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EVALUATING THE ROLE OF FERC IN A CHANGING ENERGY LANDSCAPE

THURSDAY, DECEMBER 5, 2013

House of Representatives,  
Subcommittee on Energy and Power,  
Committee on Energy and Commerce,  
Washington, D.C.

The subcommittee met, pursuant to call, at 9:35 a.m., in Room 2123, Rayburn House Office Building, Hon. Ed Whitfield [chairman of the subcommittee] presiding.

Present: Representatives Whitfield, Hall, Shimkus, Pitts, Terry, Burgess, Latta, Olson, McKinley, Gardner, Kinzinger, Griffith, Barton, Upton (ex officio), McNerney, Tonko, Engel, Green, Barrow, Matsui, Christensen, Castor, and Waxman (ex officio).

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Staff Present: Nick Abraham, Legislative Clerk; Charlotte Baker, Press Secretary; Ray Baum, Senior Policy Advisor/Director of Coalitions; Sean Bonyun, Communications Director; Allison Busbee, Policy Coordinator, Energy & Power; Patrick Currier, Counsel, Energy & Power; Tom Hassenboehler, Chief Counsel, Energy & Power; Jason Knox, Counsel, Energy & Power; Ben Lieberman, Counsel, Energy & Power; Brandon Mooney, Professional Staff Member; Chris Sarley, Policy Coordinator, Environment & Economy; Tom Wilbur, Digital Media Advisor; Jeff Baran, Minority Senior Counsel; Greg Dotson, Minority Staff Director, Energy and Environment; Caitlin Haberman, Minority Policy Analyst; Elizabeth Letter, Minority Press Secretary.

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Mr. Whitman. I would like to call the hearing to order this morning. We are going to be evaluating the role of FERC in a changing energy landscape. And I am delighted that the commissioners of FERC are with us today. We appreciate very much your being here. I certainly initially would like to congratulate Cheryl LaFleur, who has been appointed the Acting Director of FERC.

And I enjoyed our meeting yesterday, Ms. LaFleur, and we look forward to working with you on the many issues facing our country as we adjust to this changing landscape that we all are very much involved in.

I would say that I think the transcending issue that sort of encompasses everything that we are talking about today does relate to the changing landscape of energy in America. With this low-priced natural gas we see a transformation from coal to natural gas. Many States, and this administration particularly, are being very aggressive in trying to increase the amount of electricity produced from renewables as they try to address climate change.

And I would say that as we move forward, and I think you all particularly have to be sensitive to this, is that frequently many people in the administration and other groups point to Europe as a model for America. And yet in Europe 22 percent of electricity is now being produced from renewables. They have an overcapacity of electricity

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in Europe. And as a result they have very low wholesale prices, which is good, but their residential rates and their manufacturing rates are the highest in the world because of renewable surcharges.

And so what is happening over there is they are trying to make this transition too quickly, in my view, and that is what people are trying to do in America as well. But what is happening over there is that the utilities, the baseload utilities have lost, like, \$800 million in market valuation over the last 15 months or so. And so as you go to renewables and you have to place more emphasis on distribution at the local levels, there is not enough capital in the utility industry there to meet those needs. And so they have a real conflict in Europe right now.

And interestingly enough, they have mothballed 30 gigawatts of plants producing electricity from natural gas in Europe because of the high cost of natural gas coming out of Russia, and we had our largest export market of coal last year in recent memory and the Europeans took 45 percent of that, because when Germany closed down their nuclear power plants, they realized and other countries over there realized they have to use some coal.

And so this administration, who talks all the time about all-of-the-above policy, is in effect in their greenhouse gas going to prohibit even the option of building a new coal-powered plant in

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the future. So if we are going to talk about an all-of-the-above policy and say that is our policy, then that should be the policy.

And so we have introduced legislation. We don't expect anybody to build a new coal-powered plant right now with natural gas prices this low, but in the future, like in Europe what they are discovering, it should be an option. And so I look forward to the testimony of the commissioners today to get some of their views on the many challenges facing us.

And I look forward to your comments, Mr. Norris. I know you made a comment recently in a smart grid conference in November about your personal view is we don't really maybe need anymore infrastructure for natural gas and fossil fuels. I may be wrong, but I think you made that comment. And many of us would disagree with that, particularly with the additional fields that we have. And the Northeast talks to us all the time about not having the infrastructure to get the gas to where it needs to be.

But we all recognize that we have a lot of challenges, and we can't meet those challenges unless we work together to meet them. And we are going to continue to provide an alternative view to this administration, particularly in the area of energy, where we think that there are serious disagreements and with dire consequences that are possible.

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So with that, at this time I would like to recognize the gentleman from California, Mr. McNerney, for his 5-minute opening statement.

[The prepared statement of Mr. Whitfield follows:]

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Mr. McNerney. I certainly thank the chairman for calling this hearing today, and it is an real opportunity for us to have all the commissioners in front of us. So I want to thank you for coming out here today. This is an area that I have a lot of passion for and a good background in.

As we know, FERC has broad jurisdiction over the electricity and natural gas markets, such as setting electricity and transmission rates, overseeing regional transition organizations, such as the one we have in California. It is now time to make some important decisions about our Nation's energy infrastructure and FERC will be an essential component of that decision-making process.

Efforts to increase renewable energy production, growth of natural gas, and the need to ensure a secure grid will all be critical issues. In fact, there is no shortage of issues to discuss, including what defines the public interest with natural gas exports, licensing LNG export facilities, licensing natural gas pipelines, smart grid innovation, renewable energy, to name only a few.

States such as California are implementing aggressive renewable portfolio standards, and there is a need to ensure grid stability. It is becoming increasingly important that we have an energy infrastructure that is capable of meeting these demands.

Our energy infrastructure needs cyber and physical protections.

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Threats to our grid are real, and transitioning to smart grids presents both an opportunity and a threat to grid security. The Energy Policy Act of 2005 made significant progress, providing FERC with the authority to oversee power grid and to establish critical infrastructure protections. However, more needs to be done to protect the grid. The Energy Policy Act focused on bulk power systems, which can exclude some transmission local distribution and other grid facilities.

I think it is worth exploring FERC's role in the grid, an area of increasing innovation and technical developments. These are areas which we can improve upon, such as response during emergency situations and addressing potential improvements to critical grid infrastructure protection initiatives.

FERC's coordination with the North American Electric Reliability Corporation -- a little bit of an mouthful there -- or NERC, regarding standards and reliability, such as those related to cybersecurity, remain a high priority for me.

Lastly, we must analyze these challenges in the context of climate change, a serious threat to our Nation on several levels that has been acknowledged by scientists as well as leaders at the Pentagon. Combined, these issues will dictate how we are able to manage and respond to rapidly changing energy technology, as well as managing

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supply and demand in the markets.

At this point, I would like to yield to my colleague from Texas, Mr. Green.

[The prepared statement of Mr. McNerney follows:]

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Mr. Green. Thank you Mr. Chairman, and thank my ranking member for yielding to me and allowing me to speak.

Today, our witnesses will discuss issues that face our country now and in the future, including grid security, gas-electric coordination, electricity transmission and infrastructure permitting.

It is important to note that Texas is the face of the changing energy landscape. In Texas we have demand for energy that is growing exponentially. We have grid issues that threaten our economic growth, we have infrastructure needs for market delivery and power generation. We must coordinate and balance all these challenges with the resources necessary to overcome them. Wind power and natural gas offer Texas a way to clear all these obstacles.

Additionally, our domestic supplies allow us to meet not only our challenges, but those of our neighbors. But this, too, must be addressed correctly.

Last month, we held a hearing on H.R. 3301, the North American Energy Infrastructure Act. At the hearing, FERC was concerned about H.R. 3301 with the effect of their ability to comply with section 3 and section 7 of the Natural Gas Act. I think after initial misreadings, we want to emphasize that FERC's section 3 and section 7 authority remain in place. In fact, H.R. 3301 provides FERC additional authority by eliminating the Presidential permit process,

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creating a regulatory structure within the Commission, and gives FERC the ability to approve the import or export of natural gas across national boundaries.

I think many members of this subcommittee have confidence in FERC's pipeline permitting ability, and H.R. 3301 is an example of that. And I look forward to discussing all these issues today at the hearing, and thank our witnesses for being here, and again thank my ranking member for yielding to me. I yield back my time.

[The prepared statement of Mr. Green follows:]

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Mr. Whitfield. The gentleman yields back.

At this time I recognize the chairman of the full committee, Mr. Upton of Michigan, for 5 minutes.

The Chairman. Well, thank you Mr. Chairman.

America's energy picture is rapidly changing and America's energy regulators have got to keep pace. Long held beliefs in American energy scarcity have given way to a new era of energy abundance, especially in regards to oil and natural gas, but many policies and attitudes are still rooted in the outdated assumptions of shortages and rising imports, with the potential to obstruct the opportunities before us, and FERC is in the middle of many of those debates.

