland 115-kV transmission line and one structure on the Poplar-to-Williston 230-kV line after 60-mile-per-hour winds and blizzard conditions engulfed Williston, N.D., and surrounding areas in April 2011.

The storm left many residents without power for four days or more due to outages on the transmission and distribution systems. Several of the structures had mangled crossarms or were destroyed entirely. Western employees immediately instituted contingency plans to restore power, but crews were unable to start work on lines until May 1 because of road closures and white-out conditions. Power was first restored to our Williston Substation by repairing the single structure on the Poplar-to-Williston line. This allowed electric service to be restored for residents as the distribution system was repaired by the local providers.

In all, it took crews about two weeks straight, working in sloppy weather conditions, to transport materials and complete repairs. North Dakota Maintenance also delivered a tracked digger derrick for access to difficult terrain. Crews finished restoring downed lines May 12.

CONSOLIDATING OPERATIONS

The Operations Consolidation Project was completed in 2011 when Western merged its Loveland and Phoenix Operations staff to streamline and improve workflow.

The consolidation allowed the agency to reduce the supervisory control and data acquisition and alternate control center budget by \$745,000 per year between Rocky Mountain and Desert Southwest regions since FY 2008.

Looking forward to FY 2012, Western is now focusing on the Operations Consolidation Implementation project, or OCi for short, through five phases including:

- Replace the Phoenix and Loveland SCADA systems with new common hardware, software and functionality
- Reconfigure the Colorado River Storage Project's generation assets and transmission system under the Western Area Colorado Missouri balancing authority
- Consolidate transmission scheduling for Loveland and Phoenix
- Implement communication tools that will relay dispatch orders from either Loveland or Phoenix to all substations in DSW and RM
- Join the RM and DSW systems into one

EXCEEDING SAFETY STANDARDS

While Western's efforts to promote and ensure safety are never complete, our 2011 recordable incidents were the lowest in more than 10 years. Specifically, Western had 22 recordable injuries for a total recordable case rate of 1.6 and a lost time case rate of 0.5. This puts Western's accident rate at 10 percent below industry standards for calendar year 2011.

CONSULTING, CONNECTING WITH TRIBAL GOVERNMENTS

Western conducts government-to-government consultations with tribes on various activities as part of our routine business. In 2011, Western consulted with 80 tribes for specific project work and broad undertakings, such as the operation of the dams on the Colorado River. Specifically, Colorado River Storage Project Management Center and regional staff participated in the National Historic Preservation Act consultation with other Federal agencies and tribes on multiple proposed Federal actions that have the potential to impact cultural resources. Western's Rocky Mountain employees also consulted with Loveland Area Projects tribal customers about the 2025 Power Marketing Initiative, and Upper Great Plains employees extended the commenting period on its 2021 Pick-Sloan Power Remarketing Initiative Proposal to accommodate requests from tribes.

To promote opportunities to develop renewable energy on tribal land, Western initiated a series of webinars in September 2011 that will help tribal communities learn how to develop renewable energy generation and interconnect it to the grid.



Western linemen use needed crossarm change-out work on the Canyon Ferry-East Helena 115-kV lines as an opportunity for hot stick training.

SECURING OPERATIONS, MAINTENANCE FUNDS FOR RECLAMATION

The Colorado River Storage Project Management Center was instrumental in implementing an agreement among the Colorado River Energy Distributors Association, the seven basin states, Reclamation and Western to maintain rate stability and provide an additional \$11.5 million in annual Operations and Maintenance funding for Reclamation mainstem facilities.

WESTERN WINS DOE AWARD FOR HIRING PRACTICES

The Human Resources Office received the Secretary of Energy Appreciation Award for management and operational excellence, specifically for its notable achievements in expedient hiring and surpassing Department of Energy's hiring targets for certain diversity groups in FY 2011.

Western reformed hiring to a 5-step process in line with DOE, Office of Personnel Management and Office of Management and Budget initiatives. In FY 2011, the agency's average hiring time from recruitment to new employee arrival was just 78 days for 184 hiring actions, far below the DOE goal and DOE FY 2011 average of about 101 days. This was a significant improvement compared to the 108-day average for FY 2010.

In addition, Western received the DOE Chief Human Capital Officer's Honor Award "for achieving exceptional results in Veteran hiring in FY 2011." In FY 2011, Western more than doubled DOE's disability hiring goal of 7 percent with a rate of 17.5 percent. Also, Western exceeded DOE's veteran target and doubled the disabled veteran target with 31.7 percent and 14.2 percent, respectively. DOE's corresponding goals were 21.4 percent and 6.6 percent.



Class participants get hands-on experience with a miniature power system simulator at Western's Electric Power Training Center.

TRAINING CENTER BRINGS SKILLS TO REGIONS

Western's Electric Power Training Center provides the highest quality power system operations and maintenance training for power plant operators, dispatchers, maintenance workers or anyone else with an interest in learning about the principles and operation of power generation, transmission and interconnected system operations. In FY 2011, EPTC trained more than 85 Western employees and more than 235 other utility industry workers. The facility regularly hosts utility-related training for Western and other groups and has virtual training capability for Western employees through its live, video-streaming unit.

REDUCED SF₆ EMISSIONS EARNS DOE AWARD

Department of Energy Secretary Steven Chu recognized Western with the Secretary of Energy's Achievement Award for its participation and leadership in the Fugitive Emissions Working Group, which works to decrease greenhouse gas emissions. Western has become a frontrunner among DOE facilities in preventing sulfur hexafluoride, or SF₆, releases—a greenhouse gas. Western has thousands of pieces of equipment, mostly circuit breakers, which have SF₆ that have been managed under Western's Emissions Reduction Program for more than 10 years.

2011 WIND COOPERATIVE OF THE YEAR SELECTED

Iowa Lakes Electric Cooperative received the 2011 Wind Cooperative of the Year award for innovation in developing two wind farms with a total of 21 megawatts of capacity. A panel of wind industry, utility, government, national laboratory and cooperative experts selected the cooperative for the honor from a group of 12 nominees nationwide.

The Wind Cooperative of the Year award was established by Western in partnership with the National Rural Electric Cooperative Association and the Department of Energy's Wind Powering America initiative, and has been managed by Western for the last 11 years. The criteria used to judge the nominees for this award include corporate leadership, innovative marketing, benefits to customers and project creativity. Western also manages the Public Power Wind Award in partnership with the American Public Power Association and the Wind Powering America initiative. The 2011 winners included CPS Energy and Denton Municipal Electric.

ENVIRONMENTAL STEWARDSHIP REMAINS IMPORTANT

Western's transmission lines cross forests, wetlands, grasslands and deserts across the West. Our environmental policy establishes Western's commitment to protecting these sensitive ecosystems by avoiding, minimizing or abating environmental impacts and, when possible, enhancing the environment. In FY 2011, Western prepared 21 environmental impact statements and 16 environmental assessments, as well as conducted 35 public meetings to support environmental stewardship for its activities.



Secretary Chu, left, presents Rocky Mountain Environment Manager Gene Iley with a Secretary of Energy's Achievement Award Oct. 27.

Western’s Integrated Resource Planning requirements outlined in Section 114 of the Energy Policy Act of 1992, underwent many changes which give customers several options. The modified requirements, which were updated in 2000, recognize the changes occurring in the utility industry and our customers’ varying size and structure. These changes also streamlined reporting requirements without sacrificing EAct of 1992 intent.

Customers must submit annual progress reports and new integrated resource plans every five years, but they may now submit them individually or collectively.

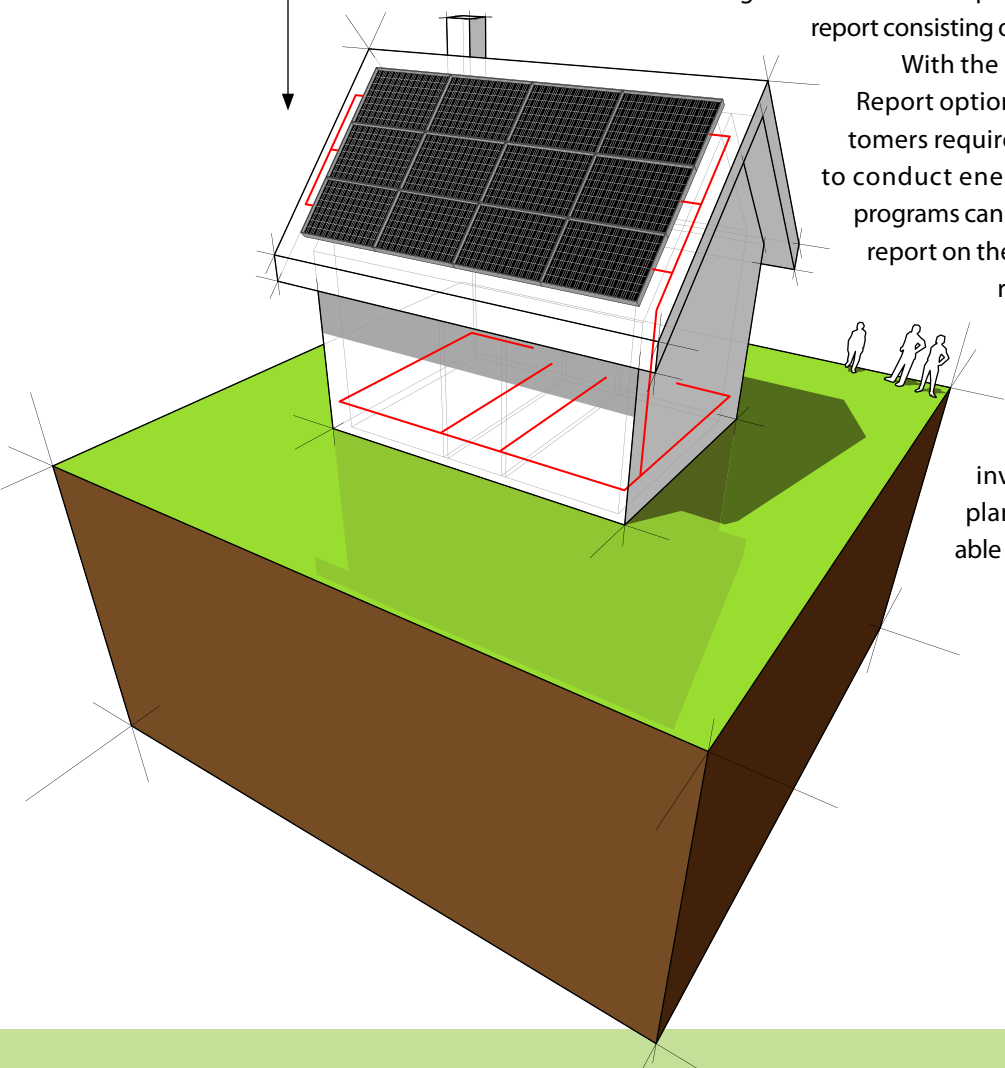
The IRP regulations allow customers to set action plan timelines to correspond with their own situations. The regulations require customers to provide a brief summary verifying that a load forecast study was conducted. Customers can submit a brief description of measurement strategies for the options identified in the IRP.

