

---

**SOUTHWESTERN  
POWER ADMINISTRATION**

**ANNUAL  
REPORT**

**2015**

---

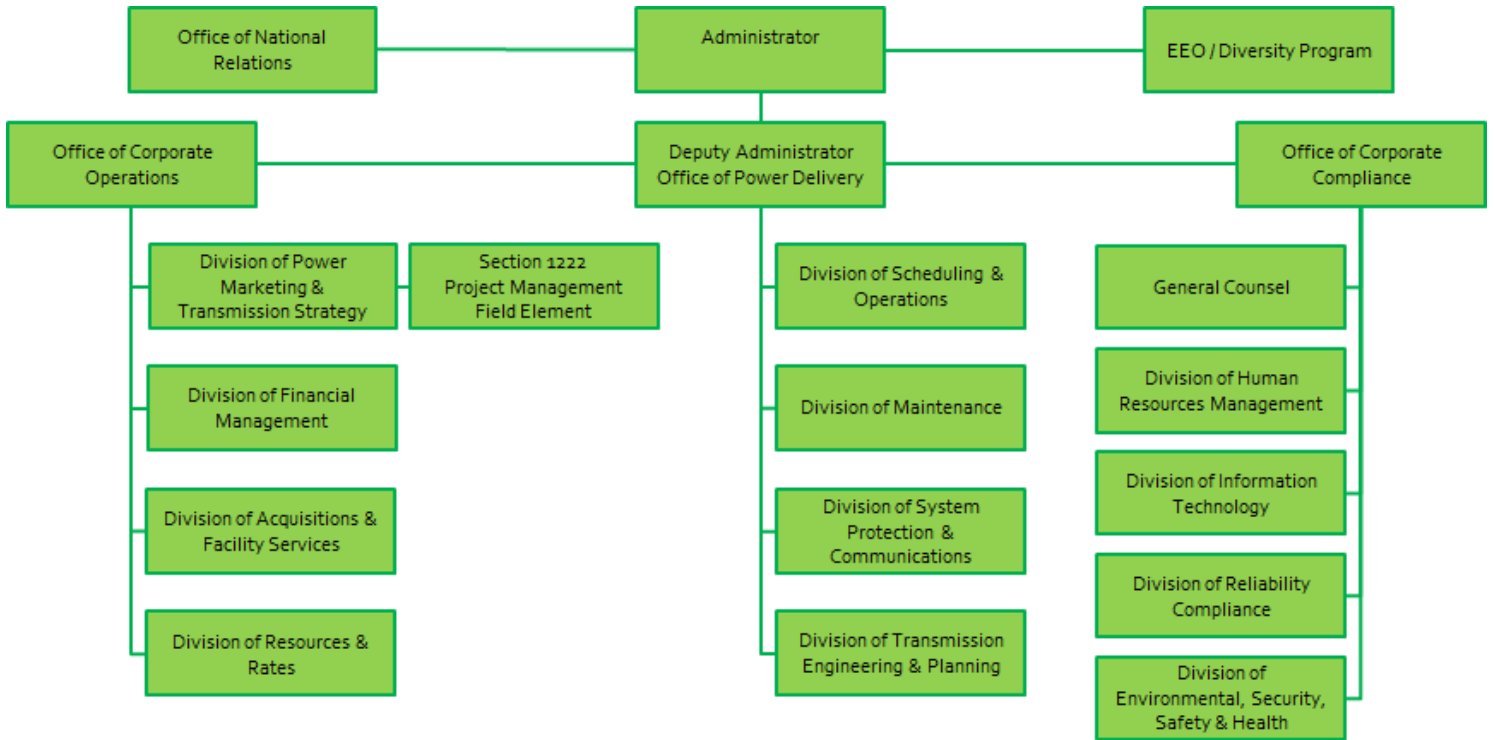


## TABLE OF CONTENTS

Letter to the Secretary-----	3
Southwestern System Map-----	4
About Southwestern-----	5
Supplementary Information-----	6
Southwestern Federal Power System Energy Production -----	6
Source and Distribution of Energy -----	7
Source and Distribution of Revenue-----	7
Annual Revenue and Expense-----	8
Annual and Cumulative Repayment of Capital Investment -----	8
Southwestern Federal Power System Five-Year Statistical Summary -----	9
Federal Investment in Generation and Transmission Facilities in Service-----	9
FY 2015 Cumulative Repayment Status-----	9
FY 2015 Detail of Billings to Customers -----	10
Independent Auditors' Report-----	14
Financial Statements-----	16
Notes to Financial Statements-----	20

©Published November 2016.

# ORGANIZATIONAL CHART



Southwestern's new organizational structure aligns business functions, reduces costs, and supports personnel to better focus on activities critical to Southwestern and to all Federal power marketing stakeholders.

The re-organization was planned in FY 2015 and went into effect in mid-FY 2016



**Department of Energy**  
Southwestern Power Administration  
One West Third Street  
Tulsa, Oklahoma 74103-3502

The Honorable Dr. Ernest Moniz  
Secretary of Energy  
Washington, D.C. 20585

Dear Secretary Moniz:

I am pleased to present the financial statements and operating data for Southwestern Power Administration (Southwestern) for Fiscal Year (FY) 2015.

In FY 2015, Southwestern delivered 5.4 billion kilowatt-hours of energy to its wholesale customers in Arkansas, Kansas, Louisiana, Missouri, Oklahoma, and Texas, generating \$195 million in revenue.

Hydroelectric power contributes to the reduction of greenhouse gas emissions and fossil fuel usage while reducing our country's dependence on foreign energy supplies. In fiscal year 2015, the Federal projects from which Southwestern markets power produced 5,384 gigawatt-hours of clean renewable hydroelectric energy. This clean renewable energy production reduced emissions of carbon dioxide by 4.5 million tons and saved the Nation the equivalent of 9.3 million barrels of fuel oil, 2.9 million tons of coal, or 43.2 billion cubic feet of natural gas.

In fulfilling its mission to market and reliably deliver Federal hydroelectric power, Southwestern maintains 1,380 miles of high-voltage transmission lines, substations, and communications sites, contributing to the reliability of the regional and National electric grid. Southwestern also actively partners with the Department of Energy, the U.S. Army Corps of Engineers, Southwestern's customers, and other Federal power stakeholders to most effectively balance their diverse interests with Southwestern's mission while continuing to maximize Federal assets to repay the Federal investment in the 24 hydropower facilities within Southwestern's marketing region.

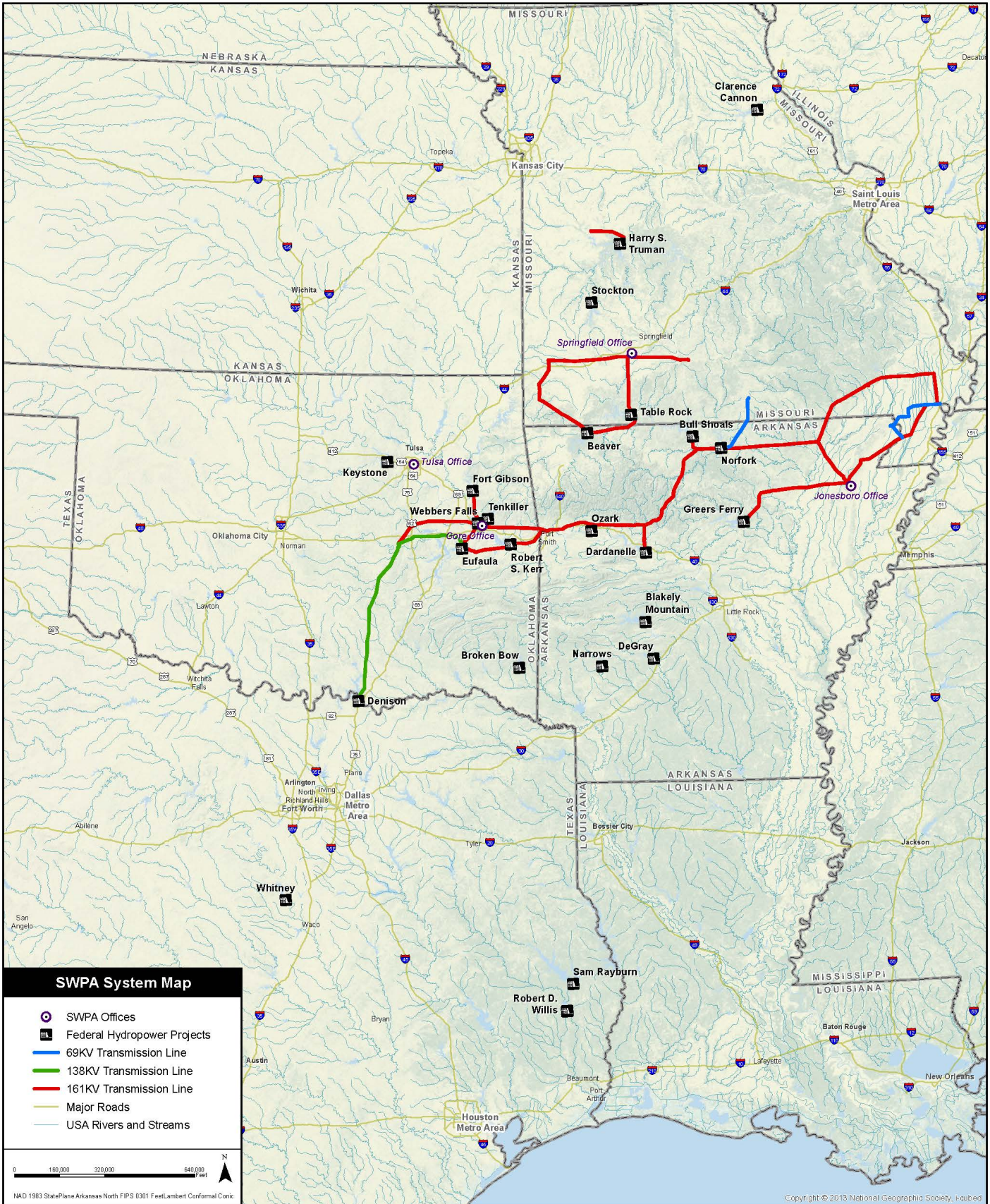
Partnerships are integral to Southwestern's success, and I look forward to working with the Department, Southwestern's customers, and other stakeholders to keep Federal power affordable, reliable, and available, now and in the future.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott Carpenter".

Scott Carpenter  
Administrator

# SOUTHWESTERN SYSTEM MAP



---

## **ABOUT SOUTHWESTERN**

Southwestern was established in 1943 by the Secretary of the Interior as a Federal Agency that today operates within the Department of Energy.

As one of four Power Marketing Administrations in the United States, Southwestern markets hydroelectric power in Arkansas, Kansas, Louisiana, Missouri, Oklahoma, and Texas from 24 U.S. Army Corps of Engineers multipurpose dams with a combined generating capacity of approximately 2,181 MW.

Southwestern operates and maintains 1,380 miles of high-voltage transmission lines. The Agency also owns numerous substations and switching stations, and a communications system to monitor and control the transmission of electricity. Staff members work from offices located in Gore, Oklahoma; Jonesboro, Arkansas; Springfield, Missouri; and Tulsa, Oklahoma. Power scheduling and plant dispatching are conducted on a 24-hour basis by staff in the Springfield Operations Center.