For example, America's new abundance of oil and natural gas requires new infrastructure to meet demands and keep prices affordable. And we have got to build this architecture of abundance quickly, given that America's oil and gas output has been rising every year and is straining the existing infrastructure.

But nearly every new project is met with stiff resistance at every step of the process. Opponents are enabled by an archaic Federal regulatory process that can be manipulated to cause years of delays for pipelines, power lines, LNG export projects, and in some cases can block them outright. And while the process at FERC generally works well, there is always room for improvement.

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Canada, Australia, and most EU nations have deadlines for their environmental regulatory agencies to act. Why shouldn't the U.S. hold our agencies to a similar standard?

Congress has been active to keep pace with the new energy landscape. The House recently passed H.R. 1900, a bipartisan bill that creates more accountability for the natural gas pipeline approval process. We will soon be considering other infrastructure projects as well, including a bill that I have coauthored with my friend Gene Green to bring more certainty to energy projects that cross our border with Canada or Mexico to help create a more robust and self-sufficient North American energy market.

American energy holds tremendous potential for millions of jobs and for affordable energy prices for everyone from homeowners to small businesses, certainly to manufacturers, too. And the U.S. is always the proud global leader in the safe and responsible development of our resources. The prospect of LNG exports not only means jobs in the U.S., but also means improved relations with our allies and trading partners and enhanced standing around the globe. But none of these benefits can be achieved if America's energy is choked off by red tape, which is precisely why we are examining the uncertain FERC policies today.

I look forward to working with the Acting Chair and all of the commissioners before the committee. I look forward to a constructive

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and productive dialogue and process as we move into next year and the years beyond.

And I would yield time -- anyone to our side needing time? If not, I yield back the balance of my time.

[The prepared statement of The Chairman follows:]

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Mr. Whitfield. The chairman yields back the balance of his time.

At this time, I recognize the gentleman from California, Mr. Waxman, for 5 minutes.

Mr. Waxman. Thank you very much, Mr. Chairman.

I would like to thank each of the commissioners for being here today, and I want to congratulate Ms. LaFleur on her new role as acting chair.

The Federal Energy Regulatory Commission has a broad range of important issues before it, from renewable energy integration and electric transmission modernization to hydropower licensing and enforcement actions to prevent energy market manipulation. But I want to focus on an issue that has not gotten enough attention during this Congress, and that is grid security.

The Nation's critical infrastructure and defense installations simply cannot function without electricity. Yet, it is clear that the electric grid is not adequately protected from physical or cyber attacks. And these are not theoretical concerns. Just this April, there was an actual attack on our electricity infrastructure. This was an unprecedented and sophisticated attack on an electric grid substation using military-style weapons for the attack. Communications were disrupted. The attack inflicted substantial damage. It took weeks to replace damaged parts.

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Under slightly different conditions, there could have been a serious power outage or worse, and the FBI and others are investigating this attack. So as not to harm any ongoing investigation, I won't disclose details of the incident, but I have been in touch with the FBI, and they are willing to provide the members of this committee with a briefing on the very real threat that attacks like this pose to our critical infrastructure. And I hope the chairman will work with me to get that briefing scheduled quickly so that members can get the facts.

The April attack is hardly the only threat facing the grid. A few months ago in Arkansas there were multiple attacks on power lines and grid infrastructure that led to millions of dollars in damage and brief power outages. Independent engineers also recently discovered a new cyber vulnerability in the software used by many electric grid control systems.

We rely on an industry organization to develop reliability standards for the electric grid through a protracted, consensus-based process. FERC lacks authority to directly address these threats and vulnerabilities. And that is incredible. FERC lacks the authority to address these threats. Congress needs to fix this gap in regulatory authority.

In 2010, the bipartisan GRID Act would have provided FERC with

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the necessary authority. There was a bipartisan consensus that national security required us to act. That bill was reported out of the Energy and Commerce Committee by a vote of 47-0, and then it passed the full House by voice vote. However, the Senate did not act on this legislation.

Mr. Chairman, we have worked on this issue in a bipartisan way in the past and we should be able to do so again. We need to give FERC important new authorities like the authority to take action to protect the grid in emergencies. This is a national security issue that deserves our attention. We should act now while there is still time to protect against successful attacks.

Thank you, Mr. Chairman, for this chance to make the opening statement. I look forward to the testimony of the members of the Regulatory Commission and to an opportunity to engage them in questions. Yield back my time. Any other member on our side wishes me to yield a minute? No. Yield back.

[The prepared statement of Mr. Waxman follows:]

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Mr. Whitfield. The gentleman yields back. So that concludes the opening statements. So at this time I would be recognizing each one of you for your 5-minute opening statement. And all of you are skilled witnesses and you know that our little lights, red, yellow, and green, what they mean. So the only reason I mention that is that we are expecting some votes on the floor sometime this morning, and I am hoping that we will have an opportunity to go way down the road before that happens.

So, Ms. LaFleur, you are recognized for 5 minutes for an opening statement. Thank you.

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STATEMENTS OF THE HONORABLE CHERYL A. LAFLEUR, ACTING CHAIRMAN, FEDERAL ENERGY REGULATORY COMMISSION; THE HONORABLE PHILIP D. MOELLER, COMMISSIONER, FEDERAL ENERGY REGULATORY COMMISSION; THE HONORABLE JOHN R. NORRIS, COMMISSIONER, FEDERAL ENERGY REGULATORY COMMISSION; AND THE HONORABLE TONY CLARK, COMMISSIONER, FEDERAL ENERGY REGULATORY COMMISSION

STATEMENT OF CHERYL A. LAFLEUR

Ms. LaFleur. Well, thank you very much, Chairman Whitfield, Ranking Member McNerney, and members of the subcommittee. My name is Cheryl LaFleur. For 3-1/2 years I have had the privilege of serving as a commissioner on the Federal Energy Regulatory Commission, and I have appeared before this subcommittee previously in that capacity.

Today, I appear before you as the Commission's Acting Chairman, an appointment I received just 10 days ago. Thank you for your good wishes, and I look forward to working with my colleagues and the wonderful employees at FERC in my new role.

Thank you for holding this hearing today. My colleagues and I appreciate the attention you give to your oversight duties and the opportunity to share our work with you. I am honored to lead the

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Commission at a time when our Nation is making substantial changes in its power supply and its associated infrastructure to meet environmental challenges and improve reliability and security.

In particular, as you noted, we are seeing significant growth in the use of natural gas for electric generation due to the increased availability and affordability of domestic natural gas, and to the relative environmental advantages and flexible operating characteristics of gas generation. And that is, I think, a significant advantage we have over Europe with the abundance of domestic natural gas to balance our renewable resources.

The second driver of change is the tremendous growth of renewable and demand side resources, which is being fostered by developments in technology and by policy initiatives in 39 States and at the Federal level. Finally, new environmental regulations are also contributing to changes in power supply.

Although the drivers of power supply changes are largely outside the Commission's jurisdiction, we must be aware of and adapt to these developments to carry out our responsibilities to ensure just and reasonable rates, a reliable power grid, and fair and efficient electric and gas markets. My colleagues will discuss several of the ways we are responding. We divided up these topics, and I want to focus the balance of my testimony on another critical aspect of our work,

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reliability and grid security.

Ensuring reliability means that the Commission and NERC, our electric reliability organization, really take care of two things. One is the day-to-day, nuts-and-bolts activities, like trimming trees and setting relays to keep the lights on, emergency response. And the second is emerging issues, like cybersecurity. I believe we are making progress on both fronts. In the past 3 years, we voted out numerous orders on the day-to-day type standards of tree trimming, frequency response, planning criteria, and so forth, and we hear from NERC that they are seeing a reduction in transmission-related outages in the grid as opposed to previous years. Going forward, we very much have to build on that progress.

The emerging issues are somewhat different because we have to try to set standards in an environment of incomplete information. We don't have the benefit of decades of experience, and we know the challenges are evolving. But it is still incumbent on us to try to develop meaningful, cost-effective regulation that we can enforce in an environment of imperfect knowledge.

Two weeks ago, the Commission approved Version 5 of the Critical Infrastructure Protection Standards that cover the bulk electric grid against cybersecurity incidents. They are not perfect. We did ask some questions as we approved them, things that we wanted modified,

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but they represent a substantial step forward from the protections that were in place before.

We have also started a rulemaking to require standards to protect against geomagnetic disturbances that can be caused by solar storms and human actions, a real example of high impact, low frequency threats to reliability that we need to get ready for before they happen.

Finally, I want to touch on the subject that Congressman Waxman raised, the physical security of the assets that make up the grid, protecting them from tampering, vandalism, and sabotage. In general, our approach in this area has been based on cooperative efforts with industry and with other government agencies -- DHS, FBI, DOE, and so forth -- to try to develop best practices and communicating with industry to make sure they are implementing those best practices.