Western also accepts other IRP alternatives. Members of member-based associations and joint action agencies may now file a small customer plan if their sales/use is under 25 GWh per year.

Another alternative to the IRP is the minimum investment report. Customers required by a state, tribal or Federal regulation to make minimum financial/resource investment in demand-side-management or renewable programs may file a minimum investment report consisting of an initial report and an annual letter.

With the Energy Efficiency/Renewable Energy Report option, state, tribal or Federal end-use customers required by state, tribal or Federal mandate to conduct energy efficiency or renewable energy programs can provide an initial report and an annual report on these activities to comply with Western’s requirements.

All firm power customers have submitted one of these options. In FY 2011, Western received 82 IRPs from individual customers, 27 minimum investment reports, 83 small customer plans, and four energy efficiency/renewable energy reports.



CUSTOMER REPORTED TRENDS INCLUDE:

- Increased investment in audits, efficiency and demand-side management activities
- Decreased investments in renewables due to unknown and unstable regulatory direction
- Increased savings achieved in capacity (kW) and energy (kWh) in both DSM and renewable activities
- Increased demand for renewable energy technologies in all (commercial, industrial, residential and institutional) market segments. Renewables are being used as a hedge against volatility in energy prices.
- Increased requests for education and information transfer on DSM, energy efficiency and renewable energy technologies
- Increased exchange of ideas among energy service providers

THE MOST FREQUENT DEMAND-SIDE-MANAGEMENT ACTIVITIES CITED BY WESTERN'S CUSTOMERS ARE:

- Lighting technologies
- Air conditioning or alternating current technologies
- Audits for residential, commercial and industrial facilities
- Load management
- Refrigerator and freezer efficiency measures

THE TOP FIVE RENEWABLE ENERGY RESOURCE CHOICES ARE:

- Small scale hydro
- Wind generation
- Solar – Photovoltaic
- Green and White tags
- Biomass/gas

IRPs are driven by customer need and requests. Cost and reliability used to be the only priorities when customers developed IRPs but several other factors have climbed up the priority list including climate change, environmental issues and national security. Social, economic and political issues are also driving IRP decisions. The potential for additional regulation on emissions is another factor that will influence the results of many IRPs in the future.

FY2011 CUSTOMER IRP ACCOMPLISHMENTS (unaudited)

ITEM	REGION						TOTALS
	CRSP	DSW	RM	SN	UGP		
DSM¹ kW Savings	47,691	6,877,250	243,198	167,736	915,352	8,251,227	
DSM kWh Savings	31,387,313	843,704,247	328,687,650	301,816,669	1,160,563,012	2,666,158,891	
DSM Expenditure	22,534,341	47,997,548	14,587,807	43,158,613	66,748,366	195,026,675	
DSM Deviations²	-2,270,919	-339,064	-201,517	7,143,020	20,867,723	25,199,243	
kW Renewables	15,888,716	101,711	544,174	961,806	1,145,475	18,641,882	
kWh Renewables	367,970,250	881,100,003	2,413,393,359	5,986,887,521	4,158,534,070	13,807,885,203	
Renewable Expenditure	11,609,992	8,819,966	63,769,170	128,271,485	28,305,480	240,776,093	
Renewable Program Types	Small hydro, solar, wind	Biomass/gas, fuel cells, geothermal, green tags, small hydro, solar, wind	Biomass/gas, green tags, small hydro, solar, wind	Biomass/gas, geothermal, green tags, fuel cells, small hydro, solar, wind	Biomass/gas, green tags, hydro, solar, wind	Biomass/gas, fuel cells, geothermal, green tags, small hydro, solar, wind	
Top 5 most Frequent DSM Activities	Rebates, DHW ³ , HVAC, audits, lighting	Motors/ASD ⁴ , lighting, load management, AC, audits	Lighting, heating, DHW, audits, refrigerator/freezer measures	Lighting, AC, audits, refrigerator/freezer measures, rebates	AC, lighting, motor ASD, load management, refrigerator/freezer measures, audits	Lighting, audits, load management, AC, refrigerator/freezer measures	
Top 5 Renewable Energy Activities	Solar, wind, small hydro	Solar, small hydro, wind, biomass/gas, green tags	Small hydro, wind, solar, bio-mass, green tags	Solar, small hydro, wind, geothermal, green tags, biomass/gas	wind, hydro, biomass/gas, solar, green tags	Solar, wind, small hydro, green tags, biomass/gas	
Top 3 Customer reported trends	Renewables, Efficiency, DSM	Efficiency, Renewables, DSM	DSM, Efficiency, Renewables	Renewables, Efficiency, DSM	DSM, Renewables, Efficiency	Renewables, DSM, Efficiency	
# of IRPs -individual Customers	22	15	18	12	15	82	
# of minimum investment reports	0	0	1	3	23	27	
# of small customer plans	1	8	17	29	28	83	
# of energy efficiency/ renewable energy reports	0	0	4	0	0	4	

¹DSM refers to demand-side management activities the utility conducts to change customer energy use.
²Deviations are any difference from the customer's Integrated Resource Plan.

³DHW refers to domestic hot water
⁴ASD refers to adjustable speed drives

INDEPENDENT AUDITORS' REPORT**The Administrator of Western Area Power Administration and
the U.S. Department of Energy Office of the Inspector General:**

We have audited the accompanying combined balance sheets of the Western Area Power Administration (Western), a component of the U.S. Department of Energy (DOE), as of September 30, 2011 and 2010, and the related combined statements of revenues and expenses, changes in capitalization, and cash flows for the years then ended. As described in note 1(a), the combined financial statement presentation includes the hydroelectric generation functions of other federal agencies for which Western markets and transmits power (hereinafter referred to as the generating agencies). These combined financial statements are the responsibility of managements of Western and the generating agencies. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Western's and the generating agencies' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Western Area Power Administration's combined power systems as of September 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on Western's combined financial statements taken as a whole. The supplementary information in schedules 1 and 2 is presented for purposes of additional analysis of the combined financial statements and is not a required part of the basic combined financial statements. The supplementary information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the combined financial statements taken as a whole.

The logo for KPMG LLP, featuring the letters 'KPMG' in a large, stylized, handwritten font, followed by 'LLP' in a smaller, simpler font.

April 13, 2012

COMBINED BALANCE SHEETS

September 30, 2011 and 2010 (in thousands)

	2011	2010
Assets		
Completed utility plant	\$6,751,132	\$6,505,295
Accumulated depreciation	(3,280,459)	(3,166,403)
Net completed plant	3,470,673	3,338,892
Construction work in progress	314,229	369,027
Net utility plant	3,784,902	3,707,919
Cash	1,064,915	960,585
Accounts receivable, net	182,408	168,111
Construction financing receivable	153,344	67,179
Regulatory assets	99,782	93,462
Other assets	76,804	79,830
Total assets	\$5,362,155	\$5,077,086
Liabilities and Capitalization		
Liabilities:		
Long-term liabilities	\$298,125	\$227,970
Customer advances and other liabilities	209,987	194,657
Accounts payable	66,302	75,332
Environmental cleanup liabilities	12,214	5,740
Total liabilities	586,628	503,699
Capitalization:		
Payable to U.S. Treasury	4,975,080	4,966,310
Accumulated net deficit	(199,553)	(392,923)
Total capitalization	4,775,527	4,573,387
Commitments and contingencies (notes 9 and 11)		
Total liabilities and capitalization	\$5,362,155	\$5,077,086

See accompanying notes to combined financial statements.

