United States Senate
WASHINGTON, DC 20510

October 28, 2015

The Honorable Elizabeth Sherwood-Randall
Deputy Secretary
U.S. Department of Energy
1000 Independence Avenue, S.W.
Washington, DC 20585

Dear Deputy Secretary Sherwood-Randall,

A number of our constituents, individual power customers of the Western Area Power Administration (WAPA) and organizations that represent them, have raised serious concerns about how WAPA has conducted business. For example, an October 22, 2015 letter to us from the Irrigation and Electrical Districts Association of Arizona (IEDA), the Grand Canyon State Electric Cooperative Association (GCSECA), and the Arizona Municipal Power Users Association (AMPUA), conveyed concerns about how WAPA has been: (1) seeking to expand considerably the scope of its mission; (2) increasing its overhead; and (3) attempting to pass on those costs to its captive customers without desired transparency or accountability.

We share their concerns. It is our understanding that WAPA's customers are being asked to fund WAPA's efforts to expand its mission despite the amount of power it delivers remaining stagnant. We further understand that WAPA is asking its customers to increase funding with little or no accountability or assurances that the increased expenses are prudent and that the rates charged for these federal resources are reasonable.

We request that you review the issues raised in the attached letter from WAPA customers. In addition, we pose the following questions toward gathering more information about this matter. We would appreciate written responses as we consider possible solutions, including legislative action, which would ensure meaningful oversight and cost controls:

1. What percentage of the power in WAPA's overall portfolio is sold in Arizona?
2. In terms of both an absolute number and a percentage change, by how much has WAPA increased the rates it has charged its Arizona customers for power and transmission service over the past ten (10) years?
3. For each yearly increase you describe above, please explain in detail why WAPA charged its customers those increased rates.
4. Over the same ten-year period described above, did WAPA increase the amount of capacity or energy sold to customers in Arizona? Please explain your answer.
5. What percentage of the costs associated with the Central Service Office (CSO) are recovered from power customers in Arizona? To what extent has the Desert South West (DSW) office been paying a higher share of the CSO's costs?

6. Please identify any and all provisions in an existing or proposed power supply agreement that limits the amount of WAPA's CSO expenses that may be recovered from a power customer.
7. To what extent has WAPA been involved in drafting legislation that would expand the Transmission Infrastructure Program (TIP) to cover costs otherwise funded by appropriations? And, if WAPA has been working on legislation to expand the TIP, has WAPA asked any Member of Congress to introduce legislation expanding it?
8. By what process are WAPA's Arizona customers timely notified and given a meaningful opportunity to be heard about WAPA's proposals to increase rates and initiate new capital improvements, the operation and sustainment of which would require funding by those customers? If no such process currently exists, to what extent does WAPA plan to put in place such a process in the future?
9. In the absence of such meaningful process, why should Congress not provide customers an opportunity to meaningfully participate in WAPA's ratemaking process, ensuring just and reasonable rates?
10. What standard of review does the Federal Energy Regulatory Commission ("FERC") use to review the rates for power sales by WAPA to power customers in Arizona?
11. Please provide any and all examples where FERC has required WAPA to lower rates for power sold in Arizona.
12. Please provide any and all examples where FERC has required WAPA to increase rates for power sold in Arizona.
13. Over the past twenty (20) years, has WAPA proposed or circulated a draft contract for the sale of hydropower in Arizona that strikes a provision that would deprive its customers of a contractual right to terminate an agreement?

Thank you for your attention to this important matter. As always, we ask that you handle this request in accordance with all agency rules, regulations, and ethical guidelines. Please provide a response to these questions no later than Friday, November 20, 2015, and contact our staff, Austin Kennedy (McCain) at 202-224-2235, and Kris Kiefer (Flake) at 202-224-4521, if you have any questions regarding this request.

Thank you for attention to this important matter.

Sincerely,

John McCain
United States Senator

Jeff Flake
United States Senator