EDWARD J. MARKEY OF MASSACHUSETTS
RANKING DEMOCRATIC MEMBER

U.S. House of Representatives
Committee on Natural Resources
Washington, DC 20515

December 7, 2011

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

Dear Secretary Chu:

I appreciate your July 11, 2011, letter in response to the concerns I raised regarding curtailment of wind generation in the Northwest and the larger issues of increasing the flexibility and adaptability of the nation's electrical grid. Your letter was helpful in understanding what the Bonneville Power Administration (Bonneville) has done to address the high wind and high water runoff situation in the region as well as why Bonneville believes their actions were appropriate. However, the Federal Energy Regulatory Commission (FERC) today ordered Bonneville to revise its transmission tariffs for wind generators in the region after finding that Bonneville's policy leads to unequal transmission service and unfair treatment of some generating resources connected to Bonneville's transmission system, including wind generators. As Secretary of Energy with responsibilities to supervise and direct Bonneville and as the President's principal advisor on energy issues, I would like to know *your* views regarding these recent events and how the Department plans to address similar barriers to integrating renewable energy into the grid in the future. Disconnecting wind turbines from the grid is simply not an acceptable short term or long term solution to dealing with regional over-generation issues.

I understand that modernizing the key infrastructure and policies that control our grid is one of the Department's primary strategies to address our nation's energy challenges. There seems to me no better opportunity to apply this strategy than in a region facing significant renewable energy integration problems that also sits squarely within your jurisdiction As you know, Section 2a of the Bonneville Project Act[1] places Bonneville under the jurisdiction and control of the Secretary of Energy:

> "The Administrator [of the Bonneville project] shall, as in this chapter provided, make all arrangements for the sale and disposition of electric energy generated at Bonneville project not required for the operation of the dam and locks at such

[1] 16 U.S.C. § 832a

project and the navigation facilities employed in connection therewith. He shall act in consultation with the Secretary of Energy. … All functions vested in the Administrator of the Bonneville project under this chapter may be exercised by the Secretary of Energy and, subject to his supervision and direction, by the Administrator and other personnel of the project."

I do not accept the premise that the region is only left to choose between either shutting down wind turbines or violate the Endangered Species Act by spilling so much water over Federal Columbia River Power System (FCRPS) dams that rivers have unacceptably high dissolved nitrogen levels. As I stated in my previous letter, I strongly encourage you to work with Bonneville to consider all potential alternatives to address high-runoff scenarios, including: (1) the displacement of thermal electricity generation in the West, (2) managing the transmission grid and generation dispatch more effectively and efficiently, (3) better weather forecasting techniques and technological solutions such as energy storage, (4) evaluation of options for exporting to other regions the excess power generated during such high runoff/high wind scenarios.

Six of the eight states in which Bonneville transmits and sells wholesale electricity—Oregon, Washington, California, Nevada, Utah and Montana—have enacted mandatory or voluntary Renewable Electricity Standards that require increasing amounts of power to be generated from renewable sources. These standards cannot be met by existing large hydroelectric facilities. It is critical that federal Power Marketing Authorities such as Bonneville help, rather than hinder, the states in achieving their clean energy targets.

The complaint filed with the FERC in June by wind energy developers and owners in the Pacific Northwest—Iberdrola Renewables, PacifiCorp, NextEra Energy Resources, Invenergy Wind North America, and Horizon Wind Energy—claimed that curtailing wind energy production under Bonneville's "Environmental Redispatch" policy is discriminatory, anti-competitive and a violation of the Federal Power Act. FERC has substantially agreed and given Bonneville 90 days to file revisions that address these issues. I urge you work with Bonneville, wind developers, and other parties to develop mutually-agreeable policies that ensure open access to transmission and create a positive environment for clean energy investment in the region.

In September, your Department released its first Quadrennial Technology Review. One of the six strategies identified in that document for addressing the nation's energy challenges is modernizing the electricity grid. The report states, "The Nation needs an electrical grid commensurate with its aspirations. One that is adaptable, secure, reliable, resilient, and can accommodate changing loads, generation technologies, and operating business models." I agree wholeheartedly. And I believe policies related to the grid must be open, fair, and allow new electric generating technologies to compete. That is why I believe it is appropriate and necessary for you to use your authority under the Bonneville Project Act to ensure that Bonneville's policies are consistent with the federal and regional clean energy policies and goals, and that Department resources are brought to bear on the technology and market challenges facing the region.

In order to better understand the Department's policies in this area, I request that you respond to the following questions by January 9, 2012.

1. Will you work with Bonneville over the coming 90 days to ensure that new transmission tariff policies address the comparability concerns raised in the FERC proceeding in a manner that provides for transmission service on terms and conditions that are comparable to those under which Bonneville provides transmission services to itself and that are not unduly discriminatory or preferential? Will you review and approve any final record of decision in this case? More generally, do you believe Federal utilities should comply with FERC rules and policies?
2. What was the impact of the "Environmental Redispatch" policy this year on the wind sector in the Northwest? In the seven months since wind curtailment began under the "Environmental Redispatch" policy, has there been an impact terms of wind project cancelations or reduced interest in developing new wind generation facilities in the region?
3. Do you believe there are ways in which the Northwest region's grid could operate more effectively and efficiently? Are dispatch schedules and weather forecasting techniques in the region optimal for fully utilizing wind resources?
4. What types of technological solutions are available to increase the flexibility of the grid and accommodate greater production of electricity from renewable sources? Are any of those technologies appropriate for deployment in the BPA region presently? It is estimated that renewable generators lost about $50 million this year in tax credits and renewable energy credits as a result of the "Environmental Redispatch" Policy. Are there alternative solutions that can be put into place to prevent this from happening again?
5. What are the challenges associated with surplus power being exported out of the region?

Thank you for your prompt attention to this important matter. Please address any questions to Jonathan Phillips on my staff at (202)225-6065 or jonathan.phillips@mail.house.gov.

Sincerely,

Edward J. Markey

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Ranking Member
Committee on Natural Resources

Cc: Administrator Stephen J. Wright
Hon. Jon Wellinghoff
Hon. Philip Moeller
Hon. Marc Spitzer
Hon. John Norris
Hon. Cheryl LaFleur