Annual revenue for Southwestern for FY 2015 was \$195 million. Average revenue over the last five years is approximately \$186 million. This revenue is used to pay the cost of operating and maintaining the generation and transmission facilities and to repay the principal and interest on the Federal investment.

## **MISSION**

Southwestern's mission is to market and reliably deliver Federal hydroelectric power with preference to public bodies and cooperatives.

This is accomplished by maximizing the use of Federal assets to repay the Federal investment and participating with other water resource users in an effort to balance their diverse interests with power needs within broad parameters set by the U.S. Army Corps of Engineers, and implementing public policy.

## **VISION**

Southwestern has an open and trusting partnership with its customers in meeting their business expectations for operation of the Federal hydropower system, and with the American public in meeting its financial obligations while providing good stewardship of regional water resources. The Southwestern work force is cost-conscious, team-based, and empowered to meet customer expectations.

## **AUTHORIZATION**

The Flood Control Act of 1944 (58 Stat. 887, 890; 16 U.S.C.A. 825s) is Southwestern's main authorizing legislation. Through Section 5 of this Act and a series of Executive Orders and Departmental Orders, Southwestern's Administrator is authorized to "transmit and dispose of ... power and energy in such manner as to encourage the most widespread use thereof at the lowest possible rates to consumers consistent with sound business principles." Southwestern is also authorized to draw up rate schedules for such power and energy, with the goal of recovering, with interest, the investment of the American people.

By law, Southwestern's power is marketed and delivered to not-for-profit municipal utilities and rural electric cooperatives. Southwestern has over one hundred such "preference" customers, and these entities ultimately serve over eight million end-use customers.

## SOUTHWESTERN FEDERAL POWER SYSTEM ENERGY PRODUCTION

Project	Fiscal Year On-Line Date	Installed Capacity (kW)	Estimated Annual Energy <sup>1</sup> (Millions kWh)	2015 Actual Net Energy (Millions kWh)	Total Project Cost <sup>2</sup>	% Project Cost Assigned to Power	Project Cost Assigned to Power <sup>2</sup>
Beaver	1965	112,000	172	141	96,985,684	66.4%	64,428,066
Blakely Mountain	1956	75,000	169	179	61,926,998	74.1%	45,912,908
Broken Bow	1970	100,000	129	169	51,207,365	57.5%	29,458,313
Bull Shoals	1953	340,000	785	848	126,225,659	65.2%	82,258,716
Clarence Cannon	1985	58,000	90	123	393,108,630	22.6%	88,844,856
Dardanelle	1965	140,000	613	505	138,585,219	67.1%	92,987,200
DeGray	1972	68,000	97	98	89,354,780	39.7%	35,471,002
Denison	1945	70,000	219	218	95,310,317	39.4%	37,537,263
Eufaula	1965	90,000	260	295	146,284,477	28.4%	41,615,674
Ft Gibson	1953	45,000	191	219	71,117,285	37.1%	26,385,188
Greers Ferry	1964	96,000	189	225	67,813,047	61.5%	41,732,485
Harry S Truman <sup>3</sup>	1982	160,000	244	312	628,567,017	21.4%	134,284,973
Keystone	1968	70,000	228	162	152,536,413	21.6%	32,889,458
Narrows	1950	25,500	30	41	27,095,947	51.6%	13,982,907
Norfolk	1944	80,550	184	182	85,543,347	34.5%	29,514,275
Ozark	1973	100,000	429	128	232,187,936	74.1%	172,093,858
Robert D Willis <sup>4</sup>	1989	7,350	37	22	7,641,250	6.4%	492,772
Robert S Kerr	1971	110,000	459	458	120,699,088	47.7%	57,632,793
Sam Rayburn	1966	52,000	114	129	124,673,830	29.7%	37,053,343
Stockton <sup>5</sup>	1973	52,000	55	65	125,857,176	49.8%	62,669,613
Table Rock	1959	200,000	495	590	199,247,384	59.5%	118,602,342
Tenkiller	1954	39,100	95	117	85,278,955	33.8%	28,798,656
Webbers Falls	1974	60,000	213	131	171,820,054	63.3%	108,687,976
Whitney	1955	30,000	73	38	99,993,928	47.8%	47,763,785
<b>Total</b>		<b>2,180,500</b>	<b>5,570</b>	<b>5,384</b>	<b>3,399,061,786</b>	<b>42.1%</b>	<b>1,431,098,422</b>

1 For each of the 24 projects in Southwestern's marketing area, a planning study was conducted by the U.S. Army Corps of Engineers prior to construction to forecast the quantity of energy that could be produced under average hydrological conditions. The term "Estimated Annual Energy" used in the table above represents the quantity of this forecasted energy on an annual basis.

2 Includes construction work in progress with plant in service less contributions in aid of construction.

3 Only 53,300 kW of installed capacity have been declared in commercial operation.

4 The initial project construction costs for power were non-federally financed.

5 The 45,200 unit was updated to 52,000 kW in FY 2015 following unit rehabilitation.

*Supplementary Information*



## SOURCE AND DISTRIBUTION OF ENERGY

Energy Source	2015 Millions kWh	2015 % of Total
Generated by Corps Plants	5,383.6	97.4%
Direct Purchases	146.3	2.6%
Interchange	0.0	0.0%
<b>Total</b>	<b>5,529.9</b>	<b>100.0%</b>

Energy Distribution	2015 Millions kWh	2015 % of Total
Cooperatives	3,633.7	65.7%
Municipalities and Joint Action Agencies	1,628.9	29.5%
Interchange	121.6	2.2%
Losses	19.4	0.3%
Government Agencies	74.8	1.4%
Contract Exchange	51.2	0.9%
Utility Companies / Other	0.2	0.0%
<b>Total</b>	<b>5,529.9</b>	<b>100.0%</b>

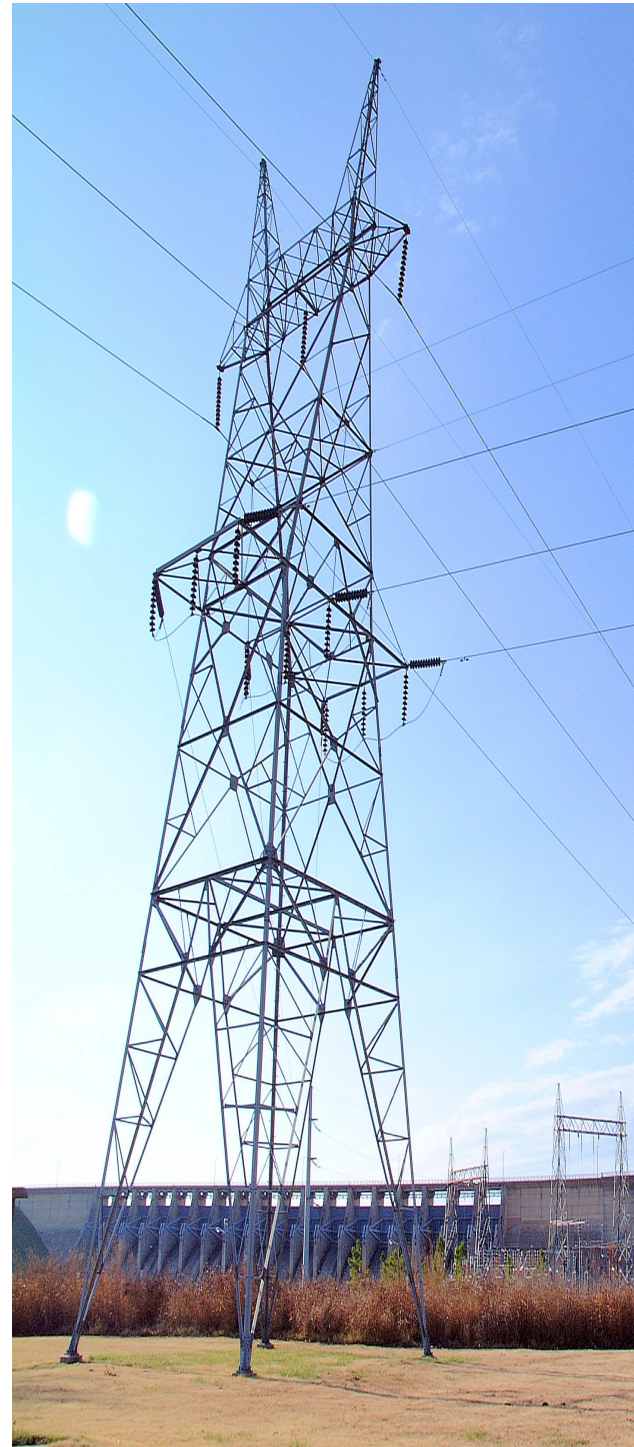
## SOURCE AND DISTRIBUTION OF REVENUE

Revenue Source	2015 Thousands \$	2015 % of Total
Cooperatives	122,163	62.7%
Municipalities and Joint Action Agencies	55,497	28.5%
Miscellaneous <sup>1</sup>	20,799	10.7%
Government Agencies	4,033	2.1%
Banking Exchange	254	0.1%
Utility Companies / Others	0	0.0%
Deferred <sup>2</sup>	(8,003)	-4.1%
<b>Total</b>	<b>194,744</b>	<b>100.0%</b>

Revenue Distribution	2015 Thousands \$	2015 % of Total
Operations, Maintenance, & Other	105,488	54.2%
Available for Repayment	64,535	33.1%
Interest Expense	11,607	6.0%
Purchased Power & Banking Exchange	10,030	5.1%
Transmission Service Charge	3,084	1.6%
<b>Total</b>	<b>194,744</b>	<b>100.0%</b>

1 Includes revenue from interest, non-Federal transmission service, and miscellaneous revenue from both the Corps and Southwestern.

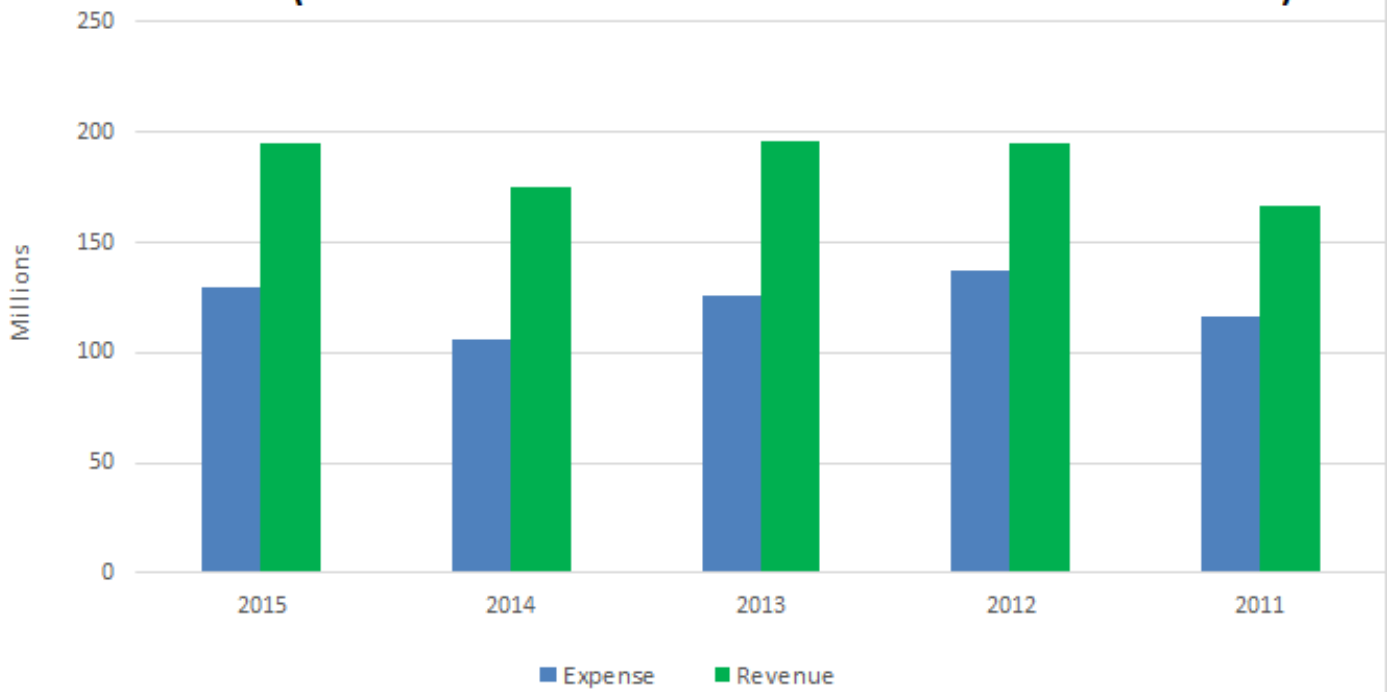
2 Includes revenue collected from purchased power rate components.