COMBINED STATEMENTS OF REVENUES AND EXPENSES

Years ended September 30, 2011 and 2010 (in thousands)

	2011	2010
Operating revenues:		
Sales of electric power	\$1,035,576	\$994,804
Transmission and other operating revenues	346,499	347,430
Total operating revenues	1,382,075	1,342,234
Operating expenses:		
Operation and maintenance	472,930	482,681
Purchased power	288,918	388,799
Purchased transmission services	66,945	53,357
Depreciation	133,266	115,345
Administration and general	54,995	53,813
Total operating expenses	1,017,054	1,093,995
Net operating revenues	365,021	248,239
Interest expenses:		
Interest on payable to U.S. Treasury	208,911	220,557
Allowance for funds used during construction	(15,061)	(18,428)
Net interest on payable to U.S. Treasury	193,850	202,129
Interest on long-term liabilities	9,174	9,756
Net interest expense	203,024	211,885
Net revenues	\$161,997	\$36,354

See accompanying notes to combined financial statements.

COMBINED STATEMENTS OF CHANGES IN CAPITALIZATION

Years ended September 30, 2011 and 2010 (in thousands)

	Payable to U.S. Treasury	Accumulated net deficit	Total capitalization
Total capitalization as of September 30, 2009	\$4,794,841	(\$450,344)	\$4,344,497
<i>Additions:</i>			
Congressional appropriations	551,503	21,067	572,570
Interest	220,557	0	220,557
Transfers of property and services, net	249	0	249
Total additions to capitalization	772,309	21,067	793,376
<i>Deductions:</i>			
Payments to U.S. Treasury	(600,840)	0	(600,840)
Total deductions to capitalization	(600,840)	0	(600,840)
Net revenues for the year ended September 30, 2010	0	36,354	36,354
Total capitalization as of September 30, 2010	4,966,310	(392,923)	4,573,387
<i>Additions:</i>			
Congressional appropriations	498,754	31,373	530,127
Interest	208,911	0	208,911
Total additions to capitalization	707,665	31,373	739,038
<i>Deductions:</i>			
Payments to U.S. Treasury	(679,588)	0	(679,588)
Transfers of property and services, net	(19,307)	0	(19,307)
Total deductions to capitalization	(698,895)	0	(698,895)
Net revenues for the year ended September 30, 2011	0	161,997	161,997
Total capitalization as of September 30, 2011	\$4,975,080	(\$199,553)	\$4,775,527

See accompanying notes to combined financial statements.

COMBINED STATEMENTS OF CASH FLOWS

Years ended September 30, 2011 and 2010 (in thousands)

	2011	2010
Cash flows from operating activities:		
Net revenues	\$161,997	\$36,354
Adjustments to reconcile net revenues to net cash provided by operating activities:		
Depreciation	133,266	115,345
Interest on payable to U.S. Treasury	193,850	202,129
Loss on disposition of assets	4,394	5,613
Unfunded postretirement benefits	21,095	26,298
Bill credits applied against long-term liabilities	(14,167)	(11,748)
Accreted interest on construction financing receivable	(2,478)	(613)
Amortization of regulatory assets	493	479
Change in unfunded FECA liability	978	(340)
(Increase) decrease in assets:		
Accounts receivable, net	(14,297)	(9,680)
Regulatory assets	(7,312)	(2,380)
Other assets	2,487	5,574
Increase (decrease) in liabilities:		
Customer advances and other liabilities	15,268	(15,641)
Accounts payable	(9,030)	(2,055)
Environmental cleanup liabilities	6,474	3,879
Net cash provided by operating activities	493,018	353,214
Cash flows from investing activities:		
Investment in utility plant	(201,817)	(236,447)
Issuance of construction financing	(83,687)	(66,566)
Cash used in investing activities	(285,504)	(303,013)
Cash flows from financing activities:		
Congressional appropriations	480,230	542,459
Payments to U.S. Treasury	(661,290)	(582,580)
Proceeds from long-term liabilities	373,000	213,724
Principal payments on long-term liabilities	(295,124)	(127,152)
Net cash (used in) provided by financing activities	(103,184)	46,451
Net increase in cash	104,330	96,652
Cash, beginning of year	960,585	863,933
Cash, end of year	\$1,064,915	\$960,585
Cash paid for interest		
	\$196,283	\$204,431
Supplemental cash flow information:		
Capitalized interest	\$15,061	\$18,428
Transfer of construction work-in-progress to completed plant	258,835	218,023
Constructive payment to U.S. Treasury	18,298	18,260
Plant acquired by long-term financing	5,887	—
Accreted interest on long-term liabilities	560	537
Changes in the allocation and assignment of generating agency balances to hydroelectric power generation affecting net utility plant	8,201	13,737

See accompanying notes to combined financial statements.

Notes to Western Combined Financial Statements

WESTERN AREA POWER ADMINISTRATION Notes to Combined Financial Statements September 30, 2011 and 2010

(1) Basis of Presentation and Summary of Significant Accounting Policies

(a) Principles of Combination

The combined financial statements include the combined financial position, results of operations and cash flows of Western Area Power Administration (Western), an agency of the U.S. Department of Energy (DOE), and the hydroelectric power generating functions of the U.S. Department of the Interior (DOI), Bureau of Reclamation (Reclamation); the U.S. Department of Defense, Army Corps of Engineers (Corps); and the U.S. Department of State, International Boundary and Water Commission (IBWC) (collectively referred to as the generating agencies). For the generating agencies, only the individual power systems for which Western markets and transmits hydroelectric power are included in the combined financial statements. Western, a Federal power marketing administration, markets and transmits hydroelectric power generated from these power systems, which are operated and maintained by the generating agencies, throughout 15 western states.

The combined financial statements are prepared following accounting principles generally accepted in the United States of America (U.S. GAAP). Accounts are also subject to Federal Energy Regulatory Commission (FERC) regulations, FERC's prescribed uniform system of accounts for electric utilities and DOE's accounting practices.

For purposes of financial reporting, the hydroelectric power facilities and related operations of Western and the generating agencies are considered one entity. All material intra-entity balances and transactions have been eliminated from the combined financial statements.

The combined financial statements include project use energy relating to Western and the generating agencies. Project use energy is the amount of hydroelectric energy required to deliver project water to project water customers and other project-specific authorizations such as irrigation and fish and wildlife needs. Project use energy capital costs may be reimbursed through the power rates, through the generating agencies' water rates, depending on the agreement with the generating agency, or may be deemed nonreimbursable (note 6(a)). Project use capital costs represent an allocation of total power capital assets necessary to generate and transmit hydroelectric power sufficient for project use needs. Although some project use capital costs may not be recovered through the power rates, the activity is included in the combined financial statements because it is directly related to hydroelectric power generation and transmission and is necessary to reflect the full financial activity of the power systems.

The combined financial statements contain three types of business activities: the hydroelectric power systems of Western and the generating agencies; the Transmission Infrastructure Program of Western (TIP); and other activities of Western. Hydroelectric power systems activity represents power activity of Western and the generating agencies that are generally reimbursable for purposes of repayment to the U.S. Treasury. These amounts include project use energy and may include generating agencies' activity related to the American Recovery and Reinvestment Act of 2009 (Recovery Act).

TIP activity represents Western activity related to Section 402 of the Recovery Act, Public Law No. 111-5, which was signed into law on February 17, 2009. Section 402 of the Recovery Act gives Western's Administrator the discretion to borrow up to \$3.25 billion from the U.S. Treasury for the purposes of: (1) constructing, financing, facilitating, planning, operating, maintaining, or studying construction of new or upgraded electric power transmission lines and related facilities that have at least one terminus within the area served by Western 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. In addition, Western received a nonreimbursable appropriation in 2009 for \$10 million to administer the new program.

Other activities represent those Western activities that are not reimbursable through the rate-setting process. This primarily consists of funds received from the Federal Communications Commission (FCC) to change Western's bandwidth (referred to as the Spectrum Relocation fund). The Spectrum Relocation fund paid for the cost of Western to relocate its bandwidth when the FCC sold the former bandwidth. The remaining activity primarily consists of agreements Western has with Federal and non-Federal customers to provide services on a fee basis. The majority of the operating revenues and expenses are a result of services provided through specific agreements with customers, and are excluded from the rate-making process.

(b) Allocation of Costs to Hydroelectric Power

Certain amounts included in the combined financial statements represent reimbursable power activities of the generating agencies for repayment to the U.S. Treasury. The costs of multipurpose generating agency projects are assigned to specific hydroelectric power functions through a cost allocation process. Reclamation hydroelectric power amounts are allocated to the combined financial statements based on power repayment responsibility (note 6(b)). Reclamation has power-only facilities that are fully reimbursable, and has certain multi-purpose water resource projects where the costs are allocated among project activities, which primarily include power, irrigation, recreation, municipal and industrial water, navigation and flood control. Completed utility plant costs are allocated to the hydroelectric power portion of the Statement of Project Construction Cost and Repayment (SPCCR) based on studies prepared by Reclamation economists. The allocation method developed from the SPCCRs is applied to all multi-purpose utility plant and construction work-in-progress balances. Current assets and liabilities, excluding cash, are allocated based upon the amounts directly recorded to power accounts. Revenue and expense accounts are also allocated based on the amounts directly recorded to power activities or amounts attributed to power repayment by Reclamation.

Corps and IBWC hydroelectric power amounts are allocated based on legislatively determined rates of power repayment responsibility. The Corps and IBWC have processes in their financial system to track and allocate costs to be recovered from Western's customers.

