

# United States Senate

April 25, 2012

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

Dear Secretary Chu:

We write to convey our interest in being involved closely in each step of the Department of Energy's consultation with the Power Marketing Administrations (PMA) regarding your March 16, 2012 Memorandum to the PMA Administrators. We also write to clarify the core goals and outcomes of this Memorandum and to assure this process delivers results that are beneficial to ratepayers in Montana. We appreciate the Department's leadership on important opportunities to improve integration and avoid energy imbalances, but also express our concern that the Administration not view those opportunities as overriding the founding intent of Congress in establishing the PMAs.

The electric power generation assets, transmission assets, and marketing responsibilities of the Bonneville Power Administration (BPA) and Western Area Power Administration (WAPA) are tremendously important to Montana. Since your memorandum was issued, we have heard significant, valid concerns from constituents in Montana who rely on cost-based rates from BPA and WAPA. Their statutory guarantees need to remain at the heart of your work with the PMAs.

To that end we request you clarify the Department's plans regarding a few key topics to stakeholders in Montana:

1. Are you committed to assuring that ratepayers are paying only for transmission costs that benefit them?
2. Can you reaffirm the Department's commitment to retaining cost-based rates for the PMAs?
3. The memo states, "Rate design will also change." Could you clarify what rate structures you intend to address through this memorandum? Specifically, can you clarify the Department's intent to address transmission, not generation rate structures?
4. Can you expand and detail your plans to integrate stakeholders in the process outlined by the March 16, 2012 memorandum?

In the last several years, BPA and WAPA have achieved significant strides in integrating more renewable power, creating a more flexible grid, and building out transmission to meet load growth. At the same time, there is room for improvement. We urge the department to keep their

focus on securing, improving and rebuilding infrastructure key to the economic success of the region.

For example, the availability of stable long-term sustainable power from the Bonneville Power Administration has been and is critical to the economy of western Montana, the Columbia basin and the entire Rocky Mountain-west coast region. When the hydropower system was first developed, it was able to provide low cost electricity to meet the region's needs. The result was BPA driven economic prosperity. BPA needs to regain this leadership position.

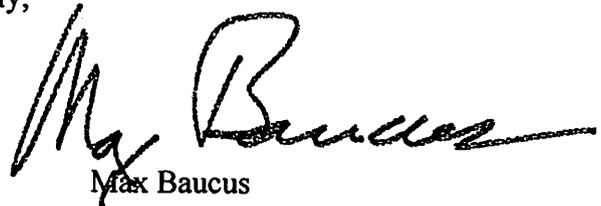
We look forward to working closely with DOE staff to understand the scope and intent of this memorandum and how this Memorandum will be implemented, given your staff's indication that the Memorandum represents a first step in a long conversation with each PMA and the interested stakeholders in each region about achieving important national goals. We urge you to commit that your consultation with our staff and our fellow Montanans will be direct and frequent throughout this process and to keep us apprised of your timeline.

We look forward to hearing from you.

Sincerely,

A handwritten signature in black ink, appearing to read "Jon Tester". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Jon Tester

A handwritten signature in black ink, appearing to read "Max Baucus". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Max Baucus