Thank you very much for the opportunity to be here today, and I look forward to your questions on any aspects of the Commission's work. Thank you.

Mr. Whitfield. Thank you, Ms. LaFleur.

[The prepared statement of Ms. LaFleur follows:]

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Mr. Whitfield. And, Mr. Moeller, you are recognized for 5 minutes.

**STATEMENT OF PHILIP D. MOELLER**

Mr. Moeller. Well, thank you, Chairman Whitfield Ranking Member McNerney, members of the committee. Thank you for having us back for this valuable oversight role that you undertake for the Federal Energy Regulatory Commission.

I am Phil Moeller. I am a sitting commissioner. And your staff asked us to focus on three areas in our testimony today and add additional items that we thought were relevant. So I will talk about the three items -- Order 1000, pipeline siting, hydroelectric siting -- and add a couple of more -- gas-electric coordination and some reliability concerns on the electric grid.

Related to Order 1000, I was generally supportive of Order 1000 because I felt like it would add to the certainty to build needed additional electric transmission in this country. And for the most part, I think it has helped particularly with the transmission planning process. It has forced a more open and arguably more accountable process.

There were a couple of areas that I disagreed with the majority

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on. The first was how we deal with the right-of-first-refusal projects. This is specific to reliability projects, not those economic projects that reduce congestion costs or the public policy projects that try and promote generally renewables through transmission, but rather when a utility is required because of NERC standards to build a project to enhance reliability. I would have preferred that we give a very limited time of right of first refusal to the incumbent utilities because I didn't think the litigation risk was worth it. And we are seeing the litigation now on that issue. Hopefully that will be resolved soon.

The second area had to do with the cost allocation methods in the rule and the concern that, because of the regional cost-sharing element of it, it would force utilities or give them the incentive to, instead of building more regional projects, just go to local projects. And I think particularly in the Midwest we have seen that happen.

But for the most part, we have several more years of Order 1000 compliance ahead of us, we have further iterations of the intraregional filing, and we haven't even tackled the interregional filings yet and those are going to be very complex with some major policy issues. So Order 1000 will be with us for a while.

Related to hydro siting and pipeline siting, we have a lot of similar issues, and I know members of the committee have been concerned

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about the length of time that that has taken. But simply put, we are dependent on State and Federal resource agencies in the process to deliver their part of the analysis. And if they delay that, it will delay our ability to act. And I know there has been legislation to consider moving this up. There are more extensive legislative concepts out there in terms of actually giving FERC the ability to decide whether some of these conditions are in the public interest. That would take a major legislative change. But if you are interested we can talk about that further.

Related to gas-electric coordination, Acting Chair LaFleur referenced this, we have been working on this now for about 22 months at the Commission. We have had a series of seven technical conferences. The first five were regional in nature. Then we dug down to a series of issues, the first set on communication, whether people are comfortable talking to each other in this, when there is typically a weather-related supply squeeze. Then we talked about the timing mismatch of the gas trading day and the electric trading day.

I am happy to report that as a commission we issued a final rule on the communication protocols just last month. And I want to thank OMB. I don't know who it was, but they made an effort to make sure that we could have a 30-day turnaround on that rule so that it would be effective December 23rd, before we go into the really tight heating

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season this year. So they deserve some thanks for that.

On electric reliability, we do have an impending issue related to the effectiveness of the MATS rule, and I just want the committee to be aware of the fact that we are looking at potentially some pretty tight situations in the Midwest, the footprint of the Mid-Continent Independent System Operator, perhaps as early as the summer of 2015, but certainly as soon as the summer of 2016. It is something that I really think deserves your attention. I know that the MISO is working heavily with the States to try and come up with a solution. We are happy to let them try and solve it.

But the time is extremely tight. They can tell you more the numbers, but we are looking at some pretty small reserve margins for the footprint. And recall that under the MISO agreement, they all share the surplus, but they also share the deficits. So if there is a regional deficit, the pain will be shared in terms of, frankly, rolling blackouts if it comes to that. We can hope for a cool summer in the summer of 2016, but that is not necessarily a prudent approach.

So with that, I am happy to answer any questions at the appropriate time.

Mr. Whitfield. Thank you Mr. Moeller.

[The prepared statement of Mr. Moeller follows:]

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Mr. Whitfield. And our next witness is Mr. John Norris.

And you are recognized for 5 minutes, Mr. Norris.

#### STATEMENT OF JOHN R. NORRIS

Mr. Norris. Good morning, Chairman Whitfield, Ranking Member McNerney, and members of the subcommittee. Thank you for holding this hearing and the opportunity to testify.

As I acknowledge in my written testimony, there is significant change occurring on our energy landscape. The operation of our energy system in America has experienced, in my view, only modest, incremental change over the last many decades. Yet in recent years, the rapid development of new technologies is bringing much more rapid change to the system. That change can be disruptive. But I think embracing these changes will allow for a much more efficient utilization of our energy resources.

The challenge before us, I believe, is to enable our system to be more efficient through the utilization of new technologies and foster the development of a diverse set of competitive energy resources, while at the same time ensure we have a reliable supply of power at just and reasonable rates for consumers.

As a result of the development of fracking technology, we are

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experiencing an abundant supply of natural gas and resulting gas prices at their lowest since 2002. This new supply of gas is changing the economics of electric generation, resulting in the retirement of older and less efficient coal units and most recently some nuclear plants.

The new generation being built to replace these units is primarily combined cycle gas plants, wind, and solar generation. This recent trend appears likely to continue. This change in our generation mix has been driven by a significant degree by the economics around low-priced gas and the development of more efficient and productive wind turbines and solar panels. The other drivers are little to no load growth, public policies such as renewable portfolio standards, compliance with EPA rules implementing clean air standards, and the development of demand side management technologies, like energy efficiency and demand response.

At the same time change is occurring in our electric generation we are also experiencing significant developments in technology around grid operations. A large percentage of our existing transmission and distribution grid is quite old and only modest technology enhancements have been made in nearly a century of operations. That system is being replaced by a grid, most commonly referred to as the smart grid, that is opening up multiple opportunities for more efficient utilization of our energy resources and expanding the marketplace for electricity

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to a vast new supply of diverse energy resources.

One of FERC's recent focuses has been the adjustment of market rules and regulations to ensure that all resources, including new technologies, are able to compete in our energy market and our energy system. The continued investment in new technology and jobs in energy production and management of our energy consumption is critical for maintaining a competitive energy economy and efficient utilization of our resources. As our energy system changes, providing stability, market access, and fair regulatory treatment is critical to maintaining continued investment in our energy infrastructure.

My written testimony covers several recent actions that FERC has taken that reflect our efforts to make adjustments around these new technologies and resources. I will be happy to answer any questions you may have about these FERC actions, other FERC actions, and to help you in your oversight responsibilities of our agency.

Thank you very much.

Mr. Whitfield. Thank you, Mr. Norris.

[The prepared statement of Mr. Norris follows:]

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Mr. Whitfield. And our next witness, of course, is Clark.

And, Mr. Clark, you are now recognized for 5 minutes.

#### STATEMENT OF TONY CLARK

Mr. Clark. Thank you, Mr. Chairman, Mr. Ranking Member, and members of the committee. My name is Tony Clark. I am the newest member of FERC. I have had the opportunity to speak before you in a previous job, but this is my first opportunity as a member of the FERC. So thank you for the invitation to be here with you here today.

In my opinion, and, Mr. Chairman, this is something you referenced, the biggest story in energy today is the revolution that is taking place in shale gas and shale oil, probably the biggest story in decades. And this flood of domestic gas has really upended utility planning models and market fundamentals. Gas at the sustained prices that we are seeing now today is dramatically impacting where utilities are putting their money in the build-out of the grid.

As an example, in 1990 coal was responsible for about 53 percent of the electricity that was produced, with natural gas producing just 13 percent. EIA is projecting that by 2040, 35 percent of electricity will come from coal and 30 percent from natural gas. But I would note, however, that predicting these sorts of things is highly speculative.

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We know that there is some pending rulemakings by the EPA, and depending on how those come out it could have a dramatic impact on how these futures play out.

Such nationwide projections also tend to gloss over the very highly regional nature of our energy and electricity grid. Some regions of the country, such as the central Appalachia, the South, are much more heavily dependent on coal than others, such as New England and the Northwest, and so the implications of fuel switch has a much different impact depending on where you live.

The Commission is heavily engaged in the work of assessing these fuel mix changes and responding to the regional implications of it. For example, FERC has undergone significant efforts with regard to the implications of gas-electricity interdependency that Commissioner Moeller mentioned as more electricity generators simultaneously turn towards natural gas as a fuel source. This effort is important nationwide, but it is particularly crucial for a region like New England where a number of factors, including geography and State-level policy choices, have created an electricity delivery network that is very dependent on a constrained supply of natural gas.