Cash balances for the generating agencies represent fund balances at the U.S. Treasury and estimates of the amount of funds required to satisfy current hydroelectric power obligations.

To the extent possible, the generating agencies identify costs as direct costs. Direct costs are those which can be specifically identified to a power system, program or activity. In some cases, costs benefit two or more power systems, programs or activities; in these situations, it is not economically feasible to identify these costs as direct costs. Such costs include administrative support costs, space rental, utilities and office equipment. These costs are accumulated in indirect cost pools and allocated to the benefiting activities through a labor surcharge rate, based on direct labor charges.

(c) Confirmation and Approval of Rates

Western is not a public utility within the jurisdiction of FERC under the Federal Power Act. The Secretary of Energy (Secretary) has delegated authority to Western's Administrator to develop hydroelectric power and transmission rates for the individual power systems included in the combined financial statements. The Deputy Secretary of Energy has the authority to confirm, approve and place such rates in effect on an interim basis. 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 Western's Administrator. FERC's review is limited to: (1) whether the rates are the lowest possible consistent with sound business principles; (2) whether the revenue levels generated are sufficient to recover the costs of producing and transmitting electric energy including repayment within the period permitted by law; and (3) the assumptions and projections used in developing the rates. FERC shall reject decisions of Western's Administrator only if it finds them to be arbitrary, capricious or in violation of the law. Refunds with interest, as determined by FERC, are authorized if final rates approved are lower than rates approved on an interim basis. However, if at any time FERC determines that the administrative cost of a refund would exceed the amount to be refunded, no refunds will be required. No such refunds have been required or made in 2011 and 2010. As of September 30, 2011, none of Western's power systems were awaiting final rate approval.

Accounting policies also reflect specific legislation and executive directives issued by departments of the Federal government. Certain balances within the combined financial statements are accounted for under the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 980, *Regulated Operations*. The provisions of the ASC Topic 980 require, among other things, that regulated enterprises reflect the regulator's rate actions in its financial statements, when appropriate. The rate actions of Western's Administrator, subject to the limited authority of FERC, can provide reasonable assurance of the existence of an asset; reduce, eliminate or amortize the value of an asset; or impose a liability on a regulated enterprise.

(d) Operating Revenues and Accumulated Net Deficit

Operating revenues are recognized when goods or services are provided to the public or another government agency. Except for power systems using revolving funds and customer advances, cash received from sales is deposited directly with the U.S. Treasury and is reflected as repayments to the U.S. Treasury, which is included in the Payable to U.S. Treasury in the combined balance sheets. As such, these funds are unavailable for power system operating needs. For power systems using revolving funds and customer advances, cash received is deposited in the U.S. Treasury and remains available to the power system. Cash collected into revolving funds in excess of operating requirements is used for repayment of the Payable to U.S. Treasury (note 6(a)).

Approved hydroelectric power and transmission rates are established under requirements of the power systems' authorizing legislation and related Federal statutes and are intended to provide sufficient revenue to recover all costs allocated to power and, in some power systems, a portion of irrigation-related costs (note 11(b)). Costs allocated to power include repayment to the U.S. Treasury in power facilities and associated interest. Rates are structured to provide for repayment of the payable in power facilities, generally over 50 years, while operating expenses and interest on the payable are recovered annually. Replacements of utility plant are generally to be repaid over their expected service lives.

Western and the generating agencies are nonprofit Federal agencies; therefore, accumulated net revenues, to the extent that they are available, are committed to repayment. However, as of September 30, 2011 and 2010, the combined financial statements have an accumulated net deficit.

Western provides purchasing, selling, scheduling, billing, and other ancillary services on behalf of other Federal and non-Federal entities. The agent transactions are evaluated under the provisions of FASB ASC Subtopic 605-45, *Revenue Recognition – Principal Agent Considerations*, to determine whether the transactions should be reported at the gross or net value. Generally, Western's policy is to record agent activity at gross because Western typically shares in the risks and rewards of the transaction. In the event Western does not meet the majority indicators of gross reporting, Western records the activity at net value within the combined statements of revenue and expenses.

Western may provide multiple services to any one customer. Significant services may include the sale of electric power, ancillary services and the purchase and resale of electric power and transmission services. Western accounts for these arrangements in accordance with the provisions of FASB ASC Subtopic 605-25, *Revenue Recognition – Multiple Element Arrangements*, subsequently updated by FASB Accounting Standards Update (ASU) No. 2009-13, *Multiple-Deliverable Revenue Arrangements*. Services qualify as separate units of accounting with distinguishable rates, terms, and delivery schedules. Services are provided to meet customer load requirements and revenues are recognized when services are provided.

Transmission and other operating revenues include items such as transmission services, power wheeling, and recreational fees. Other operating revenues consist of fee-for-service arrangements, typically on a reimbursable basis, for services performed by Western that are not a part of its core mission of marketing and transmitting hydroelectric power generated by the combined power systems.

(e) Cash

Cash held by Western and the generating agencies represents the undisbursed balance of funds authorized by Congress, customer advances and revolving fund balances at the U.S. Treasury.

(f) Accounts Receivable, Net

Accounts receivable, net represents amounts billed to customers but not collected, net of the related allowance of \$129 thousand and \$0 as of September 30, 2011 and September 30, 2010, respectively. The estimate of the allowance is based on past 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.

Billing methods used by Western include net billing and bill crediting. Net billing is a two-way agreement between Western and a customer, whereby both parties buy and sell power to each other. Monthly sales and purchases, including any customer advances received, are netted between the two parties and the customer is provided either an invoice or a credit. Bill crediting involves a three-way net billing arrangement among Western, a customer and a third party whereby all three parties are involved in purchase and sales transactions. Under both billing methods, purchase and sales transactions are reported "gross" in the combined financial statements.

(g) Construction Financing Receivable

Western has entered into a public-private partnership to finance capital investments in transmission facilities that will assist in delivering renewable energy. The arrangement was funded by Western's borrowing authority, which was granted by the Recovery Act of 2009. Interest is accrued based on the terms of the arrangement, as dictated within the financing agreement. As of September 30, 2011, there are no delinquent accounts (note 7(c)).

(h) Utility Plant, Moveable Equipment and Internal Use Software

Utility plant includes items such as dams, spillways, generators, turbines, substations and related components, and transmission lines and related components. Under FERC guidelines, utility plant is stated at original cost, net of contributions from external entities. 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.

Plant assets of the combined power systems are currently depreciated using the straight-line method over the estimated service lives ranging from 8 to 50 years for transmission assets and 10 to 100 years for generation assets. Power rights are amortized over 40 years. The service lives of utility plant may be different between financial reporting and repayment measures. The cost of retired utility plant, net of accumulated depreciation, is charged to operation and maintenance expense as a gain (loss), net of cash proceeds, if any.

Moveable equipment includes computers, copiers, cranes, energy testing equipment, helicopters, trucks and wood chippers. Moveable equipment is currently depreciated using the straight-line method over the estimated service lives ranging from 3 to 20 years. Moveable equipment is classified as other assets on the combined balance sheets (note 4).

Internal use software includes software purchased from commercial vendors "off the shelf" and internally developed software. Western's internal use software is depreciated over five years, using the straight-line method. Internal use software is classified as other assets on the combined balance sheets (note 4).

Western is subject to ASC Topic 980 (note 3). Most completed utility plant, as required by law, is recovered through the rates regardless of whether an asset is abandoned, loses value, is disposed of significantly before the end of its estimated useful life or is destroyed. Consequently, the cash flow is not impaired regardless of the condition of the asset.

The policy of Western and the generating agencies is to move capitalized costs into completed utility plant at the time a project or feature of a project is deemed to be substantially complete. A project is substantially complete when it is providing benefits and services for the intended purpose, and is generating project purpose revenue, where applicable.

(i) Interest on the Payable to U.S. Treasury

Interest, a component of total capitalization, is accrued annually on the Payable to U.S. Treasury based on Federal statutes and power system legislation. Such interest is reflected as an expense in the combined financial statements. Western calculates interest annually based on the unpaid balances owed to the U.S. Treasury using rates set by law, administrative orders following law or administrative policies. Interest rates on unpaid balances ranged from 2.50% to 11.375% for the years ended September 30, 2011 and 2010.

As provided by Federal law, interest is not assessed on unpaid balances in irrigation facilities anticipated to be repaid through power sales (note 11(b)).

(j) 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 all generation and transmission facilities including assets allocated to project use energy. Western and the generating agencies calculate 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 recovered over the repayment period of the related plant asset. Applicable interest rates ranged from 3.75% to 8.27% and 3.99% to 8.32% for the years ended September 30, 2011 and 2010, respectively, depending on the year in which construction on the transmission and generation facilities was initiated and requirements of the authorizing legislation.

(k) Transfers of Property and Services, Net

Transfers of property and services, net is a component of total capitalization that represents the receipt of unfunded transfers of assets or costs offset by the unfunded transfers of revenues. Transfers are recognized upon physical delivery of the asset or performance of the service. Transfers occur between projects, project types and other Federal entities. Transfers between Western and the generating agencies eliminate upon combination.