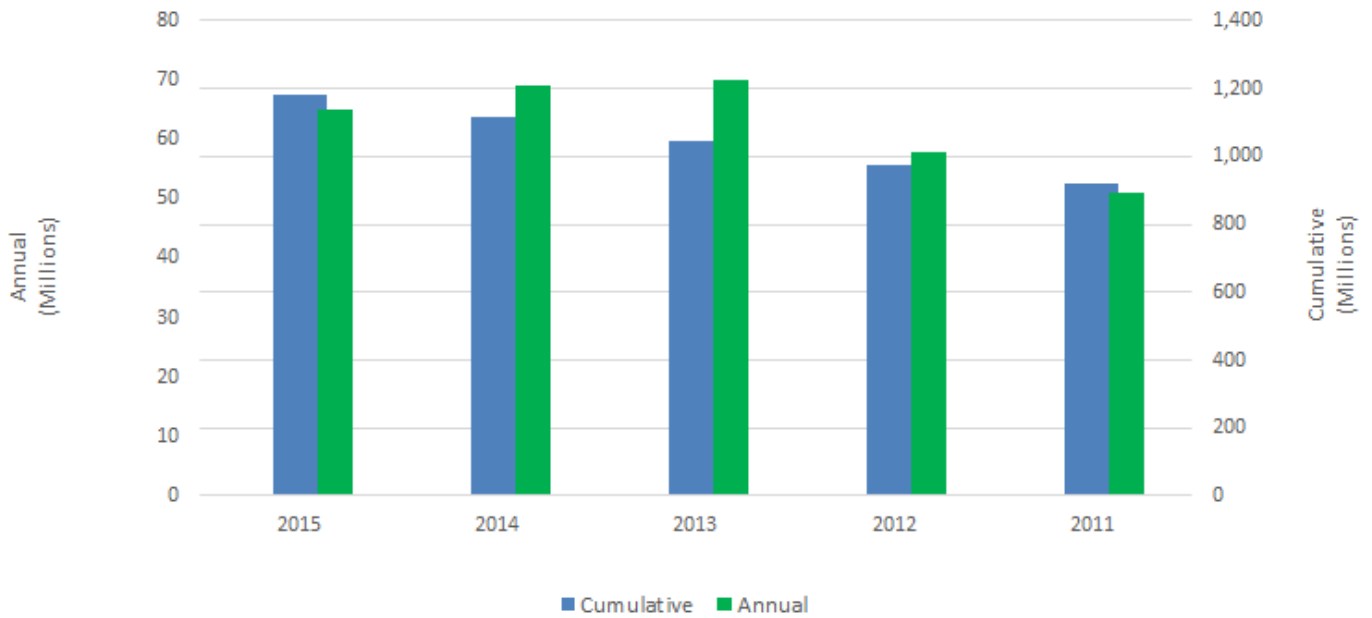
The U.S. Army Corps of Engineers' Hydroelectric Design Center conducted an analysis in FY 2015 at Keystone Powerhouse and four other projects to evaluate the costs and benefits of a generator rewind and turbine replacement under Southwestern's customer funding program.

*Supplementary Information*

### ANNUAL REVENUE AND EXPENSE (EXCLUDING DEPRECIATION & NON-REIMBURSABLE EXPENSE)



### ANNUAL AND CUMULATIVE REPAYMENT OF CAPITAL INVESTMENT



*Supplementary Information*

## SOUTHWESTERN FEDERAL POWER SYSTEM FIVE-YEAR STATISTICAL SUMMARY

Revenue	2015	2014	2013	2012	2011
Annual Operating Revenue	\$194,743,540	\$175,176,946	\$195,968,971	\$194,953,241	\$167,463,063
Annual Expense (Excluding Depreciation and Non-Reimbursable Expense)	(118,951,295)	(103,432,302)	(123,529,128)	(133,148,118)	(112,440,982)
<b>Net (Deficiency) Revenue</b>	<b>\$75,792,245</b>	<b>\$71,744,644</b>	<b>\$72,439,843</b>	<b>\$61,805,123</b>	<b>\$55,022,801</b>
Retirement Losses	(\$11,257,316)	(\$2,793,152)	(\$2,370,634)	(\$4,195,896)	(\$3,826,479)
<b>Total Funds Available for Repayment</b>	<b>\$64,534,929</b>	<b>\$68,951,492</b>	<b>\$70,069,209</b>	<b>\$57,609,227</b>	<b>\$51,195,602</b>

### Repayable Investment

Generation	\$1,177,294,393	\$1,119,986,818	\$1,080,808,023	\$1,066,347,536	\$1,023,716,958
Transmission	388,302,079	365,929,530	343,607,996	322,079,152	309,634,000
<b>Total Repayable Investment</b>	<b>\$1,565,596,472</b>	<b>\$1,485,916,348</b>	<b>\$1,424,416,019</b>	<b>\$1,388,426,688</b>	<b>\$1,333,350,958</b>

## FEDERAL INVESTMENT IN GENERATION AND TRANSMISSION FACILITIES IN SERVICE

	2015	2014
Generation Facilities	\$1,250,372,806	\$1,193,065,231
Transmission Facilities	388,302,079	365,929,530
<b>Total Investment</b>	<b>\$1,638,674,885</b>	<b>\$1,558,994,761</b>
Adjustments:		
Prior Year	-	-
Retirement work-in-progress	-	-
Dam Safety <sup>1</sup>	(73,078,413)	(73,078,413)
<b>Total Repayable Investment</b>	<b>\$1,565,596,472</b>	<b>\$1,485,916,348</b>

1 Dam Safety work is not repayable per Public Law 99-662; therefore, the total repayable investment is reduced by this amount.

## FY 2015 CUMULATIVE REPAYMENT STATUS

	Robert D. Willis	Sam Rayburn	Integrated System	Total System
<b>Revenue</b>	\$14,455,176	\$99,108,681	\$5,023,489,072	\$5,137,052,929
<b>Expense</b>				
Operations and Maintenance	11,877,696	47,545,500	2,147,422,051	2,206,845,247
Purchased Power and Transmission Service			870,861,899	870,861,899
Interest	(448,754)	18,392,852	861,413,095	879,357,193
<b>Total Expense</b>	<b>\$11,428,942</b>	<b>\$65,938,352</b>	<b>\$3,879,697,045</b>	<b>\$3,957,064,339</b>
<b>Revenue Applied to Repayment (Cumulative Amortization)</b>	<b>\$3,026,234</b>	<b>\$33,170,329</b>	<b>\$1,143,792,027</b>	<b>\$1,179,988,590</b>
<b>Total Unpaid Investment</b>	<b>\$(2,789,389)</b>	<b>\$3,128,225</b>	<b>\$385,269,046</b>	<b>\$385,607,882</b>

Supplementary Information

## FY 2015 - DETAIL OF BILLINGS TO CUSTOMERS

	Capacity (kW)	Energy Delivered (kWh)	Billings for Power Sales (Dollars)
<b>Distribution Cooperatives</b>			
Beauregard Electric Cooperative, Inc	8,800	12,953,793	677,785
Claiborne Electric Cooperative, Inc	5,500	8,096,117	423,616
Concordia Electric Cooperative, Inc	4,800	7,065,702	369,701
Dixie Electric Membership Corporation	18,200	50,410,000	1,637,655
Jefferson Davis Electric Cooperative, Inc	4,000	5,888,090	308,084
Kaw Valley Electric Cooperative, Inc	1,000	2,773,000	89,857
Nemaha-Marshall Electric Cooperative Association	1,000	2,773,000	89,857
Northeast Louisiana Power Cooperative, Inc	4,500	6,624,098	346,595
Pointe Coupee Electric Membership Corporation	3,000	4,416,066	231,063
South Louisiana Electric Cooperative Association	8,900	13,100,994	685,488
Southwest Louisiana Electric Membership Corporation	25,000	36,800,540	1,925,526
Washington-St Tammany Electric Cooperative, Inc	8,700	12,806,589	670,083
<b>Total</b>	<b>93,400</b>	<b>163,707,989</b>	<b>7,455,310</b>
<b>Generation and Transmission Cooperatives</b>			
Arkansas Electric Cooperative Corporation	189,000	492,319,000	16,600,840
Associated Electric Cooperative, Inc	478,000	1,277,256,000	42,557,738
Brazos Electric Power Cooperative, Inc	35,200	51,123,000	2,430,026
Kansas Electric Power Cooperative, Inc	100,000	267,892,000	8,913,225
Northeast Texas Electric Cooperative, Inc	127,500	319,037,000	10,898,889
Rayburn Country Electric Cooperative, Inc	44,125	138,713,129	3,702,574
Sam Rayburn Dam Electric Cooperative, Inc	52,000	128,722,000	4,230,120
Tex-La Electric Cooperative of Texas, Inc	28,175	88,689,871	2,362,100
Western Farmers Electric Cooperative	260,000	706,221,000	23,302,357
<b>Total</b>	<b>1,314,000</b>	<b>3,469,973,000</b>	<b>114,997,869</b>
<b>Joint Action Agencies</b>			
Kansas Municipal Energy Agency <sup>1</sup>	9,000	25,141,000	811,959
Louisiana Energy and Power Authority <sup>2</sup>	12,900	36,097,000	1,164,944
Sam Rayburn Municipal Power Agency <sup>3</sup>	7,350	12,124,570	1,018,728
<b>Total</b>	<b>29,250</b>	<b>73,362,570</b>	<b>2,995,631</b>
<b>Government Agencies</b>			
Fort Sill Military Reservation, Ft Sill, Oklahoma	36,700	98,229,430	3,270,384
McAlester Army Ammunition Plant, McAlester, Oklahoma	2,688	7,194,570	239,531
Vance Air Force Base, Enid, Oklahoma	5,900	16,195,000	531,028
<b>Total</b>	<b>45,288</b>	<b>121,619,000</b>	<b>4,040,943</b>
<b>SPP Reserve Sharing Companies</b>			
<b>Total</b>	<b>0</b>	<b>190,000</b>	<b>9,500</b>