The analysis takes on a different shade in other regions of the country. For example, in my home region of the Midwest coal has traditionally been the primary source of electricity, but today a

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combination of affordable shale gas and impending EPA regulations is creating a situation where there are increasing concerns about reserve margins and supply adequacy, as Commissioner Moeller noted, especially as we get into that 2015, 2016 timeframe, and it is something we are paying close attention to and I know the committee is as well. Nonetheless, under any scenario, it is clear that gas will play a much bigger role in the future than it has in the past.

As you might expect, the shale revolution, in both liquids and natural gas production, is having a tremendous impact on the work of FERC itself. As the committee is aware, the FERC has broad oversight of both economic and siting regulation of the natural gas pipeline industry. In recent years, the Commission has seen a shift in this type of work as industry responds to the burgeoning shale plays. Shale gas basins have seen significant pipeline investment. Shale basin pipeline projects that are either in service or in some part of the permitting process at FERC total now over 3,400 miles of pipe, delivering over 31,000 MMcf per day of capacity with a total investment of over \$18 billion.

This large amount of natural gas in the U.S. is also creating an impetus for something that was nearly unimaginable 10 or 15 years ago, which is LNG export applications as opposed to import terminals, and this is the area of significant increase for the Commission's workload.

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Presently, the FERC has 13 proposed LNG export terminals and 3 LNG import terminals in some phase of the permitting process. And as you would expect, these are major investments and the reviews are quite extensive.

Given the influx of natural gas siting work, I believe the FERC must continually assess our staffing levels and priorities to ensure that we task enough resources to process these projects in a timely and thorough manner. In addition, while the FERC has no control over other Federal agencies that inform our siting process, I would encourage them to help us by also doing what they can to be timely in their assessment work.

Mr. Chairman, with that, I will conclude my testimony. And I touched on a few things, but of course I would be happy to answer any questions that you or the committee members may have.

Mr. Whitfield. Thank you Mr. Clark.

[The prepared statement of Mr. Clark follows:]

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Mr. Whitfield. And thank all of you for your opening statements. And at this time, we would like the opportunity to ask you some questions, and I would like to recognize myself for 5 minutes to get started.

Mr. Clark, you mentioned the difficulty in trying to forecast the future. And I might add that last year EPA projected that less than 10 gigawatts of the Nation's coal-fired generation would retire by 2015 as a result of utility MACT. It is not quite 2014, and already announcements have been made to close 50 gigawatts of coal-fired plants because of these EPA regulations and low natural gas prices.

One of your missions is reliability, and there has been a lot of discussion about EPA, whether or not they take that into consideration and the communication and dialogue between FERC and EPA on reliability issues. Do any of you have any concerns? These plants have been announced they are closing, 50 gigawatts, that is a lot, but they are not going to be closed for, you know, maybe another year or so. We will start with you, Mr. Clark, to address that issue briefly, and then I would like to just go down the line.

Mr. Clark. Sure. Mr. Chairman, the greatest concern, as we have indicated a couple of times already this morning, is probably in the Midwest, the Mid-Continent ISO, MISO, where they are projecting that by the 2016 timeframe they are likely to have a shortfall of somewhere

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in the neighborhood of 7.5 gigawatts of where they would like to be in terms of reserve capacity. That is a projected number. They are almost certain that there is going to be a shortage of at least a little over 2 gigawatts. So that is the concern in that region. There are concerns in other regions, but probably most acute in the Midwest.

From my perspective, where I would like to see the FERC go is to maintain its independence as an independent regulatory agency, provide what information that we can through the resources that we have through our own modeling efforts to provide information to all of you, as well as the rest of the Federal Government, so they can understand the implications of different policy choices that may be made.

Mr. Whitfield. Thank you.

Mr. Norris, do you have a comment on that.

Mr. Norris. Certainly, yes. I think Commissioner Clark, I share his concerns, the concerns that Mr. Moeller shared you with about MISO, particularly in the Midwest region. And it could be up to 7 gigawatts, it could be 8.5. They could be in 2016 looking at an 8.5 percent reserve margin. So absolutely I am concerned about that.

Mr. Whitfield. Thank you.

Mr. Moeller.

Mr. Moeller. Well, I remain concerned. I testified before this committee on the same subject. Remember that MATS takes effect

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April 16, 2015. We will talk a lot about the fourth year, but the fourth year is only for those plants that are going to retrofit. So if you have got a marginal plant that can't afford to retrofit, it is going to be shut down in roughly about 15 months. And so extremely concerned, mostly the Midwest, but we even had some issues in September in PJM. It was shoulder season. We are going to have to be watching this very closely. And I think we are hoping that the EPA will be watching it with our help, as well.

Mr. Whitfield. And Ms. LaFleur.

Ms. LaFleur. Well, thank you. As you can tell, this is an issue we have been very engaged in. For the past 2 years Commissioner Moeller and I have cochaired a forum with the State regulators at NARUC on this very issue, and the EPA has come to every single one of our meetings and discussed some of the issues -- how compliance is going, how supply chain issues are going and so forth.

I would say over most of the country I think MATS compliance is well underway. A tremendous amount of construction work is going on right now. There is no question the most significant issues are in the Midwest due to a variety of factors. And in addition to relying on the Mid-Continent ISO and the States, we need to stay closely involved.

Mr. Whitfield. Do you feel like EPA is actually listening to you

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on these reliability issues?

Ms. LaFleur. I do because in 2011 when they put out their rule, they included a consultative role for FERC if somebody needs a fifth year. And I believe that includes not just a fifth year for the retrofit, and not just for retrofits, but also if they need a fifth year to bring transmission in before a plant can retire. And we voted out a policy statement of how we would handle those. We haven't gotten them yet because it is not far enough along in the process.

Mr. Whitfield. Well, they tell us they are listening to us a lot and sometimes we don't think they are. But our views may be different.

Ms. LaFleur. Well, I have been very grateful that they come to all the NARUC meetings and I have a commitment from them that they will continue. But it is something that needs close vigilance.

Mr. Whitfield. All right. I was going to ask you about your priorities. I felt like Mr. Wellinghoff's agenda at FERC was basically coinciding with the administration's energy policy, but maybe we will have an opportunity to talk later about that.

At this time, my time has expired, I would like to recognize the gentleman from California for 5 minutes, Mr. McNerney.

Mr. McNerney. Thank you, Mr. Chairman.

One of the things I mentioned in my opening statement was cybersecurity, and I know that that is also an issue that is very

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important to Mr. Waxman. The thing is that smart grid gives us a tremendous opportunity to gather information so that we can become more reliable, so that we can predict grid behavior, and gives us an opportunity to deliver renewable energy reliably and so on. But it gives the utility companies a tremendous amount of information about individual users, it opens up grids, utility companies for cyberattacks, and so on.

Ms. LaFleur, you said that just 2 weeks ago the Commission passed, I think you said cybersecurity standards?

Ms. LaFleur. Yes.

Mr. McNerney. Could you talk about that a little bit? Are those mandatory standards? Are they voluntary? Let's hear a little bit about that.

Ms. LaFleur. Well, thank you very much, Mr. Congressman.

Yes, they are mandatory standards. All of the bulk power system, along with the nuclear plants, are really the only part of our critical infrastructure right now that have mandatory standards. And what is new about the critical infrastructure standards we adopted 2 weeks ago, or we proposed to approve -- well, we did in a final rule approve 2 weeks ago, I am sorry -- is that for the first time they cover not just the super-critical assets, but all elements of the bulk power system receive some level of protection because, as you indicated, with the

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increasing digitization of the grid, even smaller assets can potentially be a problem.

Mr. McNerney. So when do those standards take effect?

Ms. LaFleur. They take effect in general in 2 years, because of the process of getting ready, but there are standards in place now. The earlier generation and the new generation becomes mandatory on top of those standards. But there are mandatory standards already in effect.

Mr. McNerney. Mr. Norris, you mentioned that the old grid technology was being replaced by smart grid. How do you feel that process is progressing of changing the old with the new, more secure grid technology?

Mr. Norris. Well, I think it is progressing at the pace of great new technology being developed, and then the Smart Grid Interoperability Panel working to make sure that the platform is usable for all those new technologies. That is the critical piece right now I think, is to make sure that the investment in this new technology is useful, it provides great opportunity for efficiency, and the addition of the cybersecurity standards will, I think, enable that to be a secure system.

Mr. McNerney. Mr. Moeller, you mentioned that the FERC is dependent upon local entities to deliver information on some of the

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pipeline siting permits. How would Federal legislation that establishes firm timelines, how would that affect the process? Would the States be more responsive or would it just handcuff FERC even further?

Mr. Moeller. Well, it is largely Federal agencies as well. It depends on the project of course, resource agencies, whether it is Federal, State, sometimes even local. I think the key is you can put in statute perhaps timelines, you could also change the statute in terms of our responsibilities. A lot of the times it comes down to management and whether, particularly the local office head, makes it a priority to deal with these type of projects that we need the input on. And we have seen a wide range of responsiveness and a lack of responsiveness throughout at least the Federal agencies related to this.