(l) Pension and Other Postretirement Benefits

Western and generating agency employees participate in one of the following contributory defined benefit plans: the Civil Service Retirement System (CSRS) or Federal Employees Retirement System (FERS). Agency contributions are based on eligible employee compensation and total 7.0% for CSRS and up to 11.2% for FERS. These contributions are submitted to benefit program trust funds administered by the Office of Personnel Management (OPM). Western and generating agency contributions for the two plans amounted to \$27.6 million and \$22.1 million for the years ended September 30, 2011 and 2010, respectively. The contribution levels, as legislatively mandated, do not reflect the full cost requirements to fund the CSRS or FERS pension plans. The additional cost of providing CSRS and FERS benefits is approximately 30.1% and 13.8% of base salary, respectively, and is funded by OPM.

Other postretirement benefits administered and partially funded by OPM are the Federal Employees Health and Benefits Program (FEHB) and the Federal Employee Group Life Insurance Program (FEGLI). FEHB is calculated at \$6,027 and \$5,906 per employee in fiscal years 2011 and 2010, respectively, and FEGLI is based on 0.02% of base salary for each employee enrolled in these programs.

In addition to the amounts contributed to the CSRS and FERS as stated above, Western and the generating agencies recorded an expense for the pension and other postretirement benefits in the combined financial statements of \$21.1 million and \$26.3 million for the years ended September 30, 2011 and 2010, respectively. This amount reflects the contribution made on behalf of Western and the generating agencies by OPM to the benefit program trust funds. This expense will be recovered from power customers through the future sale of power.

As a Federal agency, all postretirement activity is managed by OPM, therefore, neither the assets of the plans nor the actuarial data with respect to the accumulated plan benefits relative to Western and generating agency employees are included in this report.

(m) Use of Estimates

Management of Western and the generating agencies have used estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these combined financial statements in conformity with U.S. GAAP. 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. Estimates have also been used in allocating the reimbursable power activity of generating agencies for the purpose of repayment to the U.S. Treasury, and for allocating capital assets to project use energy. Actual results could differ significantly from these estimates.

(n) Derivative and Hedging Activities

Western analyzes derivative financial instruments under FASB ASC Topic 815, Derivatives and Hedging, subsequently updated by ASU No. 2010-11, *Scope Exceptions Related to Embedded Credit Derivatives*. This standard requires that all derivative instruments, as defined by ASC Topic 815, be recorded on the combined balance sheets at fair value, unless exempted. Changes in a derivative instrument's fair value must be recognized currently in the combined statements of revenues and expenses, unless the derivative has been designated in a qualifying hedging relationship. The application of hedge accounting allows a derivative instrument's gains and losses to offset related results of the hedged item in the combined statements of revenues and expenses to the extent effective. ASC Topic 815 requires that the hedging relationship be highly effective and that an organization formally designate a hedging relationship at the inception of the contract to apply hedge accounting.

Western enters into contracts for the purchase and sale of electricity for use in its business operations. ASC Topic 815 requires Western to evaluate these contracts to determine whether the contracts are derivatives. Certain contracts that literally meet the definition of a derivative may be exempted from ASC Topic 815 as normal purchases or normal sales. Normal purchases and sales are contracts that provide for the purchase or sale of something other than a financial instrument or derivative instrument that will be delivered in quantities expected to be used or sold over a reasonable period in the normal course of business. Contracts that meet the requirements of normal purchases or sales are documented and exempted from the accounting and reporting requirements of ASC Topic 815.

Western's policy is to fulfill all derivative and hedging contracts by either providing power to a third party or by taking delivery of power from a third party as provided for in each contract. Western's policy does not authorize the use of derivative or hedging instruments for speculative purposes such as hedging electricity pricing fluctuations beyond Western's estimated capacity to deliver or receive power. Accordingly, Western evaluates all of its contracts to determine if they are derivatives and, if applicable, to ensure that they qualify and meet the normal purchases and normal sales designation requirements under ASC Topic 815. Normal purchases and normal sales contracts are accounted for as executory contracts as required under U.S. GAAP. As of September 30, 2011 and 2010, Western has no contracts accounted for as derivatives.

(o) Concentrations of Credit Risk

Financial instruments, which potentially subject Western and the generating agencies to credit risk, include accounts receivable for customer purchases of power, transmission or other products and services. These receivables are primarily held with a group of diverse customers that are generally large, stable and established organizations, which do not represent a significant credit risk. Although Western and the generating agencies are affected by the business environment of the utility industry, management does not believe a significant risk of loss from a concentration of credit exists.

Conversely, for TIP financed projects (construction financing receivables), risk exists at the individual project level and includes, but is not limited to: construction delays, cost overruns, and contractor disputes; land acquisition and land right of way negotiations; weather-related delays and limitations; and regulatory review and approvals. Risk is mitigated through the application of financial due diligence efforts at the entity and project level to include securitization of assets (first lien), parental guarantees, and letters of credit as well as continuous monitoring efforts performed by program, legal, project (construction), risk, and financial functions.

(p) Regulatory Assets (note 3)

Regulatory assets are assets that result from rate actions of Western's Administrator and other regulatory agencies. These assets arise from specific costs that would have been included in the determination of net revenue or deficit in one period, but are deferred until a different period for purposes of developing rates to charge for services, per the requirements of ASC Topic 980. Western defers costs as regulatory assets so that the costs will be recovered through the rates during the periods when the costs are scheduled to be repaid. This ensures the matching of revenues and expenses. Western does not earn a rate of return on its regulatory assets. The assets listed below are regulatory in nature:

Workers' Compensation Actuarial Cost

The U.S. Department of Labor (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 combined balance sheets to reflect the effects of the rate-making process. The actuarial cost associated with TIP and other activities is expensed as incurred.

Abandoned Project Costs, Net

Occasionally, congressionally authorized projects originally planned for service are discontinued due to political and/or economic reasons. Per the requirements of ASC Topic 980, Western classifies these discontinued projects based on Congressional action as abandoned projects and amortizes them in the same manner as that used for rate-making purposes. The amortization period is a maximum of 50 years. These abandoned projects are considered regulatory assets because the costs are amortized into the power rates over a period of time, rather than being expensed in the year of the Congressional action. The discount rate on Western's abandoned projects is 3%.

Recovery Implementation Program (RIP)

Section 8 of the Colorado River Storage Project (CRSP) Act of 1956, as amended, mandates that DOI 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 Western from its power customers and provided to Reclamation to finance capital costs. Amounts borrowed from the State of Colorado for the RIP are currently accruing interest, but Western will not begin repayment of the debt until October 1, 2012. Before beginning repayment, accrued interest charges are accreted into the outstanding principal balance. Once repayment begins, the costs will be amortized to expense over the repayment period of 30 years.

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.

Transmission Termination Settlement

Western renegotiated certain CRSP long-term contractual obligations with third-party power providers in 2007. Under the terms of the settlement agreements, annual payments of \$0.6 million will be made through 2017 to PacifiCorp for a total of \$6 million. The unpaid portion of the settlements has been deferred as a regulatory asset to reflect the effects of the rate-making process.

Extraordinary Maintenance

Extraordinary maintenance represents costs that occur infrequently, involve relatively large amounts of funds, and ensure the future economic usefulness of the asset. Criteria used to determine if a cost is extraordinary and should be treated as a regulatory asset include the total cost of the program, the rate impact the cost would have if recovered as a normal maintenance expense in one year, the current water conditions for the project, and whether significant rate increases had taken place over the previous 10 years.

(q) Interchange Energy and Energy Exchange (note 4)

Western's power contracts may include a provision for energy transfers and exchanges between Western and a supplier that result in claims or obligations to be settled at a future date, based on contractual provisions. Energy claims or obligations represent the valuation of excess energy delivered or received under the energy interchange and exchange contract provisions. The energy balance is recorded either as an other asset when Western is the net supplier, or as another liability when Western is the net user. Transactions are recorded at the market value on the date of the transaction, under the provisions of ASC Topic 845, *Nonmonetary Transactions*, and are netted within purchase power expense as incurred under FERC regulations and rulings.

(r) Customer Advances

Customer advances represent the balance of advance payments received from power customers under co-sponsoring agreements with entities for construction, operation and maintenance or other furnished items. Subsidiary accounts are maintained by the customer to reflect the status of each advance. Also included are revenue financing contracts that provide advanced customer funds for construction, maintenance or purchase power expenses. For these contracts, the customer is provided revenue credits on future power bills up to the amount of the advanced funds and, if applicable, any interest or fees. Revenue is recognized upon application of bill credits.

(s) Taxes

As agencies of the U.S. Government, Western and the generating agencies are exempt from all income taxes imposed by any governing body, whether it is a Federal, state or commonwealth of the United States or a local government.

(t) Fair Value of Financial Instruments

FASB ASC Topic 825, *Financial Instruments*, requires disclosure of the fair value of financial instruments. Fair value estimation methods for individual classes of financial instruments are described below.

Short-term Financial Instruments

The carrying (recorded) value of short-term financial instruments, including cash, accounts receivable, accounts payable, certain customer advances and other liabilities, environmental cleanup liabilities, and other assets, excluding moveable equipment and internal use software, approximates the fair value of these instruments. The fair value of certain unfunded and actuarially based liabilities cannot be determined as the future payout dates have yet to be determined.

Construction Financing Receivable

Fair value is estimated by computing the present value of future payments discounted at the prevailing interest rate for comparable debt instruments at year end. The fair value of construction financing receivable was \$119.4 million and \$54.0 million as of September 30, 2011 and 2010, respectively.

