

**Energy and Telecommunications Interim Committee**  
**62nd Montana Legislature**

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September 7, 2012

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

Dear Secretary Chu,

The Energy and Telecommunications Interim Committee of the Montana Legislature (ETIC) is writing to express its concerns with the new direction and the initiatives contemplated for the Power Marketing Administrations (PMAs) in your memo dated March 16, 2012.

PMAs, including Western Area Power Administration (WAPA) and Bonneville Power Administration (BPA) serving Montana, are perhaps of more critical value to electric cooperatives and their communities than to any other sector because they provide low-cost, affordable power that would not otherwise be available in cooperative communities. The plan outlined in the March memo is a "top down" national directive from Washington, D.C., that violates core principles historically vital to the success of PMAs. One of these core principles is regional or local control.

PMAs are administered through local control and operation. As a result, PMAs such as WAPA and BPA have established local offices that have built close relationships with local preference customers, including Montana's electric cooperatives. Local operation is necessary to reflect the difference in state policies, resources, grid connections, and economic arrangements with customers across the PMAs. The regions within the PMAs themselves also reflect the different statutory obligations of different projects and any related obligation to handle costs and budgets differently.

Contrary to the implications in the directive outlined in the March memo, the PMAs do not face reliability risks. PMAs are addressing transmission upgrades at the same pace, or in advance of, other electric utilities in the U.S.

For WAPA and BPA, reliability data from both these agencies make it clear these systems are operating well above industry standards. For example, according to the most recent data available, WAPA's Upper Great Plains region that serves in Montana experienced 32.76 seconds in outages due to failed equipment per mile of power line compared to 129.24 seconds for the

North American Reliability Corporation's Upper Midwest Reliability Organization region. Similar high quality of operations is apparent at BPA. BPA's system average interruption frequency and system average interruption index are both at levels that indicate superior performance.

The directive outlined in the March memo demonstrates the Department of Energy's lack of understanding of the extreme rural, "frontier" nature of the areas in the West served by PMAs, including Montana. The only way to fully grasp the challenges faced in serving these rural areas would be for Department of Energy officials to visit a rural state like Montana.

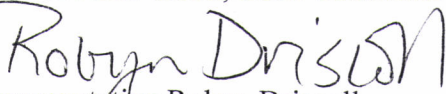
For example, in Montana, many electric cooperatives have less than one customer for every mile of power line. The effect of serving these sparsely populated areas is that costs for power delivery are much higher than in urban areas. This means per-customer impacts caused by costly new federal programs to achieve incremental reliability improvements or to facilitate integration into the transmission system of new energy resources, such as wind power, with variable outputs would be enormous. Paying for integration of these energy resources in these areas with low customer density would otherwise not be cost-effective.

Thank you for accepting our comments on these matters. We look forward to your response.

Sincerely,



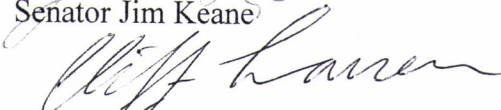
Senator Alan Olson, ETIC Chairman



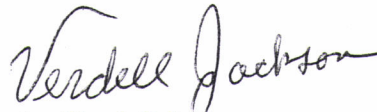
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Senator Verdell Jackson



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