MAX BAUCUS
MONTANA

WASHINGTON, DC
(202) 224-2651

MONTANA TOLL FREE NUMBER
1-800-332-6106

INTERNET:
max@baucus.senate.gov
http://baucus.senate.gov

United States Senate

WASHINGTON, DC 20510-2602

August 28, 2012

The Honorable Steven Chu
Secretary
U.S. Department of Energy
1000 Independence Avenue, SW
Washington, D.C. 20585

Dear Secretary Chu:

Having been briefed by my fellow Montanans on testimony given at recent listening sessions and workshops regarding your March 16 directive to the federal Power Marketing Administrations, I am writing to express my serious concerns about the process and potential impacts of your plan.

I appreciated your May 22 response to my initial communication of concern about this initiative, particularly the emphasis you placed on the principle that beneficiaries pay: "The costs for grid improvements will be borne by those who benefit from those improvements." I do believe the potential exists for constructive recommendations to result from your initiative.

However, I am not satisfied that your subsequent outreach to regional stakeholders, including my constituents in Montana, has borne out the premise that new "foundational goals" for the PMAs—over and above those set by Congress—are needed nor that your Department has seriously contemplated ways to hold harmless PMA customers who may not benefit from this initiative.

On the first count, I believe that it is essential that your agency obtain a clearer understanding of the remoteness, distances, and sparse population of many of the areas served by the Western Area Power Administration (WAPA) and the Bonneville Power Administration (BPA). In parts of Montana, population density is no greater than it was in the homestead days. Rural electric customers are effectively on the frontier. Many Montana electric cooperatives that rely on the PMAs for power deliver this electricity on systems with less than one consumer per mile of power line. One consequence of such sparse populations is an acute distribution of capital costs.

In my experience, the best way to develop a firm grasp of the vastness of these rural areas is to visit Montana. Only then can one fully appreciate the potential impact of PMA reform on rural consumers.

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In this spirit, I request that you make available technical and policy staff from your Department and from WAPA to attend a September or October meeting with Montana PMA customers convened by my office and Senator Tester's office in Montana, to learn more about our state's rural electric grid. The purpose of this meeting would be to discuss more thoroughly the attributes, strengths, and challenges of the Montana portion of the Upper Great Plains region of WAPA.

In the first place, this meeting would be an opportunity for your staff to present more details to make the case that WAPA's infrastructure in Montana indeed requires greater attention. For example, while your initiative has focused on statistics such as 61% of WAPA's wooden transmission poles exceeding a 50-year service life, the most recent data made available to my office indicates that the Upper Great Plains currently experiences fewer reliability problems than the surrounding area. The Upper Great Plains experiences 32.76 seconds in outages due to failed equipment per mile of power line compared to 129.24 seconds for the Northern American Electric Reliability Corporation's Upper Midwest Reliability Organization region. Similarly, BPA's system average interruption frequency and system average interruption index both appear to indicate above average performance. These contrasting statistics demonstrate that the electric grid operated by the PMAs in Montana is not self-evidently in disrepair. This point remains very much yours to prove.

As demonstrated by the recent Arizona-Southern California Outage, parts of the West do face legitimate reliability challenges. By virtue of its extensive network, WAPA serves places as diverse as Sacramento and Saco, Montana. It has pockets of significant intermittent generation growth and patches of accelerating load growth. Your initiative would benefit from clarity about what regions specifically are behind the curve. If the result of our meeting is a conclusion that the Upper Great Plains region does not face the degree of aging infrastructure and reliability challenges faced by other regions of WAPA, then I request your acknowledgment of the Upper Great Plains' early success in achieving the goals of your initiative.

In the second place, this meeting would be an opportunity for the Department and WAPA to describe specific opportunities in Montana for rural grid upgrades, including specific locations on the grid and who might benefit. For example, your staff has discussed elements such as electric vehicles and syncrophasors for deployment in WAPA's service territory. Receiving feedback from my constituents at this meeting about examples specific to Montana would be consistent with your commitment to me on May 22 to "robust collaboration between DOE, each PMA, its stakeholders, customers, and its Congressional delegations."

In preparation for this meeting, I request that the Department and WAPA share with my office meaningful examples of ways that PMA customers who would not benefit from potential upgrades to the electric grid would be held harmless. In other words, what are concrete examples contemplated by the Department to ensure that only beneficiaries will pay for potential grid upgrades? One example that immediately comes to mind is WAPA's Transmission Infrastructure Program, a program authorized by Congress in 2009 whose costs were explicitly walled off from preference customer rates by Congress, to the benefit of both the Western electric grid and the principle that beneficiaries pay. Are there analogous options that the Department and WAPA are contemplating? To date I have not seen them.

Finally, in addition to the meeting discussed above, I request that you delay until at least February 2013 the implementation of any final recommendations from the Joint Outreach Team that you adopt. This timeline would provide additional time for essential stakeholder feedback on your initiative and would demonstrate your full commitment to a deliberative process.

Thank you for your attention, and I look forward to your response.

Sincerely,

Max Baucus