Long-term Liabilities

Fair value is estimated by computing the present value of future payments discounted at prevailing U.S. Treasury interest rates at year end. The fair value of long-term liabilities was \$333.9 million and \$263.4 million as of September 30, 2011 and 2010, respectively.

(u) Recent Accounting Pronouncements

In July 2010, the FASB issued ASU No. 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*. ASU No. 2010-20 updates ASC Subtopic 310-10, *Receivables*, to enhance disclosures about the credit quality of financing receivables and the allowance for credit losses. ASU No. 2010-20 is effective for fiscal years ending on or after December 15, 2011. Western is determining the extent to which the financing receivable guidance will impact Western's combined financial statements.

In May 2011, the FASB issued ASU No. 2011-02, *A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring*. ASU No. 2011-02 updates ASC Subtopic 310-40, *Troubled Debt Restructurings by Creditors*, to clarify guidance on whether a restructuring constitutes a troubled debt restructuring. ASU No. 2011-02 is effective for fiscal years ending on or after December 15, 2012. Western is determining the extent to which restructuring guidance will impact Western's combined financial statements.

(v) Reclassifications

Certain 2010 amounts have been reclassified to conform to the current year presentation.

(2) Hydroelectric Power Systems and Generating Agencies

Western markets and transmits hydroelectric power for 14 power systems. The expenses and net assets of the 14 power systems, which are generally expected to be recovered through rates, are included in the accompanying combined financial statements along with activity of the TIP program and other activity disclosed in note 1(a). Reclamation generates power for all power systems with the exception of Amistad-Falcon and Pacific Northwest–Pacific Southwest Intertie, which has only transmission facilities. The Pick-Sloan power system is unique in that both Reclamation and the Corps generate hydroelectric power for the power system. IBWC is Western’s sole generation partner for the Amistad-Falcon power system. A listing of these power systems by generating agency includes:

Reclamation Power Systems	Corps Power System	IBWC Power System
<ul style="list-style-type: none"> ▪ Boulder Canyon ▪ Central Valley ▪ Collbran ▪ Colorado River Storage Project ▪ Dolores ▪ Fryingpan-Arkansas ▪ Parker-Davis ▪ Pick-Sloan Missouri River Basin ▪ Provo River ▪ Rio Grande ▪ Seedskadee ▪ Washoe 	<ul style="list-style-type: none"> ▪ Pick-Sloan Missouri River Basin 	<ul style="list-style-type: none"> ▪ Amistad-Falcon

(3) Regulatory Assets

Regulatory Assets (note 1(p)) as of September 30, 2011 and 2010 consist of the following (in thousands):

	<u>2011</u>	<u>2010</u>
Workers’ compensation actuarial cost	\$46,059	47,011
Accrued annual leave	17,078	16,423
Recovery implementation program	14,899	14,339
Abandoned project costs, net	8,345	9,254
Transmission termination settlement	3,400	4,000
Extraordinary maintenance	10,001	2,435
Total regulatory assets	\$99,782	93,462

As of September 30, 2011 and 2010, abandoned project costs, net include the Celilo-Mead transmission line, which is being amortized over 23 years, through 2019.

(4) Other Assets

Other assets as of September 30, 2011 and 2010 consist of the following (in thousands):

	<u>2011</u>	<u>2010</u>
Moveable equipment, net (note 1(h))	\$44,829	43,354
Stores inventory	16,609	15,376
Interchange energy and energy exchange (note 1(q))	8,027	12,270
Internal use software, net (note 1(h))	3,067	4,251
Advances to others	2,353	1,763
Other	1,919	2,816
Total other assets	\$76,804	79,830

Under FERC requirements, the net revenue and expense activity in interchange energy and energy exchange is included in purchased power expense in the combined financial statements. The net activity included in purchased power expense was \$4.2 million and \$8.3 million for the years ended September 30, 2011 and 2010, respectively.

(5) Utility Plant

Utility plant as of September 30, 2011 and 2010 consists of the following (in thousands):

Utility plant:	2011	2010
Structures and facilities	\$5,971,189	5,769,510
Buildings	415,276	381,702
Land	197,047	186,463
Power rights	167,620	167,620
Gross completed plant	6,751,132	6,505,295
Accumulated depreciation	(3,280,459)	(3,166,403)
Net completed plant	3,470,673	3,338,892
Construction work-in-progress	314,229	369,027
Net utility plant	\$3,784,902	3,707,919

In accordance with FERC guidelines, Western excludes contributed plant within the combined balance sheets to eliminate the impact on power and transmission rates. As of September 30, 2011 and 2010, contributed plant, net used in Western's operations totaled \$296.0 million and \$301.2 million, respectively.

The balances shown above include project use utility plant amounts used to provide project benefits to water customers (note 6(a)). In addition to water benefits, the project includes other authorized benefits, such as support for fish and wildlife needs.

(6) Capitalization and Cost Allocation

(a) General

Capitalization consists of congressional appropriations and accumulated interest on unpaid balances, less net transfers of property and services from other Federal agencies and repayments to the U.S. Treasury, and accumulated net deficit. Congressional appropriations are comprised of the cumulative appropriations received. Appropriations are allocated to the payable to U.S. Treasury or net deficit, based on expected use in reimbursable and nonreimbursable activities. All power systems, except Dolores, Seedskadee, Boulder Canyon and the operations and maintenance and purchased power programs of the Colorado River Storage Project (CRSP), are primarily financed through congressional appropriations. Dolores, Seedskadee, Boulder Canyon and the operations and maintenance programs of CRSP are funded through the use of a revolving fund. Revolving funds allow Western and Reclamation to utilize resources for reinvestment in power operations without congressional appropriations. A portion of construction and rehabilitation, operation and maintenance and purchased power expenditures are financed through other methods, such as advances from non-Federal entities, reimbursements from other Federal agencies, use of receipts authorization and alternative billing methods, such as net billing and bill crediting or any combination of these methods.

Although most of the appropriations received by Western and the generating agencies are expected to be repaid through the collection of the power rate, some costs are not recoverable through the power rate. When costs are deemed not recoverable through the power rate, the funding for these amounts is not included in the payable to U.S. Treasury. These costs may be recovered through the water rate charged by Reclamation or may be deemed nonreimbursable by legislation; however, such recovery is not reflected in these combined financial statements. The amount of capital project use assets not recovered through the power rates as of September 30, 2011 and 2010 was \$659.1 million and \$616.8 million, respectively. Generating agency project use operation and maintenance costs not recovered through revenues are excluded from the combined financial statements.

Operating expenses (excluding depreciation expense) and interest on the unpaid balances are generally repaid annually. In cases where revenues are not available for repayment, unpaid annual net deficits become payable from the future years' revenues. Interest is accrued on cumulative annual net deficits until paid. Deficits for operating expenses begin to accrue interest in the year they occur, while interest expense deficits begin to accrue interest in the following year. In cases where funds are available, unless otherwise required by legislation, repayment of balances is applied first to the increment bearing the highest interest rate.

(b) Capitalization in Multi-Purpose Facilities

Capitalization in certain multipurpose facilities, primarily dams and structures integral to hydroelectric power generation required to be repaid from the power revenues, has been determined from preliminary cost allocation studies based on project evaluation standards approved by Congress. Allocations between power and nonpower activities may be changed in future years; however, the project evaluation standards cannot be changed unless approved by Congress.

Final studies will be performed by the generating agencies, as appropriate, upon completion of each individual power project and are still pending for all but the Frypan-Arkansas Power System (FryArk), which was completed in 1993. The Boulder Canyon and Parker-Davis power systems are not subject to cost allocation studies since the power systems' enacting legislation requires the total costs of the dams and appurtenant structures be repaid through power revenues.

With final cost allocation studies still pending for many of the individual power systems, the potential exists for significant future adjustment in the Payable to U.S. Treasury for the cost of multi-purpose facilities allocated to power and the related accrued interest on the unpaid balance. Such reallocations could affect the future individual power system rates.

(7) Long-term Liabilities (in thousands)

Long-term liabilities:	2011	2010
Long-term construction financing	\$122,226	126,031
State of Colorado loan (note 1(p))	14,899	14,339
Transmission Infrastructure Program	161,000	87,600
Total long-term liabilities	\$298,125	227,970

Outstanding long-term liabilities, as of September 30, 2011 are scheduled to be credited or repaid as follows (in thousands):

Year ending September 30:	Principal	Interest	Total
2012	\$175,796	8,084	183,880
2013	16,175	7,930	24,105
2014	17,008	7,092	24,100
2015	16,522	6,173	22,695
2016	17,628	5,229	22,857
2017 and thereafter	54,996	28,366	83,362
Total outstanding long-term liabilities	\$298,125	62,874	360,999

(a) Long-term Construction Financing

The majority of long-term construction financing consists of three significant contractual arrangements. The first significant arrangement provides customer financing for the Boulder Canyon power system to upgrade each of the generating units at Hoover Dam. The obligation to these customers began in 1987 and is scheduled to be satisfied through issuing credits on power bills through fiscal year 2017. Interest rates ranged between 5.2% and 7.6% and between 5.2% and 7.4% during fiscal years 2011 and 2010, respectively. As of September 30, 2011 and 2010, the outstanding obligation was \$67.6 million and \$77.6 million, respectively.