1 Served 22 Municipals with Federal Allocations in FY 2015.

2 Served 6 Municipals with Federal Allocations in FY 2015.

3 Has Federal Allocation.

Supplementary Information

## FY 2015 - DETAIL OF BILLINGS TO CUSTOMERS

<b>Municipalities</b>	<b>Capacity (kW)</b>	<b>Energy Delivered (kWh)</b>	<b>Billings for Power Sales (Dollars)</b>
Alexandria, Louisiana	10,700	29,762,000	963,016
Anthony, Kansas	300	838,000	27,062
Augusta, Arkansas	3,700	10,334,000	333,788
Bentonville, Arkansas	18,000	48,043,000	1,602,711
Carthage, Missouri	7,000	19,543,000	669,989
Clarksville, Arkansas	19,100	53,340,000	1,722,849
Clay Center, Kansas	600	1,677,819	54,161
Coffeyville, Kansas	1,900	5,198,000	170,367
Comanche, Oklahoma	4,200	11,729,336	378,847
Copan, Oklahoma	2,500	6,981,748	225,504
Duncan, Oklahoma	32,500	90,762,718	2,931,558
Eldorado, Oklahoma	1,300	3,630,509	117,262
Fulton, Missouri	3,000	8,187,000	267,273
Goltry, Oklahoma	900	2,513,429	81,182
Granite, Oklahoma	2,300	6,423,208	207,464
Hermann, Missouri	5,800	16,116,000	521,763
Higginsville, Missouri	3,000	8,277,000	268,839
Hominy, Oklahoma	10,000	27,926,990	902,018
Jonesboro, Arkansas	80,000	220,567,000	7,232,882
Jonesville, Louisiana	500	736,011	38,511
Kansas City, Kansas	38,600	100,846,000	3,392,598
Kennett, Missouri	11,000	30,639,000	1,051,509
Lafayette, Louisiana	18,600	39,012,000	1,567,326
Lamar, Missouri	12,000	33,220,000	1,077,369
Lexington, Oklahoma	4,100	11,450,066	369,827
Malden, Missouri	5,000	13,697,000	478,480
Manitou, Oklahoma	600	1,675,619	54,121
Minden, Louisiana	2,400	6,706,000	216,549
Natchitoches, Louisiana	2,600	7,264,000	234,585
New Madrid, Missouri	4,500	12,511,000	429,796
Nixa, Missouri	5,300	14,149,000	500,386
Olustee, Oklahoma	700	1,954,889	63,141
Paragould, Arkansas	50,500	138,537,000	4,833,735
Paris, Arkansas	10,800	30,161,150	974,179
Piggott, Arkansas	4,900	13,458,000	469,150
Poplar Bluff, Missouri	39,500	108,743,000	3,784,665
Purcell, Oklahoma	14,500	40,494,136	1,307,926
Ruston, Louisiana	4,900	13,625,000	440,976
Ryan, Oklahoma	1,900	5,306,128	171,383
Sikeston, Missouri	33,800	95,339,000	3,899,307
Skiatook, Oklahoma	11,000	29,561,000	981,328
Spiro, Oklahoma	4,000	11,170,796	360,807
Springfield, Missouri	50,000	133,445,000	4,443,943
Thayer, Missouri	2,800	7,806,000	252,333
Walters, Oklahoma	6,400	17,873,274	577,291
West Plains, Missouri	15,000	42,202,000	1,441,115
Wetumka, Oklahoma	2,600	7,261,017	234,525
Winfield, Kansas	1,600	4,474,181	144,430
Yale, Oklahoma	3,700	10,332,986	333,747
<b>Total</b>	<b>570,600</b>	<b>1,555,501,010</b>	<b>52,803,573</b>
		<b>Total Capacity (kW)</b>	<b>2,052,538</b>
		<b>Total Energy (kWh)</b>	<b>5,384,353,569</b>
		<b>Total Billings (\$)</b>	<b>182,302,826</b>

Supplementary Information

---

**THIS PAGE INTENTIONALLY LEFT BLANK.**



**SOUTHWESTERN FEDERAL POWER SYSTEM**

Combined Financial Statements

September 30, 2015 and 2014

(With Independent Auditors' Report Thereon)



**KPMG LLP**  
Suite 310  
100 West Fifth Street  
Tulsa, OK 74103

## **Independent Auditors' Report**

Administrator, Southwestern Power Administration and the  
Acting Inspector General, U.S. Department of Energy:

### **Report on the Financial Statements**

We have audited the accompanying combined financial statements of the Southwestern Federal Power System (SWFPS), which comprise the combined balance sheets as of September 30, 2015 and 2014, and the related combined statements of changes in capitalization, revenues and expenses, and cash flows for the years then ended, and the related notes to the combined financial statements. As described in note 1(a), the combined financial statements include the hydroelectric generating and power operations of the U.S. Army Corps of Engineers (Corps), a component of the U.S. Department of Defense and the transmission and disposition of the related power by the Southwestern Power Administration (Southwestern), a component of the U.S. Department of Energy.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.





### ***Opinion***

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the respective financial position of the Southwestern Federal Power System as of September 30, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

### ***Other Matters***

#### ***Supplementary and Other Information***

Our audits were conducted for the purpose of forming an opinion on the SWFPS basic combined financial statements taken as a whole. The supplementary information in schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic combined financial statements.

The supplementary information in schedules 1 through 4 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic combined financial statements or to the basic combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information in schedules 1 through 4 is fairly stated, in all material respects, in relation to the basic combined financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2016 on our consideration of SWFPS's internal control over financial reporting and our report dated August 12, 2016 on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SWFPS's internal control over financial reporting and compliance.

**KPMG LLP**

Tulsa, Oklahoma  
August 12, 2016

## SOUTHWESTERN FEDERAL POWER SYSTEM

### Combined Balance Sheets

September 30, 2015 and 2014

<b>Assets</b>	<b>2015</b>	<b>2014</b>
Plant in service	\$ 1,638,674,885	1,558,994,761
Accumulated depreciation	(749,555,586)	(728,158,545)
Construction work in progress	199,812,302	217,240,756
Net utility plant	1,088,931,601	1,048,076,972
Cash	301,456,510	311,956,525
Funds held in escrow	65,731,536	47,382,663
Accounts receivable	15,708,266	14,022,518
Materials and supplies, at average cost	3,047,794	3,193,265
Banking exchange receivables	4,365,661	4,115,837
Deferred workers' compensation	11,103,753	12,611,197
Other assets	52,896,325	61,914,088
Total assets	<u>\$ 1,543,241,446</u>	<u>1,503,273,065</u>
<b>Liabilities and Capitalization</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 27,728,857	25,294,410
Advances for construction	42,040,277	45,375,236
Accrued workers' compensation	11,888,362	13,511,858
Purchased power and banking exchange deferral	51,684,949	42,290,768
Hydropower water storage reallocation deferral	61,106,873	60,739,837
Total liabilities	<u>194,449,318</u>	<u>187,212,109</u>
Capitalization:		
Payable to U.S. Treasury	941,713,858	947,794,824
Accumulated net revenues	407,078,270	368,266,132
Total capitalization	1,348,792,128	1,316,060,956
Commitments and contingencies (notes 5 and 6)		
Total liabilities and capitalization	<u>\$ 1,543,241,446</u>	<u>1,503,273,065</u>

See accompanying notes to combined financial statements.

## SOUTHWESTERN FEDERAL POWER SYSTEM

### Combined Statements of Changes in Capitalization

Years ended September 30, 2015 and 2014

	<b>Payable to U.S. Treasury</b>	<b>Accumulated net revenues</b>	<b>Total capitalization</b>
Total capitalization as of September 30, 2013	\$ 936,990,871	336,674,797	1,273,665,668
Additions:			
Congressional appropriations	80,255,832	—	80,255,832
Interest on payable to U.S. Treasury and other	19,395,180	—	19,395,180
Transfers of property and services, net	2,826,667	—	2,826,667
Total additions to capitalization	102,477,679	—	102,477,679
Deductions:			
Payments to U.S. Treasury	(91,673,726)	—	(91,673,726)
Net revenues for the year ended September 30, 2014	—	31,591,335	31,591,335
Total capitalization as of September 30, 2014	\$ 947,794,824	368,266,132	1,316,060,956
Additions:			
Congressional appropriations	\$ 73,257,461	—	73,257,461
Interest on payable to U.S. Treasury and other	14,792,565	—	14,792,565
Transfers of property and services, net	5,047,857	—	5,047,857
Total additions to capitalization	93,097,883	—	93,097,883
Deductions:			
Payments to U.S. Treasury	(99,178,849)	—	(99,178,849)
Net revenues for the year ended September 30, 2015	—	38,812,138	38,812,138
Total capitalization as of September 30, 2015	\$ 941,713,858	407,078,270	1,348,792,128

See accompanying notes to combined financial statements.

## SOUTHWESTERN FEDERAL POWER SYSTEM

### Combined Statements of Revenues and Expenses

Years ended September 30, 2015 and 2014

	<b>2015</b>	<b>2014</b>
Operating revenues:		
Sales of electric power	\$ 181,947,103	166,027,042
Transmission and other operating revenues	20,799,227	21,808,271
Total operating revenues before deferrals	202,746,330	187,835,313
Net purchased power and banking exchange deferral	(8,002,790)	(12,658,367)
Total operating revenues	194,743,540	175,176,946
Non reimbursable revenues	582,083	258,625
Total revenues	195,325,623	175,435,571
Operating expenses:		
Operation and maintenance	87,815,400	75,259,236
Purchased power and banking exchange	10,029,995	6,686,827
Depreciation and amortization	32,654,356	29,391,678
Transmission service charges by others	3,083,545	3,052,720
Retirement and other employee benefit expense	6,415,703	6,434,236
Non reimbursable expenses	4,907,834	11,020,256
Total operating expenses	144,906,833	131,844,953
Net operating revenues	50,418,790	43,590,618
Interest expense:		
Interest on payable to U.S. Treasury and other	18,225,194	22,109,059
Allowance for funds used during construction	(6,618,542)	(10,109,776)
Net interest expense	11,606,652	11,999,283
Net revenues	\$ 38,812,138	31,591,335

See accompanying notes to combined financial statements.

## SOUTHWESTERN FEDERAL POWER SYSTEM

### Combined Statements of Cash Flows

Years ended September 30, 2015 and 2014

	<b>2015</b>	<b>2014</b>
Cash flows from operating activities:		
Net revenues	\$ 38,812,138	31,591,335
Adjustments to reconcile net revenues to net cash provided by operating activities:		
Depreciation and amortization	32,654,356	29,391,678
Benefit expense paid by other Federal agencies	2,936,611	3,515,651
Interest on payable to U.S. Treasury and other	18,225,194	22,109,059
Allowance for funds used during construction	(6,618,542)	(10,109,776)
(Increase) decrease in assets:		
Accounts receivable	(1,685,748)	8,943,138
Materials and supplies	145,471	(205,192)
Banking exchange receivables	(249,824)	35,565
Deferred workers' compensation	1,507,444	721,353
Other assets	9,017,763	(6,495,261)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	2,434,447	5,798,785
Accrued workers' compensation	(1,623,496)	(1,072,260)
Purchased power and banking exchange deferral	7,983,594	12,850,142
Advances for construction	(3,334,959)	(1,774,793)
Net cash provided by operating activities	100,204,449	95,299,424
Cash flows used in investing activities:		
Additions to utility plant	(66,890,443)	(58,740,051)
Cash flows from financing activities:		
Congressional appropriations	73,257,461	80,255,832
Payments to U.S. Treasury	(99,178,849)	(91,673,726)
Transfers of property and services, net	2,111,246	(688,984)
Hydropower water storage reallocation deferral	(1,655,006)	(1,620,965)
Funds received in escrow	(31,747,124)	(24,637,593)
Funds disbursed from escrow	13,398,251	51,084,157
Net cash (used by) provided by financing activities	(43,814,021)	12,718,721
Net (decrease) increase in cash	(10,500,015)	49,278,094
Cash, beginning of year	311,956,525	262,678,431
Cash, end of year	\$ 301,456,510	311,956,525
Supplemental cash flow information:		
Interest deferred on regulatory liabilities (note 1(g))	\$ 3,432,629	2,713,879

See accompanying notes to combined financial statements.