Mr. McNerney. So you don't think the legislation would change that?

Mr. Moeller. Well, the legislation in terms of timelines I think has some positive accountability aspects. But you also have to be careful, as I testified before this committee earlier, that you don't force a timeline that results in a no, because they will say they don't have enough time to analyze. So the timelines and how they are administered would matter.

Mr. McNerney. Thank you.

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You know, in the wake of the Enron's fraud and California energy crisis in the early 2000s, Congress passed the antimarket regulation authority in 2005. Recently FERC had an enforcement action against JPMorgan for market manipulations in California and the Midwest. Would you comment on how that turned out, Chairwoman.

Ms. LaFleur. Well, thank you. That is a very important part of our work. You gave us additional authority in 2005, and FERC has geared up a very, I think, capable enforcement unit headed by a former U.S. attorney.

Recently, we have voted out a number of cases either ordering somebody to show cause why they didn't manipulate the market or actually a settlement with them in which they acknowledged a manipulation, and JPMorgan is the most prominent. Most of them relate to people taking positions in the energy market to benefit something in the financial market that can cause harm to other people in the energy market. And I think we have to continue to make sure that we are very vigilant that the markets are fair.

Mr. McNerney. Thank you.

My time has expired.

Mr. Whitfield. The gentleman's time has expired.

At this time I recognize the gentleman from Texas, Mr. Barton, for 5 minutes.

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Mr. Barton. Thank you, Mr. Chairman.

And welcome to our newest FERC Chairman. It is good to have you here, ma'am, and the other three commissioners.

I listened with interest to all four of the opening statements, and I was struck at the breadth of regulatory authority that the FERC has. It is an agency that almost no one hears about, yet its impact on the U.S. economy, and to some extent the world economy, is extraordinary. So it is a very important position that you four people hold.

I am going to focus my questions on LNG siting. Of all the stuff that you folks have responsibility over, there is probably no more important mission that you hold today in terms of the strategic interests of the United States than siting these LNG facilities. The Congress gave you the authority to make the final decision, or at least on the permits, back in the Energy Policy Act of 2005. At the time we did it, we felt you were going to be using that for LNG imports more than LNG exports. But the fact is that between you and the Department of Energy, you have the ability to affect strategic interests all over the world.

I met last evening with some officials from the Russian energy sector, and they are very, very aware of the impact LNG exports from the United States will have in markets that right now the Russians

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dominate, just as an example. I have also met recently with Turkey, you know, Kazakhstan, some of these countries, Qatar. It is just stunning how our ability to produce natural gas with hydraulic fracturing and horizontal drilling at the prices we can do it that are competitive impacts our ability to affect strategic interests.

So my first question is, under law FERC and DOE have joint authority. It is not real clear how that authority, if at all, is coordinated. Madam Chairwoman, is there any ad hoc protocol with the Department of Energy on how you review the permit process and how DOE interviews the -- just the fact that it is in the national interest to do the exports?

Ms. LaFleur. Well, thank you for the question. It is a very important part of our work. And as Commissioner Clark said, we have 13 substantial applications pending.

We primarily work in our own lane, which is to review the environment and safety issues of the facilities, and DOE reviews the actual national interests, national security issues with the export of the commodity. And so I think our staffs communicate so we understand what our mutual statuses are, but we don't actually, to my knowledge, actually collaborate on the cases. We do our work and they do their work, to my knowledge.

Mr. Barton. Is there any interest at the Commission's level with

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some congressional legislative guidance on how that process should be coordinated, if at all?

Ms. LaFleur. Well, I guess at this moment I am not aware of any undue delays in our process, although we would always welcome Congressional guidance if we can do it better. I know that there is Representative Upton's bill that would change the -- I guess that is really for other natural gas -- that would change some of the import/export, and I guess I hesitate to comment on anything that is directed at the DOE process because I really feel the DOE folks --

Mr. Barton. My time is about to expire. I am not trying to be rude at all, I promise you that. But there is a recent decision that the Department of Energy rejected, at least partially, an application by Freeport on exporting from their terminal, and it was a partial acceptance, partial denial. But they stated that since the permit request at FERC was for one amount of volume of natural gas per day that was less than what they were asking at DOE, that they only approved the volume that was in the application pending for the permit at your agency. And since these volumes, depending on the level of the volume, impacts the ability to finance the project, it seemed pretty troubling. And according to at least my staff's reading, the Department of Energy doesn't have any statutory authority to even consider a FERC proceeding under the Natural Gas Act.

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Can you comment on that? That is why I am asking about what the coordination protocol, if any, is, because it is obvious that DOE based their decision in terms of volume approval, partially on what your agency was doing.

Ms. LaFleur. I think we dealt with or are dealing with the application that is before us in the dimensions of what we were asked to approve, and without reference to the fact that the DOE application was apparently for a different amount. I would be happy to take it back and dig into it more. I guess the question is why the company put in two different amounts in the two different applications.

Mr. Barton. My time has expired. I am not casting aspersions. Strategically this permitting process is something that we need to get right.

Mr. Whitfield. The gentleman's time has expired.

At this time I recognize the gentleman from California, Mr. Waxman, for 5 minutes.

Mr. Waxman. Thank you, Mr. Chairman.

Chairman LaFleur, I know you have focused on electric reliability and grid security during your tenure on the Commission and I think you are right to make that a priority. In my opening statement I talked about an April attack on an electric grid substation in California, and my understanding is that this was a sophisticated attack using

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military-style weapons. And real damage was done, and the consequences could have been far worse. You and I discussed this incident when we met yesterday.

Chairman LaFleur, do you agree this was a serious, sophisticated attack on the electric grid?

Ms. LaFleur. Absolutely.

Mr. Waxman. Do you share FBI's concern about publicly discussing details of the attack?

Ms. LaFleur. Yes, because of the potential for copycat attacks if too much is disclosed.

Mr. Waxman. Well, without getting into details, has anything like this physical attack on the electric grid ever happened in the United States before?

Ms. LaFleur. I am not aware of an incident with the same sophistication in all of the elements. There has certainly been sabotage-type incidents. You referred to the Arkansas one and people cutting down towers and things. I have heard of that. But this one seemed a little unique to me.

Mr. Waxman. Before he stepped down as Chairman, Mr. Wellinghoff was personally briefing officials about this attack. The FBI has agreed to brief members of the committee. Would you be willing to have FERC staff brief committee members as well?

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Ms. LaFleur. Yes.

Mr. Waxman. Chairman LaFleur, does FERC have authority to directly issue standards to protect the grid from physical and cyber attacks?

Ms. LaFleur. I believe to an extent under the 215 because there are physical standards for data centers and some that are part of the cyber standards. So we have some authority.

Mr. Waxman. Do you have authority to directly issue standards?

Ms. LaFleur. Well, it would have to go through the same process you referred to. We can direct the development of a standard, then industry develops it and files it.

Mr. Waxman. Well, does FERC even have the authority to issue orders to a utility in a grid security emergency?

Ms. LaFleur. No. That is one of the things that I think a lot of the legislation that has been pending has given either FERC or DOE emergency authority. It is lacking now in the legislation.

Mr. Waxman. So you would think that it would be appropriate for Congress to address this gap in authority?

Ms. LaFleur. Yes.

Mr. Waxman. Let me ask the other commissioners as well. Do each of you agree that Congress needs to address this gap in authority?  
Mr. Moeller?

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Mr. Moeller. Yes, my thinking has evolved. I think because of the emergent nature of some of these threats it is worth a good discussion in Congress.

Mr. Waxman. Thank you.

Mr. Norris.

Mr. Norris. Yes, I agree. Someone has got to be in charge of making a decision if we are under threat.

Mr. Waxman. Mr. Clark.

Mr. Clark. I concur.

Mr. Waxman. I thank you. This committee should be working in a bipartisan basis to ensure that FERC has the authority it needs to protect the grid from physical and cyber attacks. And I hope, Mr. Chairman, we can rebuild the bipartisan consensus we had in 2010 on the need for legislative action.

And I yield back the balance of my time.

Mr. Whitfield. The gentleman from California yields back.

At this time I recognize the gentleman from Illinois, Mr. Shimkus, for 5 minutes.

Mr. Shimkus. Thank you, Mr. Chairman.

Thank you all for coming. A lot of issues. I am going to make a couple of statements, then I have got a line of questioning that is parochial to southern Illinois.

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But, you know, the first one is, and this is based upon your testimony and some of my colleagues, shame on us if we have rolling blackouts in the Midwest in 2016. I mean shame on us, because it turns us back to a Third World country based upon not balancing our portfolio properly.