The second significant arrangement consists of the principal payable to the State of Wyoming for providing partial financing for improvements at the Buffalo Bill Dam (Pick-Sloan Missouri Basin power system) and associated hydroelectric power plants. This liability is being repaid over a period of 35 years, which began in 1996, at an approximate interest rate of 11.1%. The outstanding obligation amounted to \$19.5 million and \$19.8 million, as of September 30, 2011 and 2010, respectively.

The third significant arrangement is principal due to Griffith Energy LLC for providing financing for the construction of the Griffith-McConnico and Griffith-Peacock transmission lines along with certain assets at Peacock Substation and McConnico Switching Station within the Intertie and Parker-Davis power systems. Repayment is through power bill credits beginning in 2001 and ending in 2018. The interest rate is 8.5%. As of September 30, 2011 and 2010, the outstanding obligation totaled \$15.5 million and \$17.1 million, respectively.

Other components of long-term financing include Mohave Electric Cooperative, Inc., which provided financing to Western to construct the network upgrades required for the Zorb Project within the Parker-Davis power system. Repayment through crediting of transmission service bills is anticipated to begin in January 2013. The monthly amounts are unknown at this time, as the rates have yet to be established for that period. However, based on estimates, repayment should be completed within a 20-year period, with an estimated annual bill credit of \$454 thousand. As of September 30, 2011 and 2010, the outstanding obligation totaled \$7.6 million. There is also an outstanding obligation of \$6.0 million with Arizona Public Service Company for the construction of facilities for the Flagstaff 345-KV interconnection project in the Desert Southwest Colorado River Storage Project. Repayment through net billing arrangements will begin after construction is completed, around January of 2014. The balance of long-term construction financing is primarily related to the modification of the Parker and Valley Farms substations. As of September 30, 2011 and 2010, the outstanding balance on those projects totaled \$6.0 million and \$3.2 million, respectively.

(b) State of Colorado Loan

Western received a loan from the State of Colorado for \$5.5 million in December 2002 at an interest rate of 4.5% per year. Another \$5.9 million was received in December 2004 with an interest rate of 3.25%. The purpose of these loans was to fund Reclamation's endangered fish recovery implementation programs (note 1(p)). Interest began accruing at the time loans were granted and is accreted into the outstanding principal balance until repayment begins. The loan will be repaid through power revenues beginning in 2012.

(c) Transmission Infrastructure Program (TIP)

In fiscal year 2009, Western signed an agreement with Tonbridge Power Inc. (Tonbridge), acquired as a subsidiary of Enbridge, Inc. in November 2011, to finance up to \$161 million for the construction of the Montana Alberta Tie Ltd. (MATL) transmission line project. This project is for the construction of a 214-mile, 230-kV power transmission line between Great Falls, Montana and Lethbridge, Alberta. The line will have the capacity to deliver 300 megawatts of wind-generated power in either direction. Western is funding this project with borrowing authority from the U.S. Treasury granted by the Recovery Act. As of September 30, 2011 and 2010, Western borrowed \$161.0 million and \$87.6 million, respectively, from the U.S. Treasury to fund MATL's construction costs. For the fiscal year ended September 30, 2011 and 2010, the interest rate on the loan was .021% and .203%, respectively. The long-term liability will begin monthly debt service payments upon completion of construction, currently estimated as 2013, with interest at the current Treasury rate.

(8) Customer Advances and Other Liabilities (in thousands)

	2011	2010
Customer advances (note 1(r))	\$89,977	81,045
Workers' compensation actuarial liability	46,527	47,475
Due to other Federal agencies	20,639	20,917
Accrued annual leave	17,078	16,423
Accrued payroll benefits	16,340	14,733
Workers' compensation accrual	9,589	8,731
Contingent liabilities	4,214	0
Transmission termination settlement	3,400	4,000
Other	2,223	1,333
Total customer advances and other liabilities	\$209,987	194,657

(9) Lease Commitments

Western has a noncancelable operating lease that expires in 2015 for Western's Electric Power Training Center. The lease represents an annual expense of approximately \$279 thousand through 2015. There is also a noncancelable operating lease for two rooms in the Blake Street Building in Salida, Colorado. This lease is for a term of three years, with a three-year renewal option, at an annual cost of approximately \$9 thousand.

Western has several cancelable operating 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 General Services Administration 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.

Rental expense for operating leases was approximately \$7.5 million and \$7.6 million for the years ended September 30, 2011 and 2010, respectively.

(10) Environmental Cleanup Liability

The Desert Southwest Region of Western has been engaged in remediating the Basic Substation located in Henderson, Nevada since 1991. This site, which was built in 1942 to provide power to a local magnesium plant, was decommissioned in 2002. Rather than address all contamination at the site at once, the remediation has been pursued in a staged process, in parallel with demolition work to reduce the impact on annual budgets. The remediation was financed with non-reimbursable funding in 2010; therefore, it has no impact on the power rates. The estimated liability to remediate the Basic Substation was \$12.2 million and \$5.7 million for the years ended September 30, 2011 and 2010, respectively.

(11) Commitments and Contingencies

(a) General

Western and the generating agencies are involved in various claims, suits and complaints routine to the nature of their business. These Federal government organizations are self-insured for claims pertaining to litigation, unemployment, long-term disability and health and life insurance. Liabilities for these claims, as reported in the combined financial statements, are based on reported pending claims, estimates of claims incurred but not yet reported, actuarial reports and historical analysis. It is management's opinion that the ultimate disposition of these claims will not have a material adverse effect on the combined financial statements. Power-related claims whose ultimate disposition will be paid by the U.S. Treasury Judgment Fund (Judgment Fund) and are not subject to reimbursement from power revenues are excluded from the combined financial statements and notes thereof.

(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, Western has included these capital costs in each respective power system's power repayment study. Western 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. Although these repayments will be recovered through power sales, they do not represent an operating cost of the individual power systems and are treated as distributions from accumulated net revenues (deficit) in the combined statements of revenue and expenses at the time of repayment. Legislation provisions require that other costs have priority for recovery through power rates before irrigation capital costs including, but not limited to, higher interest investments and operation and maintenance and purchased power expenses. Anticipated irrigation assistance payments are not recorded as a liability on the combined balance sheets because of the following factors: (1) Western's ability to make anticipated payments is contingent on future rates and revenues, which are driven by highly variable factors such as water levels and the generating agencies' ability to produce hydroelectric power and (2) Western is capable of deferring the period of repayment to unspecified periods in the future.

Power repayment studies are one year in arrears. Therefore, through September 30, 2010, anticipated irrigation assistance totaled approximately \$2.3 billion, which may be repaid from future power revenues. The 2011 power repayment studies have not been completed as of the date of this report. Western made no irrigation assistance payments on behalf of Reclamation for the years ended September 30, 2011 and 2010.

Anticipated irrigation assistance payments (in thousands):

Year ending September 30	Amount
2012	\$0
2013	80,377
2014	10,054
2015	32,506
2016	55,503
2017 and thereafter	2,158,073
Total anticipated irrigation assistance payments	\$2,336,513

(c) Power Contract Commitments

Western 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 combined statements of revenues and expenses. Western'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):

Year ending September 30:	Purchased power	Purchased transmission	Total
2012	\$116,510	13,147	129,657
2013	89,273	13,147	102,420
2014	42,338	13,147	55,485
2015	18,979	13,147	32,126
2016	4,545	12,872	17,417
2017 and thereafter	0	150,391	150,391
Total	\$271,645	215,851	487,496

In addition to these contracts, Western 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, Western has historically had to purchase a certain level of transmission services under these agreements.

(d) Construction in Abeyance

Construction in abeyance refers to long-term construction projects that have been suspended for a period of time due to legal, political or other reasons. There are several Reclamation construction projects that were placed in abeyance in the past. The Auburn dam, power plant and reservoir project was placed in abeyance due to a risk of major damage to the dam as a result of an earthquake in 1975. Although Reclamation has allocated a portion of the initial construction costs to hydroelectric power, these costs continue to be excluded from Western's rate-making processes until a final determination is made by Congress as to whether the project will be revised or deauthorized. As of September 30, 2011, power repayment is considered remote, and therefore, construction costs of \$46.4 million, including AFUDC, are not included in the combined financial statements. If the project is ultimately completed, there is a possibility that the associated costs may be repaid through future hydroelectric power rates.

(e) San Luis and Dos Amigos Joint Use Facilities

The California Department of Water Resources (DWR) has undertaken scheduling coordinator duties for the San Luis and Dos Amigos joint-use facilities since 2005. Currently, there is no contract in place for the services provided by DWR. DWR has sought reimbursement for the expenses it has incurred and Western is in negotiations with DWR to determine the actual costs of the scheduling services provided and Western's estimated share. As of September 30, 2011, Western has estimated its liability for shared scheduling expenses at \$4.2 million, which is included as an accrual in customer advances and other liabilities (note 8).

(12) Subsequent Events

Western has evaluated subsequent events through the date the combined financial statements were available to be issued of April 13, 2012 and identified the following subsequent events:

TIP has received approval from the DOE to proceed in financing two additional projects: 1) Electrical District No. 5 to Palo Verde Hub (ED5-PVH) and 2) Trans West Express (TWE).

The ED5-PVH project consists of building 45 circuit-miles of new and upgraded Western transmission line and purchasing capacity rights on 64 miles of the new Southeast Valley Project 500kV transmission line. The Office of Management and Budget (OMB) has authorized use of \$91 million in borrowing authority to finance the construction of the ED5-PVH project.

