

**Congress of the United States**  
Washington, DC 20510

April 11, 2012

The Honorable Steven Chu  
Secretary of Energy  
1000 Independence Avenue, SW  
Washington, DC 20585

Dear Secretary Chu:

We write with deep concern regarding your March 16, 2012 Memorandum to the Power Market Administrators. While many of the Memorandum's goals may have merit, these directives – and the manner in which your Department has relayed them – have created considerable consternation and confusion in the Pacific Northwest and amongst some of our constituents.

Since the Bonneville Power Administration (BPA) was established 75 years ago, Congress has expanded and refined the Administration's governing statutes, each time providing specific responsibilities and directions. We are concerned that the March 16<sup>th</sup> Memorandum suggests that the Department appears to be considering a role for BPA that disregards Congressional intent and exceeds BPA's current statutory authority.

We are similarly concerned that the Department of Energy (DOE) may have predetermined what it considers to be the best solution before evaluating all of the evidence, cooperating with stakeholders, or exploring alternatives sufficiently. Further, we are concerned that DOE's solutions will produce high-cost, low-benefit outcomes for some of our constituents.

We are confident that the Pacific Northwest can and will find solutions because our region has a long tradition of working together to resolve difficult challenges. Acting under existing law and direction, the region has already developed policies and programs that have produced impressive results that, in our view, already meets or exceeds the goals stated in the March 16<sup>th</sup> Memorandum:

- BPA, working together with regional electricity ratepayers, has achieved about 5,000 average megawatts of conservation since 1980.
- BPA has integrated over 4,400 megawatts of wind and other renewable sources of power, a significant feat since the level was only 250 megawatts just seven years ago. Today, wind resources in the BPA balancing authority represent 42 percent of peak load, among the highest penetration rates in the nation.
- BPA has added more new transmission in the last ten years than any other region.
- BPA, in concert with regional utilities, is leading efforts to test and deploy smart grid technology.
- BPA and other utilities in the Northwest Power Pool are implementing various tools to manage energy imbalances, including exploration of feasibility of a regional energy imbalance market.

- BPA (through Columbia Grid) is working with regional utilities to plan transmission that meets the needs of all load serving entities and generators.
- BPA provides the cleanest, most affordable electricity in our nation.

Unfortunately, DOE's Memorandum and subsequent discussions with DOE staff have raised more questions than they answered. While we have been told by your staff that the Memorandum should serve as a "vision statement," the undeniable fact is that this document issues directives to PMAs.

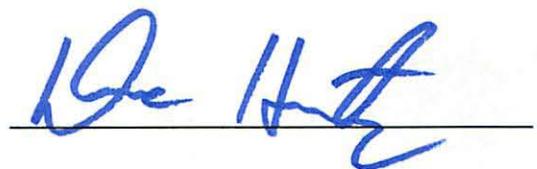
We strongly believe that no actions with respect to this Memorandum should move forward until the Department can demonstrate that it has worked within a robust, transparent, public process with stakeholders, including Members of Congress and ratepayers. In order to best understand these initiatives and their implications for some of our constituents, we ask for clarification on these specific concerns:

- Does DOE intend to provide a clear and public explanation of the relevant legal authorities before issuing any new directives or policies that impact BPA?
- Does DOE agree that for any initiative, a strong preference should be given to whichever approach accomplishes the stated policy goal at the least cost to consumers, and how will that be determined?
- Is DOE committed to upholding BPA's requirement for cost-based rates?
- Does DOE believe it is appropriate for BPA ratepayers to bear greater costs to facilitate new generation that will primarily be used outside of its balancing authority?
- Will DOE defer to regionally derived solutions, such as those under consideration by the Northwest Power Pool, as well as undertake and wait for a full cost-benefit analysis of alternatives before pushing the formation of a West-wide Energy Imbalance Market (EIM)?
- Has DOE categorically ruled out the formation of an RTO or RTO-like structure for the Pacific Northwest (or a West-wide RTO), especially given the region's historic, strong opposition to one?
- Has DOE categorically ruled out efforts to increase FERC's jurisdiction over BPA and its ratepayers?
- Will DOE clarify the process associated with implementing the goals articulated in the Memorandum, including the specific resources, level of funding and staffing dedicated to this effort as well as a timeline for implementation?
- Will DOE commit to consulting with the Pacific Northwest delegation, Congressional Committees of jurisdiction, and BPA ratepayers before issuing any subsequent memorandums, directives, or initiatives associated with BPA?

We look forward to hearing from you on this important issue.

Sincerely,

  
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