And the point being is, we are always going to need big baseload generation. And I deal in the nuclear side. I think there is attack on nuclear power. We know there is attack on coal. We have got renewables coming in, but they are not at the levels we need to maintain adequate supply. And that is why the discussions that the chairman did on the EPA and this discussion about reliability, we really need your help on this because we cannot go down that route.

In fact, I think there has got to be a way, we have to start talking about incentivizing major baseload, 800-megawatt to 1,600-megawatt facilities to make sure that they are still here because of the pressure that is being placed on them because of natural gas and EPA rules and regs. I mean, it is just a reality and we all know that. That is my little statement.

Also I am chair of the Board of Visitors at West Point and I want to follow up with MISO on a transmission grid issue. And I was trying to get some information, didn't get that done in time.

But for the sake of clarity of my constituents in southern

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Illinois, and I am just going to make this a general question and whoever is most apt to be able to answer that, that would be fine. There is a huge transmission line project that goes from the Missouri border to the Indiana border, it comes right across the State of Illinois. It is called the Illinois Rivers project.

One of the major fights has been on the route, as you can imagine. And just for the record, it is my understanding that route approval is something done with the State, specifically the Illinois Commerce Committee, and not a FERC matter. Is that correct? Everyone is shaking their head saying correct. Thank you.

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[10:34 a.m.]

Mr. Shimkus. It is going to get a lot of my constituents off my back. That is why I am asking these questions.

A second major concern has been over the return on equity provisions, rate and Amron will receive for the project. Some are questioning the 12.38 percent and want to know why they receive that percentage regardless of how the project is conducted. Am I correct that the return on equity is from the MISO transmission owners agreement that was approved by FERC in 2003? And I am seeing the --

Ms. LaFleur. Yes. We have jurisdiction over the return on equity.

Mr. Shimkus. Thank you. And that the return of equity would be applicable to all transmission owners in the region and their projects, not unique to Illinois Rivers Project. Is that correct?

Ms. LaFleur. Yes. MISO has a region-wide return on equity.

Mr. Shimkus. Great. Thank you. Lastly, there was a proceeding pending before FERC to re-evaluate the return on equity where interested parties were able to submit comments on the 12.38 percent return on equity rate at FERC. Can you tell me where that stands and

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what the process is at FERC for reviewing and making a determination on that complaint?

Ms. LaFleur. I am hesitant to comment on pending open dockets before us, but I think you have my commitment and I suspect those of my colleagues to give the ROE cases that are pending before us a very high priority, because we know they are important and in -- there are several ROE transmission cases pending before us that, as you have referenced, are very important to the companies and the transmission grid.

Mr. Shimkus. And the interesting thing about this transmission grid, it really -- the citizens of southern Illinois are getting no benefit from this line. It is just a pass-through. So the personal disruption -- and it is a pass-through because of renewable portfolio standards and States is trying to wield in green power. So that really needs to be part of the consideration to understand that as these fights go on in siting, there is no benefit to the folks in southern Illinois.

Let me end on the -- I wanted to also end on this issue of LNG exports, because I deal also -- an additional duty I do is democracy in eastern Europe, and these LNG exports are critical to our NATO allies, Poland, Lithuania, who want to stop the extortion by Russia and using energy as leverage and power. So I agree with Chairman Emeritus Barton. This is not just a critical issue for us; this is

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a critical issue for peace, democracy, freedom, rule of all, and our allies in NATO, and I hope you can keep that in consideration.

Yield back my time.

Mr. Whitfield. The gentleman's time has expired. At this time I recognize the gentleman from Texas, Mr. Green, for 5 minutes.

Mr. Green. Thank you, Mr. Chairman.

And first of all, if you don't tell by my accent, I am from Texas and I have a district in Houston, so -- and I tell people I was born there, but I have never not lived near a pipeline easement in the Houston area, so, you know, crude oil, natural gas, liquids, you name it. So I don't have the big concern about it, because it is just part of the way of our life. And our committee has jurisdiction every few years to do pipeline safety. And we passed a good pipeline safety bill last Congress, and I can tell you in a few years we are going to find technology's improved and how we can deal with it, and hopefully we will pass another reauthorization with additional standards that will make them even safer.

Commissioner Clark, in your testimony, you state that approximately 75 percent of our daily consumption's covered by North American resources. You also state that we are more secure than we have been in decades. Would a viable North America energy market further our security interests in?

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Mr. Clark. Congressman, infrastructure generally helps forward our energy security future. With regard to the 75 percent figure, that was in reference to liquid products, crude oil. We have about 75 percent covered from North American resources. On the natural gas side, it is off the charts. It is way over 90 percent.

Mr. Green. Yeah. Okay. In a recent cross-border decision, FERC stated that an export of natural gas would promote national economic policy and stimulate the flow of goods and services. What experience or authority would allow FERC to make such a declaration?

Mr. Clark. Again, the bill you are referencing, is it the 3300?

Mr. Green. No. This is just -- FERC stated the export of natural gas would promote national economic policy and stimulate the flow of goods and services. I was just asking you what authority or experience does FERC have to show that --

Mr. Clark. Sure. Yeah. Absolutely.

Mr. Green. -- to make that statement?

Mr. Clark. I mean, FERC's ability to --

Mr. Green. I will get to 3301 in a minute.

Mr. Clark. Yeah. FERC's ability to cite infrastructure is clearly critical to the Nation's energy security future and to our national interests.

Mr. Green. Would you agree that the statement that the promotion

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of strong national economic policy is within FERC's decision-making purview?

Mr. Clark. To the degree it is authorized by statute, yes.

Mr. Green. Okay. To provide additional authority, do you believe that FERC has the necessary expertise to coordinate and make sound and reliable decisions relating to U.S. interests?

Mr. Clark. Generally speaking, I believe, yes.

Mr. Green. Thank you. Well, in a side note, a number of us went to Mexico for an inter-parliamentary the Friday before Thanksgiving, and one of the things that was the highlight of our discussion with the Members of Congreso was the recent decision on the pipeline from Texas, natural gas pipeline to northern Mexico, because they don't -- obviously have a lot of resources but not enough production. And my concern is that -- and that was no problem at all. We may be selling or providing natural gas to Mexico, but 20 or 30 years from now we may need to be importing it from Mexico just because of our infrastructure that we are building up because our reasonable priced natural gas downstream, chemical, you name it, manufacturing. But that was a big win when we were -- you know, with our neighbors in Mexico. So I appreciate that on those cross-border pipelines, which brings me up to the H.R. 3301.

The North American Energy Infrastructure Act, FERC staff raised

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concerns regarding confusion over whether the legislation would prohibit FERC from fully complying with Section 3 and Section 7 of the Natural Gas Act. If we were to amend the legislation to specifically state that nothing in H.R. 3301 would affect the need to fully comply with the Natural Gas Act, do you believe FERC would no longer have concerns with the legislation? And I guess I will ask Dr. LaFleur.

Ms. LaFleur. I think you have identified the important concern with the legislation. I think with an amendment, which I have seen in the discussion draft, I think we would be comfortable, I would be comfortable operating under the new law with respect to natural gas imports and exports.

The other parts of the Act, electricity and oil are beyond us.

Mr. Green. And other agencies are in that Act will be able to deal with those.

Ms. LaFleur. Yes.

Mr. Green. So I appreciate it.

Commissioner Moeller, in your testimony, you state that FERC efficiency would be improved and that many delays are caused by a lack of timeliness from other State or Federal agencies. Could you provide a little more explanation on that? Obviously State agencies, we don't have a whole lot of oversight on, but other Federal agencies, is that delaying FERC providing the typically 12 months turnaround time?

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Mr. Moeller. Yes. We can give you specific examples later if you want them --

Mr. Green. Okay.

Mr. Moeller. -- but it kind of depends. It goes back to the point I made earlier. There is a lot of regional differences. If the management regionally makes it a priority, it happens; if they don't, they can drag their feet.

Mr. Green. Okay. Before I lose all the time, Chairwoman LaFleur, there is some concern in Texas about our reliability issues, and a number of us on this subcommittee have made attempts to resolve an issue, because Department of Energy says you can do something with a power plant, but EPA says no, and we are trying to correct that. I know our committee's passed that H.R. 271, Revolving Environmental and Grid Reliability Conflicts Act. I would hope we would deal with that, because that would help us, at least in Texas, with some of our liability issues and I think it would help nationally. So thank you for your courtesy.

Mr. Whitfield. The gentleman's time has expired. The gentlemen from Pennsylvania, Mr. Pitts, is recognized for 5 minutes.

Mr. Pitts. Thank you, Mr. Chairman.

The concept of beneficiary pace is at the heart of the way our transmission system operates and assigns costs, and I am concerned that

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under Order 1000, FERC is defining benefits so broadly and spreading costs so widely that this simple axiom has no meaning anymore.