The TWE project is a 725-mile, 600-kV DC transmission line from south central Wyoming to the El Dorado Valley south of Las Vegas, a transmission gateway to California. OMB has authorized use of \$25 million in borrowing authority to finance TIP's 50% portion of the \$50 million for the development phase of the project.

COMBINING SCHEDULES OF BALANCE SHEET DATA

SCHEDULE 1

September 30, 2011 (in thousands)

	Hydroelectric power systems	Transmission infrastructure program	Other activities	Total
Assets				
Completed utility plant	\$6,707,461	0	\$43,671	\$6,751,132
Accumulated depreciation	(3,275,773)	0	(4,686)	(3,280,459)
Net completed plant	3,431,688	0	38,985	3,470,673
Construction work in progress	280,667	0	33,562	314,229
Net utility plant	3,712,355	0	72,547	3,784,902
Cash	912,012	13,333	139,570	1,064,915
Accounts receivable, net	164,993	0	17,415	182,408
Construction financing receivable	0	153,344	0	153,344
Regulatory assets	99,782	0	0	99,782
Other assets	74,270	0	2,534	76,804
Total assets	\$4,963,412	\$166,677	\$232,066	\$5,362,155
Liabilities and Capitalization				
Liabilities:				
Long-term liabilities	\$137,125	\$161,000	0	\$298,125
Customer advances and other liabilities	121,392	242	88,353	209,987
Accounts payable	62,016	673	3,613	66,302
Environmental cleanup liabilities	0	0	12,214	12,214
Total liabilities	320,533	161,915	104,180	586,628
Capitalization:				
Payable to U.S. Treasury	4,960,856	0	14,224	4,975,080
Accumulated net (deficit) revenues	(317,977)	4,762	113,662	(199,553)
Total capitalization	4,642,879	4,762	127,886	4,775,527
Total liabilities and capitalization	\$4,963,412	\$166,677	\$232,066	\$5,362,155

See accompanying independent auditors' report.

COMBINING SCHEDULES OF BALANCE SHEET DATA

SCHEDULE 1

September 30, 2010 (in thousands)

	Hydroelectric power systems	Transmission infrastructure program	Other activities	Total
Assets				
Completed utility plant	\$6,473,157	0	\$32,138	\$6,505,295
Accumulated depreciation	(3,163,821)	0	(2,582)	(3,166,403)
Net completed plant	3,309,336	0	29,556	3,338,892
Construction work in progress	333,741	0	35,286	369,027
Net utility plant	3,643,077	0	64,842	3,707,919
Cash	783,246	26,804	150,535	960,585
Accounts receivable, net	151,626	0	16,485	168,111
Construction financing receivable	0	67,179	0	67,179
Regulatory assets	93,462	0	0	93,462
Other assets	75,476	0	4,354	79,830
Total assets	\$4,746,887	\$93,983	\$236,216	\$5,077,086
Liabilities and Capitalization				
Liabilities:				
Long-term liabilities	\$140,370	\$87,600	0	\$227,970
Customer advances and other liabilities	111,955	229	82,473	194,657
Accounts payable	71,071	61	4,200	75,332
Environmental cleanup liabilities	0	0	5,740	5,740
Total liabilities	323,396	87,890	92,413	503,699
Capitalization:				
Payable to U.S. Treasury	4,945,898	0	20,412	4,966,310
Accumulated net (deficit) revenues	(522,407)	6,093	123,391	(392,923)
Total capitalization	4,423,491	6,093	143,803	4,573,387
Total liabilities and capitalization	\$4,746,887	\$93,983	\$236,216	\$5,077,086

See accompanying independent auditors' report.

COMBINING SCHEDULES OF REVENUES AND EXPENSES DATA

SCHEDULE 2

Year ended September 30, 2011 (in thousands)

	Hydroelectric power systems	Transmission infrastructure program	Other activities	Total
Operating revenues:				
Sales of electric power	\$938,186	0	\$97,390	\$1,035,576
Transmission and other operating revenues	285,079	2,478	58,942	346,499
Total operating revenues	1,223,265	2,478	156,332	1,382,075
Operating expenses:				
Operation and maintenance	420,132	3,430	49,368	472,930
Purchased power	192,420	0	96,498	288,918
Purchased transmission services	64,723	0	2,222	66,945
Depreciation	131,079	0	2,187	133,266
Administration and general	50,336	249	4,410	54,995
Total operating expenses	858,690	3,679	154,685	1,017,054
Net operating revenues (expenses)	364,575	(1,201)	1,647	365,021
Interest expenses:				
Interest on payable to U.S. Treasury	208,911	0	0	208,911
Allowance for funds used during construction	(15,061)	0	0	(15,061)
Net interest on payable to U.S. Treasury	193,850	0	0	193,850
Interest on long-term liabilities	8,934	240	0	9,174
Net interest expense	202,784	240	0	203,024
Net revenues (deficit)	\$161,791	(\$1,441)	\$1,647	\$161,997

See accompanying independent auditors' report.

COMBINING SCHEDULES OF REVENUES AND EXPENSES DATA

SCHEDULE 2

Year ended September 30, 2010 (in thousands)

	Hydroelectric power systems	Transmission infrastructure program	Other activities	Total
Operating revenues:				
Sales of electric power	\$859,993	0	\$134,811	\$994,804
Transmission and other operating revenues	289,585	613	57,232	347,430
Total operating revenues	1,149,578	613	192,043	1,342,234
Operating expenses:				
Operation and maintenance	413,321	2,518	66,842	482,681
Purchased power	251,361	0	137,438	388,799
Purchased transmission services	51,237	0	2,120	53,357
Depreciation	114,205	0	1,140	115,345
Administration and general	49,243	253	4,317	53,813
Total operating expenses	879,367	2,771	211,857	1,093,995
Net operating revenues	270,211	(2,158)	(19,814)	248,239
Interest expenses:				
Interest on payable to U.S. Treasury	220,557	0	0	220,557
Allowance for funds used during construction	(18,428)	0	0	(18,428)
Net interest on payable to U.S. Treasury	202,129	0	0	202,129
Interest on long-term liabilities	9,675	81	0	9,756
Net interest expense	211,804	81	0	211,885
Net revenues (deficit)	\$58,407	(\$2,239)	(\$19,814)	\$36,354

See accompanying independent auditors' report.

WESTERN'S SENIOR MANAGEMENT TEAM*

ADMINISTRATOR

TIM MEEKS

WASHINGTON LIAISON

Assistant Administrator for Corporate Liaison

JACK DODD

REGIONAL MANAGERS

Colorado River Storage Project Management Center

LAVERNE KYRISS

Desert Southwest Region

DARRICK MOE

Rocky Mountain Region

BRAD WARREN

Sierra Nevada Region

TOM BOYKO

Upper Great Plains Region

BOB HARRIS

CORPORATE SERVICES OFFICE MANAGERS

General Counsel

JOHN BREMER

Senior Planning Advisor

THERESA WILLIAMS

Equal Employment Opportunity Officer

CHARLES MARQUEZ

Chief Operating Officer

TONY MONTOYA

Chief Information Officer

EUN MOREDOCK

Chief Financial Officer

LINDA KIMBERLING

TIP Program Manager

CRAIG KNOELL



TIM
MEEKS



JACK
DODD



LAVERNE
KYRISS



DARRICK
MOE



BRAD
WARREN



TOM
BOYKO



BOB
HARRIS



JOHN
BREMER



THERESA
WILLIAMS



CHARLES
MARQUEZ



TONY
MONTOYA



EUN
MOREDOCK



LINDA
KIMBERLING



CRAIG
KNOELL

*Note: While included in the FY 2011 Annual Report, this information reflects the Senior Management Team, as of April 13, 2012.

CONTACT WESTERN

Call or write your local Western office or Corporate Communications at our Corporate Services Office in Lakewood, Colo., to share your comments or to find out more about Western. Our addresses and phone numbers are listed below.

WESTERN AREA POWER ADMINISTRATION

P.O. Box 281213
Lakewood, CO 80228-8213
720-962-7050

SIERRA NEVADA REGIONAL OFFICE

114 Parkshore Drive
Folsom, CA 95630-4710
916-353-4416

UPPER GREAT PLAINS REGIONAL OFFICE

P.O. Box 35800
Billings, MT 59107-5800
406-255-2800

CRSP MANAGEMENT CENTER

150 East Social Hall Avenue, Suite 300
Salt Lake City, UT 84111-1580
801-524-5493

ROCKY MOUNTAIN REGIONAL OFFICE

P.O. Box 3700
Loveland, CO 80539-3003
970-461-7200

ELECTRIC POWER TRAINING CENTER

P.O. Box 281213
Lakewood, CO 80228-8213
800-867-2617

DESERT SOUTHWEST REGIONAL OFFICE

P.O. Box 6457
Phoenix, AZ 85005-6457
602-605-2525

POWER MARKETING LIAISON OFFICE

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Room 8G-037, Forrestal Building
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Washington, DC 20585-0001
202-586-5581

Visit our Web site at www.wapa.gov
Send e-mail to CorpComm@wapa.gov

For no-cost energy-related technical assistance within Western's service territory, call 1-800-POWERLN (1-800-769-3756), or log on to www.wapa.gov/es.



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U.S. DEPARTMENT OF
ENERGY