



The Secretary of Energy
Washington, DC 20585

July 11, 2011

The Honorable Edward J. Markey
Ranking Member
Committee on Natural Resources
U.S. House of Representatives
Washington, DC 20515

Dear Congressman Markey:

Thank you for your May 3, 2011, letter concerning the Bonneville Power Administration's (BPA) interim Environmental Redispatch policy.

In February, BPA issued a draft *Record of Decision for Environmental Redispatch* involving those limited circumstances where spilling excess water at dams would be harmful to migrating salmon and inconsistent with Clean Water Act standards. The alternative to spilling is to run the water through turbines and generate electricity. When these circumstances arise at a time of low electricity demand, it becomes necessary to curtail non-hydro electric generation to maintain the integrity and reliability of BPA's electric transmission system. Under the Environmental Redispatch policy, directing wind generators to shut down is a last resort after all other available measures have been taken, including directing thermal plant generators to shut down to their reliability limits. On May 13, 2011, BPA issued a Final Record of Decision, but only as an interim policy that will expire in March 2012.

This year, BPA has more than 3,500 megawatts of variable wind generation connected to its transmission system. About 1,500 megawatts was added in the last two years. BPA anticipates as much as 7,000 megawatts will be connected by the end of 2014. This is a remarkable record of facilitating reliable interconnection of new renewable energy resources. To accomplish this, BPA has invested in a number of measures, such as improved weather forecasting, transmission scheduling improvements, and expanding the transmission system to support wind generation requests. BPA is continuing these efforts and, in partnership with the Northwest Power and Conservation Council, has reconvened the Northwest Wind Integration Steering Committee to evaluate the Pacific Northwest's record of wind integration to date and additional measures that are available. The Wind Integration Steering Committee includes representatives of the wind industry.

In the short term, however, BPA faces the situation of an unexpectedly large spring runoff in the Columbia River. Snowpack levels have been above 150 percent of average throughout much of the Columbia Basin. Spilling water at the Columbia and Snake River dams has caused dissolved gas levels in the river that are inconsistent with Clean Water Act standards and Endangered Species Act commitments. In these circumstances, the dams are operated to run more water through the hydroelectric turbines, limiting gas levels. That generation must be matched



instantaneously to the demand for electricity, or the reliability of the electric power system may be compromised.

In similar circumstances in past years, BPA has offered surplus electricity at little or no cost to other generators, including gas and coal plants. It has been to the advantage of those generators to take the Federal hydropower to meet their load serving obligations and conserve their fuel. BPA has made the same offer to wind generators. Unlike other producers, however, wind producers may lose their expected Federal production tax credits or the value of state renewable energy credits if they cut production and replace their deliveries with Federal hydropower. For that reason, wind producers have argued that BPA must pay them to accept free Federal hydropower. Because BPA, by statute, must recover all of its costs through its rates, the cost of such payments would be borne by Pacific Northwest ratepayers, most of whom are not receiving the wind power.

BPA has prepared for this year's runoff by implementing a number of measures to limit the use of the interim Environmental Redispatch approach. Energy Northwest, the operator of the Columbia Generating Station nuclear plant, took the plant off-line earlier than planned for scheduled extended maintenance. BPA is rescheduling transmission system maintenance to preserve its capacity to move large amounts of electricity to other systems. BPA is working with thermal generators to secure displacement agreements for potential overgeneration conditions. Based on an extensive public comment process, BPA believes it has pursued all viable alternatives identified so far to manage the region's oversupply this year. As the season progresses, BPA is continuing to learn and adapt.

Finally, BPA is holding public weekly conference calls to review system conditions and discuss additional options that may be available to limit its need to implement the interim Environmental Redispatch policy. BPA is working to maintain a collaborative approach on these issues with the regional stakeholders that will lead to a durable solution.

If you need additional information, please contact me or Mr. Jeff Lane, Assistant Secretary for Congressional and Intergovernmental Affairs, at (202) 586-5450.

Again, I appreciate your attention to this issue.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven Chu". The signature is written in a cursive, flowing style.

Steven Chu