



**Department of Energy**  
Western Area Power Administration  
Desert Southwest Customer Service Region  
P.O. Box 6457  
Phoenix, AZ 85005-6457

**FEB 22 2017**

Mr. Michael A. Curtis, Esq.  
501 East Thomas Road  
Phoenix, AZ 85012

Dear Michael:

Thank you for your letter of February 8, 2017, in response to my request for your assistance in setting up a meeting between Western Area Power Administration (WAPA) and interested WAPA customers to discuss and ultimately eliminate any “double” or “over” budgeting in WAPA’s Desert Southwest Region (DSW). I incorrectly assumed we had resolved this issue last year with our March 4, 2016, letter to the DSW Customers as well as the presentation I made to the Arizona Municipal Power Users’ Association (AMPUA) membership on April 21, 2016, but have recently come to realize that is clearly not the case. WAPA Administrator, Mark Gabriel, and I understand the WAPA customers are still very concerned about DSW budgeting and that DSW over budgeting in Advance of Funds, Prepayments, and Net Zero is viewed by the WAPA customers as creating potential risk. The Administrator and I take the customers’ concerns very seriously and are committed to working collaboratively to swiftly correct this issue no later than the close of the 2019 budget cycle.

As we mentioned in our letter last March, DSW budgets and executes its programs to create value for our customers and to provide safe, secure, reliable and affordable energy and transmission services to help meet their electrical energy and transmission service needs. DSW’s ability to do so, has in large part, been done through strong collaboration with and support from its customers to help ensure we have the necessary financial resources to deliver on our core mission.

DSW collects funds sufficient to meet its annual operation and maintenance expenses; its interest and principal payments required to repay investments in the DSW Federal projects; to fund the DSW10-year capital investment plan; and, are included in the power repayment study only once. We do request budget authority in Advancement of Funds and Prepayments from Congress annually to collect revenues and we also request budget authority in Net Zero annually to expend these funds on core mission activities. This is a hold-over from 2010 when Net Zero was first introduced. As a result, we do have budget authority that is greater than what we spend.

We believe the March 3, 2017, meeting will put WAPA and the customers on a constructive path forward to resolving this DSW budget authority issue as soon as possible in an open, transparent and collaborative fashion and help to develop the assurances and internal controls necessary to eliminate any concerns customers may have that WAPA could use budget authority without accountability. We have given considerable thought to a number of potential remedies including

your suggestion of returning DSW to pre-payments to address concerns. We look forward to discussing those with the customers on March 3<sup>rd</sup>.

In addition to me, Dennis Sullivan, Acting WAPA Chief Financial Officer; Jack Murray, DSW Vice President of Power Marketing; Ethel Redhair, DSW Financial Manager; and members of their staffs who bring technical expertise and insight to the discussion, will be attending on behalf of WAPA. If you have any questions or concerns, please do not hesitate to call.

Sincerely,



Ronald E. Moulton,  
Senior Vice President and  
DSW Regional Manager