**(1) Summary of Significant Accounting Policies**

**(a) General Information and Basis of Preparation of Financial Statements**

The Southwestern Federal Power System (SWFPS) financial statements combine all of the activities associated with the production, transmission, and disposition of all Federal power marketed under Section 5 of the Flood Control Act of 1944 (the Flood Control Act) by the Southwestern Power Administration (Southwestern), an agency of the U.S. Department of Energy (DOE). The accompanying combined financial statements include the accounts of Southwestern and the related hydroelectric generating facilities and power operations of the U.S. Army Corps of Engineers (Corps), a component of the U.S. Department of Defense (DOD). Southwestern and the Corps are separately managed and financed, and each maintains their own accounting records. For purposes of financial and operational reporting, the facilities and related operations of Southwestern and the Corps (power purpose) are combined as SWFPS.

The Corps has constructed and operates hydroelectric generating facilities in the states of Arkansas, Missouri, Oklahoma, and Texas. Operating expenses and net assets of multipurpose Corps projects are allocated to power and nonpower purposes (primarily recreation and flood control). Only the portion of such project costs and net assets allocated to power are included in the combined financial statements. Southwestern, as designated by the Secretary of Energy, transmits and markets power generated from these hydroelectric generating facilities.

SWFPS is subject to the accounting regulations of the Federal Energy Regulatory Commission (FERC). Accounts are maintained in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as established by the Financial Accounting Standards Board (FASB), the uniform system of accounts prescribed for electric utilities by the FERC, the accounting practices and standards established by the DOE and DOD, and the requirements of specific legislation and executive directives issued by government agencies. All material intra-entity balances and transactions have been eliminated. SWFPS's combined financial statements follow the accounting and reporting guidance contained in FASB Accounting Standards Codification (ASC) Topic 980, Regulated Operations. Allocation of costs and revenues to accounting periods for rate-making and regulatory purposes may differ from bases generally applied by nonregulated companies. Such allocations to meet regulatory accounting requirements are considered to be U.S. GAAP for regulated utilities, provided that there is a demonstrable ability to recover any deferred costs in future rates and such costs or revenues are accounted for as regulatory assets or liabilities.

**(b) Confirmation and Approval of New Rates**

SWFPS is not a public utility within the jurisdiction of the FERC under the Federal Power Act. Under a Delegation Order issued by the Secretary of Energy, the Administrator of Southwestern has the authority to develop power and transmission rates for the SWFPS. Such rates are approved on an interim basis by the Deputy Secretary of Energy. The FERC has the exclusive authority to confirm, approve, and place into effect on a final basis, to remand or to disapprove, rates developed by the Administrator.

The 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 component. The FERC shall reject decisions of the Administrator only if it finds them to be arbitrary, capricious, or in violation of the law.

The rates in effect as of September 30, 2015 are summarized as follows:

The Integrated System rate schedules were placed into effect October 1, 2013 and were confirmed and approved by the FERC on January 9, 2014. These rate schedules incorporated a 4.7% revenue increase and remain in effect through September 30, 2017, or until superseded by new rate schedules.

The Sam Rayburn Dam project rate was placed into effect October 1, 2013 and was confirmed and approved by the FERC on February 6, 2014. This rate increase incorporated a 7.1% revenue increase for the period October 1, 2013 through September 30, 2017, or until superseded by a new rate schedule.

The Robert D. Willis project rate was placed into effect January 1, 2015 and was confirmed and approved by the FERC on June 3, 2015. The rate increase incorporated a 10.2% revenue increase for the period January 1, 2015 through September 30, 2018, or until superseded by a new rate schedule.

**(c) *Utility Plant and Depreciation (Note 2)***

Utility plant includes items such as dams, spillways, generators, turbines, substations and related components (generating facilities), and transmission lines and related components. Utility plant is stated at original cost, net of contributions by external entities. Property transferred from other government agencies is transferred at net book value. Cost includes direct labor and material, payments to contractors, indirect charges for engineering, supervision and similar overhead items, and an allowance for funds used during construction. The costs of additions and betterments are capitalized. Repairs and minor replacements are charged to operation and maintenance expense. Generally, the net cost of utility plant retired, together with removal costs less salvage, is recorded to accumulated depreciation when the property is removed from service.

The policy of Southwestern and the Corps 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.

Depreciation on utility plant is computed on a straight-line basis over the estimated service lives of the various classes of property. Service lives currently range from 5 to 100 years for transmission plant and generating facility components.

Most completed utility plant 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.

**(d) *Cash and Funds Held in Escrow***

Cash represents the unexpended balance of funds authorized by Congress, customer advances, and spectrum relocation funds, held at the U.S. Department of the Treasury (Treasury). Cash received from the sale of power is generally deposited directly with the Treasury and is reflected as “Payments to U.S. Treasury” in the accompanying combined financial statements. Cash held for customer advances is restricted for the purposes agreed to between Southwestern and the customer.

Funds held in escrow represent the unexpended balance of funds held in a bank trust account under alternative financing agreements (note 4 (b)) with certain customers and are restricted specifically to fund operation, maintenance, rehabilitation, and modernization activities at hydroelectric generating facilities of the Corps in SWFPS’s marketing region. Under the agreements, funds deposited to the escrow account by customers are credited by Southwestern against accounts receivable for power and energy sold to the customer. The escrowed funds are transferred to the Corps, as needed, to meet contractual obligations as outlined in the agreements. Unused funds held in escrow, if any, will be used to fund additional operation, maintenance, rehabilitation, and modernization activities approved by customers at hydroelectric generating facilities of the Corps in SWFPS’s marketing region.

**(e) *Congressional Appropriations***

Southwestern and the Corps receive congressional appropriations through DOE and DOD, respectively, to finance their operations. Certain of Southwestern’s appropriations are offset by the use of receipts collected from the sale of Federal hydroelectric power, resulting in a net zero appropriation. The Corps also receives appropriations to finance construction of its hydroelectric projects. In accordance with the Flood Control Act, Southwestern is responsible for repayment to the Federal government, with interest, of its appropriations, and the portion of congressional appropriations allocated to the Corps for construction and operations of the power projects.

Congressional appropriations received by the Corps are authorized and allocated to individual projects. It is the intent of the Corps’ project management to distribute congressional appropriations in amounts approximating estimated current year expenses and to adjust the distribution as necessary within the limits of the transfer authority residing at the district level. Project costs that are not specific to a project purpose are distributed between power and nonpower purposes based on project cost allocation.

**(f) *Operating Revenues***

Operating revenues are recorded on the basis of service rendered. Rates are established under requirements of the Flood Control Act, related legislation and executive departmental directives, and are to provide sufficient revenues to meet all required repayment of system costs, including operation and maintenance expenses less depreciation, interest, and payment to the U.S. Treasury for the Payable to U.S. Treasury in utility plant. Rates are intended to provide for recovery of the Payable to U.S. Treasury in transmission and generating facilities not to exceed 50 years from the date placed in service, while operation and maintenance costs and interest on Payable to U.S. Treasury are intended to be recovered annually.



As set forth in “Utility Plant and Depreciation” above, assets are being depreciated for financial reporting purposes using the straight-line method over their estimated service lives, which currently range from 5 to 100 years for transmission and generating facility components. Accordingly, annual depreciation charges are not matched with the recovery of the related capital costs and will, in the case of generating facilities, continue beyond the period within which such costs will have been recovered through rates.

While energy and transmission rates are established to recover the costs of operating the power projects, rates are also required to be at the lowest possible level, consistent with sound business principles. Over the life of the power system, accumulated net revenues represent differences between the timing of the recognition of expenses and related revenues, resulting primarily from the difference between the recognition of depreciation and the related recovery of the U.S. Treasury’s investment in utility plant. SWFPS is a Federal entity, thus at any given time, the accumulated net revenues, to the extent available, are committed to the repayment of the Payable to U.S. Treasury.

The practices followed by Southwestern and the Corps are in conformity with the accounting practices and standards established by DOE and DOD and the requirements of specific legislation and executive directives issued by government agencies. Based upon guidelines established in DOE Order RA 6120.2, revenues distributed to the Corps cover annual operating expenses, including interest, with the remainder applied to the unpaid generation investment.

In addition to providing electric power and energy, Southwestern provides scheduling, billing, and other ancillary services. Southwestern may provide multiple services to any one customer and accounts for these arrangements in accordance with the provisions of ASC Subtopic 605- 25, Revenue Recognition – Multiple-Element 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.

**(g) *Regulatory Assets and Liabilities (Note 3)***

Regulatory assets and liabilities result from rate actions of Southwestern’s Administrator and other regulatory agencies. These assets and liabilities arise from specific costs and revenues that would have been included in the determination of net revenue 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. SWFPS defers transactions as regulatory assets and liabilities so that costs will be recovered during the periods when the costs are scheduled to be paid. This ensures the matching of revenues and expenses. The assets and liabilities below are regulatory in nature:

***Deferred Workers’ Compensation***

Workers’ compensation consists of two elements: actuarial liability associated with workers’ compensation cases incurred for which additional claims may still be made in the future (future claims) and a liability for expenses associated with actual claims incurred and paid by the Department of Labor (DOL), the program administrator, whom SWFPS must reimburse. DOL, DOE, and DOD determined Southwestern and the Corps’ actuarial liability associated with workers’ compensation cases. The

actuarial liability for future claims was determined using historical benefit payment patterns and the Treasury discount rates.

The recovery of these future claims will be deferred for purposes of the rate-making process until such time as the future claims are actually submitted and paid by the DOL. Therefore, the recognition of the expenses associated with this actuarially determined liability has been recorded as deferred workers' compensation in the combined balance sheets in accordance with ASC Topic 980 to reflect the effects of the rate-making process. SWFPS does not earn a rate of return on the deferred workers' compensation regulatory asset.

### ***Denison Hydropower Water Storage Reallocation***

Section 838 of P.L. 99-662 (Section 838) authorized the Corps to reallocate hydropower storage to water supply storage at Lake Texoma, in increments as needed, up to 150,000 acre-feet for users in the State of Texas and up to 150,000 acre-feet for users in the State of Oklahoma. Section 838 directed that the Corps would provide credits to Southwestern equal to the replacement cost of the hydropower lost as a result of the reallocations, and Southwestern would reimburse the preference customers (Denison allottees) for an amount equal to the customers' replacement cost of the hydropower lost as a result of the reallocations.