Chairwoman LaFleur, please explain your idea of beneficiary pace, what that should mean. And keep in mind, I don't want my constituents paying for subsidized midwest wind into my market with no voice in the process. And I know you can't address the merits of individual compliance filings under FERC's Order 1000, but there is a legal point I would like to raise with you, I think stands on its own, to which I hope you will be able to respond.

Ms. LaFleur. Well, thank you very much, Congressman Pitts. The Order 1000 required regions to plan cooperatively across the region, as the region encompassing Pennsylvania already does, and take into account three kinds of benefits: reliability benefits, which can be very hard to quantify but are very real; the meeting public policy requirements to connect resources that States require them to connect, which are normally identified by the States, such as Pennsylvania, which has a renewable portfolio standard; and thirdly, congestion benefits to reduce the cost of power by building more transmission.

And the order required the regions to take those benefits into account in assigning the costs, and I think the region that Pennsylvania is a part of is a good example of coming up with a hybrid proposal that used different types of cost allocation together for different types

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of benefits that I think is a -- that we have approved preliminarily in the first case.

Mr. Pitts. Do you think FERC has authority under the Federal Power Act to allocate costs for new transmission to entities that don't have a customer or contractual relationship to the builder of the line and don't need the capacity provided by the line?

Ms. LaFleur. I think that under the court decisions and our orders, there has to be a proportionality between benefits and costs, but not necessarily line by line. There can be a portfolio of projects that a region agrees to that some benefit one area, some benefit another. And if a region agrees to it, we assume they have negotiated, that they all get something.

Mr. Pitts. Can you show me what section of the Federal Power Act gives FERC this authority to allocate costs in the absence of a contractual relationship?

Ms. LaFleur. Yes. We are relying on the sections of the Act that require just and reasonable and non-discriminatory rates, thinking that a process where the States involved and the companies involved negotiate the costs will help ensure just and reasonable transition rates.

Mr. Pitts. Commissioner Clark, in specific, FERC Order 1000 compliance filing orders, you have raised some serious concerns about

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potential downsides of the Commission's implementation of Order 1000. Can you elaborate on these concerns and particularly the implications for consumers?

Mr. Clark. Sure. To the degree that Order 1000, Congressman, deals with the need for perhaps greater regional planning, I am on board with that. I think it is just prudent for utilities to do so. To the degree that it is about trying to come to more accommodation with regard to cause or cost, payer cost payer allocation issues, I think that is helpful.

Where I have disagreed with the majority of the Commission from time to time is with regard to how FERC has been understanding and allowing the ISO's and RTO's and utilities to take into consideration those State and local laws that they still have to comply with because we have this Federal system where they still have substantial State and local compliance laws. And I have tended to argue that we need to give more latitude for those utilities that we regulate to continue to understand, to comply with and give them the flexibility to take into consideration those existing State and local laws, and not use Order 1000 as an attempt to sort of shake up the jurisdictional box, which I think just leads to greater litigation.

Mr. Pitts. Under Order 1000, it is predicated on the -- it is predicated on the idea, not the evidentiary record, that insufficient

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transmission is being built. How does the order solve this problem and how will we know when the proper amount of transmission is being built? Will the marketplace tell us? Will local utilities tell us? Will FERC tell us? What? Mr. Clark.

Mr. Clark. Mr. Chairman and Congressman, the way I understand it, it'll be an iterative process, so it will take a little bit different shape in different regions. As I indicated, the grid is highly regional by nature. In some regions, like the midwest, you have renewables in parts of the region, you have renewal portfolio standards in other parts of the region, you have regional utilities and States coming together and talking about some of those issues.

In other regions of the country, like the southeast, you have a much, much different situation. You have don't have access to renewables, and you have a different regulatory structure in those States.

I just believe that FERC has to be open to understanding each of those regional differences and accommodating those.

Mr. Pitts. Okay.

Mr. Whitfield. The gentleman's time has expired. At this time I recognize the gentleman from New York, Mr. Tonko, for 5 minutes.

Mr. Tonko. Thank you, Mr. Chair.

Commissioner LaFleur, in your testimony, you noted improvement

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between the years 2011 and 2012 in the number of nonweather-related bulk power system transmission related outages. As you know, we have several other related issues that can contribute to reliability problems, older transmission lines and grid equipment that needs to be upgraded or replaced and an increase in severe weather events that I have seen in my district and throughout New York that can cause outages.

In addition, we have much more reliance on IT in general for everything from financial transactions, to research and manufacturing, things that require exceptionally reliable power delivery.

How are these changes in the nature of the demand for power, the aging parts of the grid and the increased frequency and intensity of storm-related disruptions being considered in FERC's reliability efforts?

Ms. LaFleur. Well, thank you. That is a big question. I guess there are at least two different parts of it: one is the actual reliability standards to make sure that the transmission asset owners have the accountability for the refurbishment of their lines so that the lines operate properly in order to meet the standards, but secondly, is in -- we were talking about Order 1000 transmission planning, a reference was made to transmission rates, that is all a part of making sure that the structures are in place so that the companies can invest

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the money they need to replace aging infrastructure. And as you know, I am familiar with some of the aged resources in your region. They were -- it was an early part of the country to electrify.

Mr. Tonko. Thank you. Thank you very much. And FERC's changes to the capacity market rules in both the PJM area and ISO New England threaten to continue the ability of load-serving entities to self-supply their own capacity resources to serve their own loads. This problem is particularly acute for publicly-owned and cooperatively-owned electric utilities, because it endangers their ability to finance new generation units needed to serve their customer base using their traditional business model, which relies on long-term contracts and lower cost debt.

Do you anticipate that public power or cooperatively-owned utilities in these RTO's would be able to successfully exercise buyer side market power and RTO capacity markets?

Ms. LaFleur. Well, this is a question that is directly being looked at in our ongoing capacity marketing query that is open right now with a very heavy participation of public power, but basically the capacity markets that are forward price of what reliability is worth that is used to assign what the generators, the existing fossil generators as well as new generators will get paid for being there. And if people are allowed to bid in with a subsidized rate that doesn't

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refer to the market, it can pull down the market rate and it could affect everyone's reliability, but munis always have the right to prove that their costs are lower and show the ISO that they can self-supply because they can do it more cheaply.

Mr. Tongue. Thank you. Thank you. Mr. Norris, your testimony describes the many changes that are simultaneously occurring throughout the country in the power production use and delivery landscape. I am particularly interested in the challenge that our successes with energy efficiency, demand management and renewables are presenting to the traditional economic models for utilities. The success of energy efficiency and demand management is a good story, but companies do not increase profits by figuring out how to sell less of their major product.

So how are we going to provide continued incentives to seek more efficiencies and better management of demand if these goals further erode utilities' ability to earn profits?

Mr. Norris. Well, Congressman, a lot of those determinations are made at the State level, at the retail rate regulation. What we have been doing at FERC is trying to make sure that there is access to the markets for different new technologies that enable demand response in energy efficiency. Certainly you see it in the PJM market and the huge increase in demand response capability and that ability for that to

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bid into the marketplace, and PJM has fostered development of demand response in that region.

Different regions of the country are also looking at ways to develop better demand response resources or more demand response resources. I presume it will be part of the package of solutions in MISO as they look at meeting their potential capacity shortfall in 2016 and beyond.

So what we are doing is to make sure that there is -- that demand response gets treated fairly in the marketplace, so as a reward for investors in that technology.

Mr. Tonko. Do you see, like, a major restructuring of the power sector over time?

Mr. Norris. Major restructuring of the?

Mr. Tonko. Of the power sector over time.

Mr. Norris. Yeah. I think it is happening right now. I mean, I think you have got a lot more people engaged. Historically it has been central station power owned by the utility and delivered to the homes and businesses. Now you have got -- consumers want to be involved and engaged in their own energy production and more engaged in their energy usage. The development of the technologies on the smart grid are enabling those consumers to do that. The traditional utility and power sectors having to respond to that change in customer

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demand, much like what happened in the telecom sector, but it is bringing great efficiencies to our utilization of energy.

Mr. Tonko. Mr. Chair, I yield back.

Mr. Whitfield. The gentleman's time has expired. At this time I recognize the gentleman from Ohio, Mr. Latta, for 5 minutes.

Mr. Latta. Thank you, Mr. Chair.

And I thank the commissioners for being with us today. I appreciate your testimony. If I could start with Chairman LaFleur, just a series of questions, if I could. Under Former Chairman Wellinghoff, FERC's top initiatives included the smart grid, demand response, integration of renewables, and Order 1000 transmission planning cost allocation. Do you see that you would be continuing on with the former chairman's goals, or do you have other goals? Do you agree with those, disagree, or where do you see you directing the Commission?

Ms. LaFleur. Well, it is a timely question, because I am just in the process of talking to each of my colleagues, since it has been about a week that I have been in the job, to really set consensus objectives going forward, but I see that reliability and security will continue to be a top priority, and that includes resource adequacy, because you need the resources to be reliable, which we have talked about a lot this morning. We have a lot more work to do on transmission,

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so Order 1000 as, I believe Commissioner Moeller said, is going to be a big part of our work for a while, as well as transmission rates that was brought up. And I think making sure the markets are fair and that they work to attract the investment the country needs, and that the infrastructure is there, are clearly four priorities, but I think to be refined as we continue forward, but those are things that are ongoing.