In fiscal year 2010, the Corps executed water supply contracts for the 150,000 acre-feet of storage authorized for customers in the State of Texas by Section 838. According to a June 2010 agreement between Southwestern and the Corps, the Corps agreed to deposit all cost of storage payments for storage reallocated under Section 838 into the U.S. Treasury and to provide credits in the same amount to the hydropower income account. The total amount received of \$58,786,011 was deferred by Southwestern for the provision of the reimbursement to the Denison allottees and Southwestern for future hydropower storage revenues foregone. The reallocation deferral accrued interest at 3.38% and 3.00% of the outstanding balance for the years ended September 30, 2015 and 2014, respectively, based on law, administrative order, or administrative policy. Interest expense deferred on the outstanding balance totaled \$2,022,042 and \$1,792,727 for the years ended September 30, 2015 and 2014, respectively.

A September 2010 agreement between Southwestern and the Denison allottees provided the initial hydropower replacement cost as determined by Southwestern and the methodology for providing the reimbursement to the Denison allottees as authorized under Section 838. Beginning with the invoice for the October 2010 service month, reimbursement pursuant to Section 838 began as a credit on the Denison allottees' monthly invoices.

### ***Purchased Power and Banking Exchange Deferral***

SWFPS utilizes a separate rate component (purchased power adder) to recover the estimated cost of purchased power based upon the average purchased power costs expected to occur in the future. If the actual expenses of purchased power exceed the revenue generated from this adder, the cost is deferred for future recovery through the rates. Likewise, if the expense is less than the adder, the excess revenue is deferred. From time to time, SWFPS may utilize a separate rate component (adder adjustment) to

manage additional purchased power expenses or excess revenues, respectively. The net purchased power deferral accrued interest at 3.38% and 3.00% of the outstanding balance for the years ended September 30, 2015 and 2014, respectively, based on law, administrative order, or administrative policy. Interest expense deferred on the outstanding balance totaled \$1,410,587 and \$921,152 for the years ended September 30, 2015 and 2014, respectively.

SWFPS has arrangements with certain customers in which excess power available on the power system is banked with the customer until needed by the power system and the customer has power available. The power system records a receivable for the power banked at the cost specified in the marketing arrangement, under the provisions of ASC Topic 845, *Nonmonetary Transactions*. The net revenue or expense associated with banking activity is deferred until the power is returned or delivered.

**(h) *Accounts Receivable***

SWFPS's accounts receivable consist generally of receivables for power and energy sold to its customers who are primarily public bodies and cooperatives. SWFPS provides for uncollectible accounts if collection is in doubt. No allowance for uncollectible accounts was considered necessary for any year presented herein.

Billing methods used by Southwestern include net billing and bill crediting. Net billing is an agreement between Southwestern and a customer, whereby the customer's power invoice is credited and the funds received from the sale of power are used to fund transmission and generation activities. Net billing is discussed more fully in note 4(b). Bill crediting involves a billing arrangement among Southwestern, a customer, and a third party, whereby the customer's power invoice is credited and the customer pays a third party for goods or services received by Southwestern. Under Southwestern billing methods, purchase and sale transactions are reported "gross" in the combined financial statements.

**(i) *Concentration of Credit Risk***

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

**(j) *Interest on Payable to U.S. Treasury***

Interest on Payable to U.S. Treasury is a cost mandated by the Secretary of Energy and by the FERC. SWFPS computes interest in accordance with DOE Order RA 6120.2, which provides that interest be computed on the remaining investment after revenues have been applied to recovery of costs during the year, any prior year unpaid costs, and also to unpaid Federal investment at the applicable interest rate.

**(k) Allowance for Funds Used During Construction**

The FERC Uniform System of Accounts defines Allowance for Funds Used During Construction as the net costs for the period of borrowed funds used for construction purposes and a reasonable rate on other funds when so used. While cash is not realized currently from this allowance, it is realized under the rate-making process over the repayment life of the related property through increased revenues resulting from a higher recoverable investment. The interest rates used were 3.38% and 3.00% for the years ended September 30, 2015 and 2014, respectively, based on law, administrative order, or administrative policy.

**(l) Retirement Benefits**

SWFPS 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 are submitted to benefit program trust funds administered by the Office of Personnel Management (OPM). Based on statutory contribution rates, the fiscal years 2015 and 2014 cost factors under CSRS were 33.4% and 32.8%, respectively, of basic pay. The cost factors under FERS for fiscal years 2015 and 2014 were 14.8% and 15.1%, respectively, of basic pay. The contribution levels, however, are legislatively mandated and do not reflect the current full cost requirements to fund the plans. Costs incurred by OPM on behalf of SWFPS are included as transfers of property and services, net, within the Payable to U.S. Treasury on the combined balance sheets.

Other retirement benefits administered by the OPM include the Federal Employees Health Benefits Program (FEHB) and the Federal Employees Group Life Insurance Program (FEGLI). FEHB is calculated at \$5,469 and \$5,169, per enrolled employee, for fiscal years 2015 and 2014, respectively, and FEGLI is based on 0.02% of basic pay for each employee enrolled in these programs.

In addition to the amounts contributed to the CSRS and FERS as stated above, SWFPS recorded an expense and related liability for the pension and other postretirement benefits in the combined financial statements of \$2,936,611 and \$3,515,651 for the years ended September 30, 2015 and 2014, respectively. These amounts reflect the contributions made on behalf of SWFPS by OPM to the benefit program trust funds.

As a Federal agency, all post-retirement 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 Southwestern and the Corps employees are included in this report.

**(m) Transfers of Property and Services, Net**

Transfers of property and services, net, is a component of total capitalization that represents the cumulative receipt of transfers of assets or costs offset by the cumulative disbursement of 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 Southwestern and the Corps eliminate upon combination.

(n) **Income Taxes**

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

(o) **Use of Estimates**

The preparation of the combined financial statements in conformity with U.S. GAAP requires management of SWFPS to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Due to uncertainties inherent in the estimation process, actual results could differ from those estimates.

(p) **Non Reimbursable Activities**

Non reimbursable activity for the years ended September 30, 2015 and 2014 consists of the following:

	<u>2015</u>	<u>2014</u>
Non reimbursable revenues:		
Non-Federal project revenue	\$ 526,943	212,220
Federal project revenue	3,796	4,813
Interest revenue	51,344	41,592
Total non reimbursable revenues	<u>\$ 582,083</u>	<u>258,625</u>
Non reimbursable expenses:		
Non-Federal project expense	\$ 526,943	212,220
Federal project expense	3,796	4,813
White River Minimum Flows expense	1,523,883	1,048,209
Spectrum Relocation Fund expense	2,818,916	9,657,391
Other project expense	34,296	97,623
Total non reimbursable expenses	<u>\$ 4,907,834</u>	<u>11,020,256</u>

**Federal and Non Federal Projects**

Southwestern has agreements with Federal and non-Federal entities to provide services on a cost basis. Non-Federal entities are required to provide advance payment for Southwestern's services. The operating revenues and expenses related to these services are excluded from the rate-making process. A portion of cash and advances for construction in the accompanying combined financial statements relate to these activities.

### **Escrow Interest Revenue**

Interest revenue represents the interest earned on funds held in escrow. These funds are authorized specifically to fund operation, maintenance, rehabilitation, and modernization activities at hydroelectric generating facilities of the Corps in SWFPS's marketing region. This activity is non reimbursable through the rate-making process.

### **White River Minimum Flows Project**

In accordance with Section 132 of P.L. 109-103, Southwestern implemented the offset to the minimum flows project in fiscal year 2010. Section 132 provided that losses to Federal hydropower shall be offset by a reduction in the costs allocated to the Federal hydropower purpose. Southwestern determined the Federal hydropower impacts to include lost on-peak energy and capacity, lost off-peak energy, increased costs due to dissolved oxygen impacts, and increased maintenance costs at Bull Shoals. This activity is non reimbursable through the rate-making process.

### **Spectrum Relocation Fund**

In December 2004, the U.S. Congress passed and the President signed the Commercial Spectrum Enhancement Act (CSEA, Title II of P.L. 108-494), creating the Spectrum Relocation Fund (SRF) to streamline the relocation of Federal systems from existing spectrum bands to accommodate commercial use by facilitating reimbursement to affected agencies of relocation costs. In fiscal years 2012, 2009, and 2007, Southwestern received \$17,000,000, \$17,730,000, and \$8,091,360, respectively, in spectrum relocation funds, as approved by the Office of Management and Budget, and as reported to the Congress. In fiscal years 2015 and 2014, Southwestern expensed \$2,818,916 and \$9,657,391, respectively. Expenses incurred represent labor, service contracts, travel, and other administrative costs. This activity is non reimbursable through the rate-making process.

#### **(q) *Derivative and Hedging Activities***

Southwestern analyzes derivative financial instruments under ASC Topic 815, *Derivatives and Hedging*. 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 statement 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.

Southwestern enters into contracts for the sale of electricity for use in its business operations. ASC Topic 815 requires Southwestern 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 of time 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.

Southwestern's policy is to fulfill all derivative and hedging contracts by providing power to a third party as provided for in each contract. Southwestern's policy does not authorize the use of derivative or hedging instruments for speculative purposes such as hedging electricity pricing fluctuations beyond Southwestern's estimated capacity to deliver power. Accordingly, Southwestern 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 sales contracts are accounted for as executory contracts as required under U.S. GAAP. As of September 30, 2015 and 2014, Southwestern has no contracts accounted for as derivatives.

(r) ***Fair Value of Financial Instruments***

ASC Topic 825, *Financial Instruments*, requires disclosure of the fair value of financial instruments. The carrying (recorded) value of short-term financial instruments, including cash, funds held in escrow, accounts receivable, accounts payable and accrued liabilities, and advances for construction, approximates the fair value of these instruments because of the short maturity 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.

(2) **Utility Plant**

Utility plant as of September 30, 2015 and 2014 consists of the following:

	<u>2015</u>	<u>2014</u>
Plant in service:		
Generating facilities	\$ 1,250,372,806	1,193,065,231
Transmission facilities	388,302,079	365,929,530
	<u>1,638,674,885</u>	<u>1,558,994,761</u>
Less accumulated depreciation	<u>(749,555,586)</u>	<u>(728,158,545)</u>
Construction work in progress:		
Generating facilities	180,726,552	199,653,864
Transmission facilities	19,085,750	17,586,892
	<u>199,812,302</u>	<u>217,240,756</u>
Net utility plant	<u>\$ 1,088,931,601</u>	<u>1,048,076,972</u>

In accordance with FERC guidelines, SWFPS excludes contributed plant within the combined balance sheets to eliminate the impact on power rates. As of September 30, 2015 and 2014, contributed plant, net, used in SWFPS's operations totaled \$16,946,019.

(3) **Regulatory Assets and Liabilities**

Regulatory assets and liabilities as of September 30, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Regulatory assets:		
Deferred workers' compensation	\$ <u>11,103,753</u>	<u>12,611,197</u>
Regulatory liabilities:		
Hydropower water storage reallocation deferral	\$ 61,106,873	60,739,837
Purchased power and banking exchange deferral	<u>51,684,949</u>	<u>42,290,768</u>
Total	\$ <u>112,791,822</u>	<u>103,030,605</u>

Southwestern's purchased power and banking exchange deferral account represents the deferral of net revenue or expenses associated with net purchased power and banking exchange activities as follows:

	<u>Purchased power and banking exchange deferral</u>
September 30, 2013	\$ (28,519,474)
Purchased power adder revenue	(18,182,778)
Purchased power expense	5,592,353
Net banking exchange	<u>(67,942)</u>
Net purchased power and banking exchange deferral	<u>(12,658,367)</u>
Interest on deferred activities and other (note 1(g))	<u>(1,112,927)</u>
September 30, 2014	<u>(42,290,768)</u>
Purchased power adder revenue	(17,745,968)
Purchased power expense	9,872,382
Net banking exchange	<u>(129,203)</u>
Net purchased power and banking exchange deferral	<u>(8,002,789)</u>
Interest on deferred activities and other (note 1(g))	<u>(1,391,392)</u>
September 30, 2015	\$ <u>(51,684,949)</u>



#### **(4) Financing Sources**

SWFPS's financing sources include annual appropriations, Federal power receipts (Use of Receipts), and alternative financing arrangements to fund its operations.

##### **(a) Payable to U.S. Treasury**

Construction and operation of Southwestern's transmission system and the Corps' generating facilities and operations are financed through congressional appropriations. The exceptions are capital assets and maintenance activities funded through the alternative financing arrangements and the funding by non-Federal parties of the construction of the Robert Douglas Willis project. The U.S. Government's investment in each generating project and each year's investment in the transmission system are to be repaid to the Treasury over a period not to exceed 50 years from the time the facility is placed in service. There is no requirement for repayment of a specific amount on an annual basis.

Revenues received from the sale of Federal power and purchased power are generally deposited with the Treasury. Annual revenues are first applied to the current year operating expenses (less depreciation) and interest expense. All annual amounts for such expenses have been paid through fiscal year 2015. Remaining revenues are to be first applied to repayment of operating deficits (which include all expenses except depreciation), if any, and then to repayment of the Payable to U.S. Treasury. To the extent possible, while still complying with the repayment period established for each increment of investment and unless otherwise required by legislation, repayment of the investment is to be accomplished by a repayment of the highest interest-bearing investment first. Interest rates applied to the unamortized initial investment of the U.S. Government in the Corps' hydroelectric generating facilities range from 2.50% to 5.75% for unpaid facilities in service prior to fiscal year 2015 and 3.38% for facilities placed in service during fiscal year 2015. The rates have been set by law, by administrative order pursuant to law, or by administrative policies using the U.S. Senate Document No. 97 formula for the fiscal year during which the appropriations were requested.

##### **(b) Alternative Financing**

Due to fluctuations in the amount of annual appropriations received to fund operations, maintenance, rehabilitation, and modernization of the SWFPS facilities, SWFPS has established an alternative financing program under reimbursable authority regulations. Under agreements with customers to finance projects, which benefit the SWFPS, funds received from the sale of power are net billed, allowing a portion of the funds to be utilized to finance agreed-upon projects rather than returned to the Treasury. Under the agreements with certain customers, alternative financing restricted specifically to fund operation, maintenance, rehabilitation, and modernization activities at the hydroelectric generating facilities are held in escrow. All other alternative financing arrangements are collected by Southwestern and deposited as cash held by the Treasury, and are reflected as other assets with an offsetting liability included in advances for construction, until completion of the project at which time the asset and liability are eliminated.

**(5) Commitments and Contingencies**

**(a) General**

Based on the 2015 Integrated System Power Repayment Study (ISPRS) prepared as of September 30, 2015, the projected increase in capital investment in 2015 is \$168,867,366, which includes \$18,458,578 for transmission facilities and \$150,408,788 for generating facilities. The ISPRS is conducted annually to determine the adequacy of the current rates to ensure full cost recovery of the power investments and expenses for the integrated system. The five-year investment increase projected in the 2015 ISPRS for fiscal years 2015 through 2019 is estimated to cost \$767,162,330. It is reasonably possible that a change in estimate will occur.

Southwestern sells the majority of its marketable power to customers under long-term power sales contracts of 15 years, which require Southwestern to provide 1,200 kilowatt hours per kilowatt of peaking contract demand per year, subject to scheduling constraints outlined in each customer's contract. If sufficient power is unavailable to Southwestern from Corps' hydroelectric facilities to meet these commitments, Southwestern may be required to purchase power from other sources to meet these commitments. The cost to purchase such power is recovered through the purchased power adder discussed more fully in note 1(g).

**(b) Legal**

SWFPS has exposure to certain claims and legal actions arising in the ordinary course of business. In management's opinion, any resulting actions will not have a material adverse effect on the financial condition or results of operations of SWFPS as of September 30, 2015 and 2014.

**(6) Leases**

SWFPS is obligated under a 20-year operating lease for office space, which commenced January 1, 2014 and is scheduled to terminate December 31, 2033. This lease consists of a 10-year firm term for the first 10 years and the option to terminate during the second 10-year term. Future minimum lease payments as of September 30, 2015 are as follows:

Year ending September 30:	
2016	\$ 751,000
2017	761,000
2018	770,000
2019	814,000
2020	835,000
Thereafter	<u>12,522,000</u>
Total future minimum lease payments	\$ <u><u>16,453,000</u></u>

Rent expense for operating leases during the years ended September 30, 2015 and 2014 was \$776,000 and \$770,000, respectively

**(7) Related Parties**

As components of the DOE and the DOD, these departments are considered related parties to Southwestern and the Corps. Southwestern has certain agreements with DOE and DOD components to provide electric power, transmission services, and other services. As of September 30, 2015 and 2014, amounts outstanding in accounts receivable relating to DOE and DOD components totaled \$322,463 and \$283,606, respectively; for the years ended September 30, 2015 and 2014, total operating revenues earned from DOE and DOD sources totaled \$4,035,483 and \$3,668,739, respectively.

**(8) Subsequent Events**

On December 17, 2015, the Deputy Secretary of Energy approved an 8.6% increase for the Robert D. Willis project and a 7.9% increase for the Sam Rayburn Dam project; both on an interim basis for the period January 1, 2016 through September 30, 2019.

SWFPS has evaluated subsequent events from the balance sheet date through August 12, 2016, the date at which the combined financial statements were available to be issued, and such events are disclosed in these accompanying notes.

## SOUTHWESTERN FEDERAL POWER SYSTEM

Combining Schedule of Balance Sheet Data

September 30, 2015

<b>Assets</b>	<b>Southwestern</b>	<b>Corps</b>	<b>Total</b>
Plant in service	\$ 388,302,079	1,250,372,806	1,638,674,885
Accumulated depreciation	(190,859,903)	(558,695,683)	(749,555,586)
Construction work in progress	19,085,750	180,726,552	199,812,302
Net utility plant	216,527,926	872,403,675	1,088,931,601
Cash	166,375,595	135,080,915	301,456,510
Funds held in escrow	37,021,768	28,709,768	65,731,536
Accounts receivable	15,507,919	200,347	15,708,266
Materials and supplies, at average cost	2,993,404	54,390	3,047,794
Banking exchange receivables	4,365,661	—	4,365,661
Deferred workers' compensation	3,298,273	7,805,480	11,103,753
Other assets	52,896,325	—	52,896,325
Total assets	\$ 498,986,871	1,044,254,575	1,543,241,446
<b>Liabilities and Capitalization</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 9,597,167	18,131,690	27,728,857
Advances for construction	42,040,277	—	42,040,277
Accrued workers' compensation	3,878,115	8,010,247	11,888,362
Purchased power and banking exchange deferral	51,684,949	—	51,684,949
Hydropower water storage reallocation deferral	61,106,873	—	61,106,873
Total liabilities	168,307,381	26,141,937	194,449,318
Capitalization:			
Payable to U.S. Treasury	251,773,162	689,940,696	941,713,858
Accumulated net revenues	78,906,328	328,171,942	407,078,270
Total capitalization	330,679,490	1,018,112,638	1,348,792,128
Total liabilities and capitalization	\$ 498,986,871	1,044,254,575	1,543,241,446

See accompanying independent auditors' report.

## SOUTHWESTERN FEDERAL POWER SYSTEM

Combining Schedule of Balance Sheet Data

September 30, 2014

<b>Assets</b>	<b>Southwestern</b>	<b>Corps</b>	<b>Total</b>
Plant in service	\$ 365,929,530	1,193,065,231	1,558,994,761
Accumulated depreciation	(181,171,359)	(546,987,186)	(728,158,545)
Construction work in progress	17,586,892	199,653,864	217,240,756
Net utility plant	202,345,063	845,731,909	1,048,076,972
Cash	152,795,136	159,161,389	311,956,525
Funds held in escrow	16,881,829	30,500,834	47,382,663
Accounts receivable	13,981,597	40,921	14,022,518
Materials and supplies, at average cost	3,138,875	54,390	3,193,265
Banking exchange receivables	4,115,837	—	4,115,837
Deferred workers' compensation	5,193,300	7,417,897	12,611,197
Other assets	61,914,088	—	61,914,088
Total assets	<u>\$ 460,365,725</u>	<u>1,042,907,340</u>	<u>1,503,273,065</u>
<b>Liabilities and Capitalization</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 8,724,714	16,569,696	25,294,410
Advances for construction	45,375,236	—	45,375,236
Accrued workers' compensation	5,947,452	7,564,406	13,511,858
Purchased power and banking exchange deferral	42,290,768	—	42,290,768
Hydropower water storage reallocation deferral	60,739,837	—	60,739,837
Total liabilities	<u>163,078,007</u>	<u>24,134,102</u>	<u>187,212,109</u>
Capitalization:			
Payable to U.S. Treasury	224,358,897	723,435,927	947,794,824
Accumulated net revenues	72,928,821	295,337,311	368,266,132
Total capitalization	<u>297,287,718</u>	<u>1,018,773,238</u>	<u>1,316,060,956</u>
Total liabilities and capitalization	<u>\$ 460,365,725</u>	<u>1,042,907,340</u>	<u>1,503,273,065</u>

See accompanying independent auditors' report.

## SOUTHWESTERN FEDERAL POWER SYSTEM

Combining Schedule of Changes in Capitalization Data  
Years ended September 30, 2015 and 2014

	Southwestern payable to U.S. Treasury	Southwestern accumulated net revenues (deficit)	Southwestern total capitalization	Corps payable to U.S. Treasury	Corps accumulated net revenues (deficit)	Corps total capitalization	Total capitalization
Total capitalization as of September 30, 2013	\$ 196,730,124	78,972,260	275,702,384	740,260,747	257,702,537	997,963,284	1,273,665,668
Additions:							
Congressional appropriations	11,892,000	—	11,892,000	68,363,832	—	68,363,832	80,255,832
Interest on payable to U.S. Treasury and other	1,878,990	—	1,878,990	17,516,190	—	17,516,190	19,395,180
Transfers of property and services, net	(11,807,998)	—	(11,807,998)	14,634,665	—	14,634,665	2,826,667
Total additions to capitalization	1,962,992	—	1,962,992	100,514,687	—	100,514,687	102,477,679
Deductions:							
Payments to U.S. Treasury	25,665,781	—	25,665,781	(117,339,507)	—	(117,339,507)	(91,673,726)
Net revenues for the year ended September 30, 2014	—	(6,043,439)	(6,043,439)	—	37,634,774	37,634,774	31,591,335
Total capitalization as of September 30, 2014	224,358,897	72,928,821	297,287,718	723,435,927	295,337,311	1,018,773,238	1,316,060,956
Additions:							
Congressional appropriations	11,400,000	—	11,400,000	61,857,461	—	61,857,461	73,257,461
Interest on payable to U.S. Treasury and other	756,083	—	756,083	14,036,482	—	14,036,482	14,792,565
Transfers of property and services, net	(9,254,237)	—	(9,254,237)	14,302,094	—	14,302,094	5,047,857
Total additions to capitalization	2,901,846	—	2,901,846	90,196,037	—	90,196,037	93,097,883
Deductions:							
Payments to U.S. Treasury	24,512,419	—	24,512,419	(123,691,268)	—	(123,691,268)	(99,178,849)
Net revenues for the year ended September 30, 2015	—	5,977,507	5,977,507	—	32,834,631	32,834,631	38,812,138
Total capitalization as of September 30, 2015	\$ 251,773,162	78,906,328	330,679,490	689,940,696	328,171,942	1,018,112,638	1,348,792,128

See accompanying independent auditors' report.

**SOUTHWESTERN FEDERAL POWER SYSTEM**

Combining Schedule of Revenues and Expenses Data

Year ended September 30, 2015

	<u>Southwestern</u>	<u>Corps</u>	<u>Total</u>
Operating revenues:			
Sales of electric power	\$ 181,947,103	—	181,947,103
Transmission and other operating revenues	19,870,650	928,577	20,799,227
Total operating revenues before deferrals	201,817,753	928,577	202,746,330
Net purchased power and banking exchange deferral	(8,002,790)	—	(8,002,790)
Revenue distributed to Corps	(118,290,568)	118,290,568	—
Total operating revenues	75,524,395	119,219,145	194,743,540
Non reimbursable revenues	573,884	8,199	582,083
Total revenues	<u>76,098,279</u>	<u>119,227,344</u>	<u>195,325,623</u>
Operating expenses:			
Operation and maintenance	29,454,053	58,361,347	87,815,400
Purchased power and banking exchange	10,029,995	—	10,029,995
Depreciation and amortization	15,035,060	17,619,296	32,654,356
Transmission service charges by others	3,083,545	—	3,083,545
Retirement and other employee benefit expense	4,494,093	1,921,610	6,415,703
Non reimbursable expenses	4,907,834	—	4,907,834
Total operating expenses	<u>67,004,580</u>	<u>77,902,253</u>	<u>144,906,833</u>
Net operating revenues	<u>9,093,699</u>	<u>41,325,091</u>	<u>50,418,790</u>
Interest expense:			
Interest on payable to U.S. Treasury and other	4,188,712	14,036,482	18,225,194
Allowance for funds used during construction	(1,072,520)	(5,546,022)	(6,618,542)
Net interest expense	<u>3,116,192</u>	<u>8,490,460</u>	<u>11,606,652</u>
Net revenues	<u>\$ 5,977,507</u>	<u>32,834,631</u>	<u>38,812,138</u>

See accompanying independent auditors' report.

**SOUTHWESTERN FEDERAL POWER SYSTEM**

Combining Schedule of Revenues and Expenses Data

Year ended September 30, 2014

	<u>Southwestern</u>	<u>Corps</u>	<u>Total</u>
Operating revenues:			
Sales of electric power	\$ 166,027,042	—	166,027,042
Transmission and other operating revenues	20,454,049	1,354,222	21,808,271
Total operating revenues before deferrals	186,481,091	1,354,222	187,835,313
Net purchased power and banking exchange deferral	(12,658,367)	—	(12,658,367)
Revenue distributed to Corps	(113,008,502)	113,008,502	—
Total operating revenues	60,814,222	114,362,724	175,176,946
Non reimbursable revenues	236,991	21,634	258,625
Total revenues	61,051,213	114,384,358	175,435,571
Operating expenses:			
Operation and maintenance	26,244,034	49,015,202	75,259,236
Purchased power and banking exchange	6,686,827	—	6,686,827
Depreciation and amortization	12,541,919	16,849,759	29,391,678
Transmission service charges by others	3,052,720	—	3,052,720
Retirement and other employee benefit expense	4,232,210	2,202,026	6,434,236
Non reimbursable expenses	11,020,256	—	11,020,256
Total operating expenses	63,777,966	68,066,987	131,844,953
Net operating revenues (deficit)	(2,726,753)	46,317,371	43,590,618
Interest expense:			
Interest on payable to U.S. Treasury and other	4,592,869	17,516,190	22,109,059
Allowance for funds used during construction	(1,276,183)	(8,833,593)	(10,109,776)
Net interest expense	3,316,686	8,682,597	11,999,283
Net revenues (deficit)	\$ (6,043,439)	37,634,774	31,591,335

See accompanying independent auditors' report.



## SOUTHWESTERN FEDERAL POWER SYSTEM

Combining Schedule of Cash Flows Data

Year ended September 30, 2015

	<u>Southwestern</u>	<u>Corps</u>	<u>Total</u>
Cash flows from operating activities:			
Net revenues	\$ 5,977,507	32,834,631	38,812,138
Adjustments to reconcile net revenues to net cash provided by (used in) operating activities:			
Revenue distributed to Corps	118,290,568	(118,290,568)	—
Depreciation and amortization	15,035,060	17,619,296	32,654,356
Benefit expense paid by other Federal agencies	1,219,768	1,716,843	2,936,611
Interest on payable to U.S. Treasury and other	4,188,712	14,036,482	18,225,194
Allowance for funds used during construction	(1,072,520)	(5,546,022)	(6,618,542)
(Increase) decrease in assets:			
Accounts receivable	(1,526,322)	(159,426)	(1,685,748)
Materials and supplies	145,471	—	145,471
Banking exchange receivables	(249,824)	—	(249,824)
Deferred workers' compensation	1,895,027	(387,583)	1,507,444
Other assets	9,017,763	—	9,017,763
Increase (decrease) in liabilities:			
Accounts payable and accrued liabilities	872,453	1,561,994	2,434,447
Accrued workers' compensation	(2,069,337)	445,841	(1,623,496)
Purchased power and banking exchange deferral	7,983,594	—	7,983,594
Advances for construction	(3,334,959)	—	(3,334,959)
Net cash provided by (used in) operating activities	<u>156,372,961</u>	<u>(56,168,512)</u>	<u>100,204,449</u>
Cash flows used in investing activities:			
Additions to utility plant	<u>(28,145,403)</u>	<u>(38,745,040)</u>	<u>(66,890,443)</u>
Cash flows from financing activities:			
Congressional appropriations	11,400,000	61,857,461	73,257,461
Payments to U.S. Treasury	24,512,419	(123,691,268)	(99,178,849)
Revenue distributed to Corps	(118,290,568)	118,290,568	—
Transfers of property and services, net	(10,474,005)	12,585,251	2,111,246
Hydropower water storage reallocation deferral	(1,655,006)	—	(1,655,006)
Funds received in escrow	(31,738,190)	(8,934)	(31,747,124)
Funds disbursed from escrow	<u>11,598,251</u>	<u>1,800,000</u>	<u>13,398,251</u>
Net cash (used in) provided by financing activities	<u>(114,647,099)</u>	<u>70,833,078</u>	<u>(43,814,021)</u>
Net increase (decrease) in cash	13,580,459	(24,080,474)	(10,500,015)
Cash, beginning of year	<u>152,795,136</u>	<u>159,161,389</u>	<u>311,956,525</u>
Cash, end of year	<u>\$ 166,375,595</u>	<u>135,080,915</u>	<u>301,456,510</u>
Supplemental cash flow information:			
Interest deferred on regulatory liabilities	\$ 3,432,629	—	3,432,629

See accompanying independent auditors' report.

## SOUTHWESTERN FEDERAL POWER SYSTEM

Combining Schedule of Cash Flows Data

Year ended September 30, 2014

	<u>Southwestern</u>	<u>Corps</u>	<u>Total</u>
Cash flows from operating activities:			
Net revenues (deficit)	\$ (6,043,439)	37,634,774	31,591,335
Adjustments to reconcile net revenues (deficit) to net cash provided by (used in) operating activities:			
Revenue distributed to Corps	113,008,502	(113,008,502)	—
Depreciation and amortization	12,541,919	16,849,759	29,391,678
Benefit expense paid by other Federal agencies	1,457,001	2,058,650	3,515,651
Interest on payable to U.S. Treasury and other	4,592,869	17,516,190	22,109,059
Allowance for funds used during construction	(1,276,183)	(8,833,593)	(10,109,776)
(Increase) decrease in assets:			
Accounts receivable	8,728,322	214,816	8,943,138
Materials and supplies	(175,433)	(29,759)	(205,192)
Banking exchange receivables	35,565	—	35,565
Deferred workers' compensation	(1,230,116)	1,951,469	721,353
Other assets	(6,495,261)	—	(6,495,261)
Increase (decrease) in liabilities:			
Accounts payable and accrued liabilities	(6,702)	5,805,487	5,798,785
Accrued workers' compensation	955,042	(2,027,302)	(1,072,260)
Purchased power and banking exchange deferral	12,850,142	—	12,850,142
Advances for construction	(1,774,793)	—	(1,774,793)
Net cash provided by (used in) operating activities	<u>137,167,435</u>	<u>(41,868,011)</u>	<u>95,299,424</u>
Cash flows used in investing activities:			
Additions to utility plant	<u>(18,444,849)</u>	<u>(40,295,202)</u>	<u>(58,740,051)</u>
Cash flows from financing activities:			
Congressional appropriations	11,892,000	68,363,832	80,255,832
Payments to U.S. Treasury	25,665,781	(117,339,507)	(91,673,726)
Revenue distributed to Corps	(113,008,502)	113,008,502	—
Transfers of property and services, net	(13,265,000)	12,576,016	(688,984)
Hydropower water storage reallocation deferral	(1,620,965)	—	(1,620,965)
Funds received in escrow	(16,615,959)	(8,021,634)	(24,637,593)
Funds disbursed from escrow	<u>13,284,157</u>	<u>37,800,000</u>	<u>51,084,157</u>
Net cash (used in) provided by financing activities	<u>(93,668,488)</u>	<u>106,387,209</u>	<u>12,718,721</u>
Net increase in cash	25,054,098	24,223,996	49,278,094
Cash, beginning of year	<u>127,741,038</u>	<u>134,937,393</u>	<u>262,678,431</u>
Cash, end of year	<u>\$ 152,795,136</u>	<u>159,161,389</u>	<u>311,956,525</u>
Supplemental cash flow information:			
Interest deferred on regulatory liabilities	\$ 2,713,879	—	2,713,879

See accompanying independent auditors' report.



## **SOUTHWESTERN POWER ADMINISTRATION ADDRESSES**

**WEB:** [www.swpa.gov](http://www.swpa.gov)

**E-MAIL:** [info@swpa.gov](mailto:info@swpa.gov)

### **GORE MAINTENANCE**

14165 East 143rd Street South  
Gore, OK 74435-5353  
Voice: 918-489-5582  
Fax: 918-489-5527

### **TULSA HEADQUARTERS**

One West Third Street  
Tulsa, OK 74103-3502  
Voice: 918-595-6600  
Fax: 918-595-6656

### **JONESBORO MAINTENANCE**

305 North Floyd Street  
Jonesboro, AR 72401-1908  
Voice: 870-972-4686  
Fax: 870-932-6153

### **WASHINGTON D.C.**

**LIAISON OFFICE**  
U.S. Department of Energy  
Room 8G-027/Forrestal  
Washington, DC 20585-1615  
Voice: 202-586-5581  
Fax: 202-586-6261

### **SPRINGFIELD MAINTENANCE & OPERATIONS CENTER**

2858 South Golden Avenue  
Springfield, MO 65807-3213

#### **Maintenance Numbers:**

Voice: 417-881-8772  
Fax: 417-891-2688

#### **Operations Numbers:**

Voice: 417-881-1820  
Fax: 417-891-2683



**U.S. DEPARTMENT OF  
ENERGY**