Mr. Latta. Well, if I could, just a couple of areas, then. Where would you see that -- like, natural gas pipeline permitting, where would that be on your priority list?

Ms. LaFleur. Well, I think I referred to that in general in the term "infrastructure," but I think that in general, I think our projects group does a good job handling the pipeline applications in a timely fashion. We are seeing a lot of them, especially spurs and compressor stations in the Marcellas, and we have to continue to handle them. We do about 92 percent in a year, and I think that we should continue to do so.

Mr. Latta. Well, you know, especially on the pipeline permitting is very important across the midwest, especially, as you just said, on the Marcellas and Ohio, we have the Utica. And, you know, one of the great things we have is we have all the natural gas, but one of the problems we are having is we don't have the ability to get that

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natural gas where it needs to be. The potential in Ohio where the chemical industry at the same time being able to have that gas cracked and then to be able to utilize it, again, all depends on that pipeline permitting, so that is very, very important.

Also, what about on organized wholesale electricity markets? Where do you see you on that?

Ms. LaFleur. I see that as the -- all the things we have been talking about today, the power supply changing, we have seen a lot of changes in the markets to adapt to new resources and make sure the resources are there when the customers need them. Right now we are focusing in on the capacity markets, and I don't think that that is going to change in terms of the level of cases or the amount of things we need to look at.

Mr. Latta. Okay. Just one last question, if I could, with you, Madam Chair. What are the best measures to determine whether the restructured wholesale electricity markets operated by regional transmission organizations are benefiting consumers?

Ms. LaFleur. Well, that is a big question. I think certainly reliability is a key one, but also looking at the costs over time. It is very difficult to compare the costs of the restructured markets with the places that didn't restructure, because the places that restructured were the high cost places to begin with. That is why they

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restructured. But I think looking at the costs and reliability are two big ones.

Mr. Latta. Okay. And Commissioner Moeller, does FERC plan to exert jurisdiction over the generation or transmission activities of the non-jurisdictional entities?

Mr. Moeller. Not that I am aware of.

Mr. Latta. Okay. I want to make sure about that.

And also, if I -- my remaining 40 seconds, Commissioner Clark, in Title 7 of Dodd-Frank, Congress required the FERC and the CFTC to enter into a memorandum of understanding to establish procedures for resolving your jurisdictional conflicts over energy derivatives.

What needs to be done in order to resolve the jurisdictional conflict between the agencies and provide industry the certainty it needs?

Mr. Clark. FERC's position, Congressman, is that both agencies should be able to fully share in the information that we each have so that we can do what we believe Congress has intended us to do. For whatever reason, for reasons that predate my term on the Commission, that hasn't happened. We have had now leadership changes in both commissions, and I am hopeful that there can be a way that FERC and CFTC can have a meeting of the minds and strike that MOU.

Mr. Latta. Thank you.

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Mr. Chair, my time's expired and I yield back.

Mr. Whitfield. The gentleman's time has expired. At this time, I recognize the gentlelady from Florida, Ms. Castor, for 5 minutes.

Ms. Castor. Thank you, Mr. Chairman.

And good morning. I think you all are serving on the Federal Energy Regulatory Commission at a very exciting time. I mean, this has been a remarkable time with the natural gas revolution that comes at an important time when we have got to -- when we are seeing natural gas supplant coal at a -- when we know that it is vital to reduce carbon pollution, and then add on top of that all of the innovation in the smart grid, demand management and renewables. So while all that change is occurring, your responsibilities remain very important to ensure that consumers are protected, that you are charged with enforcing laws that protect consumers and ensure fair competition in the electric and natural gas markets, you have got to maintain your important relationships with State and regional partners to ensure that necessary energy infrastructure gets constructed, but what Mr. Tonko was -- Representative Tonko was talking about, it is almost outdated now, the old utility model of selling as many kilowatt hours as possible.

Instead, with what we know about smart grids and energy efficiency, we have got to be able to do some things, and some States

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are doing it, to incentivize greater conservation while at the same time keeping an eye on our infrastructure and reliability. So I think what you all have been doing to ensure that renewables compete on a level playing field is very important, also that energy efficiency and demand side management are also treated fairly as they compete with traditional power generation.

Now, FERC itself has said that they recognize demand response can help reduce electric price volatility, mitigate generation, market power and enhance reliability. You have issued a recent staff report, I know Mr. Norris was able to comment on it. Madam Chair, could you comment on that recent staff report, the findings, and what else FERC is going to be doing to channel this great innovation across the country?

Ms. LaFleur. Well, thank you. Yes. The staff report is something that we do under the Energy Policy Act, and it looked at the level of demand response around the country. Our primary focus is on the wholesale markets. I think we have -- under -- 2 years ago did a -- had a significant case on how you compensate demand response in the energy markets. Right now there is a lot of issues pending with respect to how you compensate demand response in the capacity markets, and I think we will continue to confront those as a part of our capacity market inquiry.

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I do think, though, that a lot of the effort to unbundle rates and incentivize efficiency is at the State level. And I know your Commissioner is going to be the president of NARUF soon, and I think that is where a lot of the innovation is still coming in the retail markets.

Ms. Castor. It just seems like some States are so far behind. I would say my State, we can do a much better job, and people are really waking up to the fact. Young people now, they expect to be able to use their smartphone to turn down their thermostat.

And while, Commissioner Norris, you mentioned in your testimony that you have had conversations with a number of utility CEO's about their electricity generation plans for the future, you said virtually all CEO's you talked to said they were focused on increasing natural gas and renewable energy generation. Is that right?

Mr. Norris. [No verbal response.]

Ms. Castor. And what do you -- why do you think they are recognizing, waking up to the fact that it is natural gas and renewables that are their future?

Mr. Norris. A combination of low-priced natural gas and apparent abundant supply, incentives for renewables and meeting State renewable portfolio standards. But one of the biggest factors we haven't talked about today is just the uncertainty, the uncertainty of an investment

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in coal-fired generation, because as I said in my written testimony, those CEO's and people I have talked to in this industry, it is not just whether -- it is not just when -- it is either when legislation will occur or the likelihood it will occur at some point is really precluding financing of new coal generation in this country.

Ms. Castor. And it is the science and the economics as well, the science that tells us we have got to reduce carbon pollution and the economics are telling us the exact same thing. Think about the State of Florida where now taxpayers are going to have to invest and they are already investing huge sums of money to begin to adapt to a changing climate. Think about the huge bills, the bills that come due every time we have an extreme weather event, whether it is drought or super storms. And I would think that the utility industry also sees the writing on the wall. They are looking for that certainty. And the more aggressive we are on moving away from carbon intensive energy generation, the better. Thank you very much.

Mr. Whitfield. The gentlelady's time has expired. At this time, I recognize the gentleman from West Virginia, Mr. McKinley, for 5 minutes.

Mr. McKinley. Thank you, Mr. Chairman.

Chairman LaFleur, perhaps you can give me some direction here a little bit on this. We have a growing problem in West Virginia with

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stranded gas and the production of the various constituents with NGO that we can't use necessarily in the local market, it has to be shipped. Currently a lot of it is being flared or just wasted, which is a shame, and it doesn't benefit the consumer and doesn't help the environment any.

So my question is, what I am hearing or sensing is there is -- and I think it is not unique just to West Virginia with this exploration of the Utica and the Marcellas in a number of States, there seems to be a potential jurisdictional problem starting to flare up a little bit, and one of them is -- so my question to you is should we be treating NGO's as natural gas and thereby allowing the Federal Government, your group, to take care of that, or should we continue having the NGO's handled at the State level and manage it that way? Do you have a position on that?

Ms. LaFleur. I hadn't thought of the jurisdictional question. It is a good thing for the committee to be looking at. There is a lot of stranded gas capacity as well as gas that is being flared because there is not sufficient take-away capacity for the liquids. We only do the pricing for the liquids pipelines under Interstate Commerce Act, but we don't do the siting. I suspect some of the States that think they do the siting very well would not welcome Federal siting. I think we could do it well, because we do it well with gas pipelines, but it

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might not be as popular with some of the States involved, but I think --

Mr. McKinley. I think that is a fair statement.

Ms. LaFleur. -- we've done a good job with that.

Mr. McKinley. I'm just trying -- whether or not you want -- are you going to take a more passive and let the States continue to do -- or are you going to try to assert a role that otherwise is not expected?

Ms. LaFleur. I didn't have a plan to redefine natural gas under the Natural Gas Act, but I think it is something to think about.

Mr. McKinley. Okay. Could you provide us in writing, because with the time frame, we don't -- and especially since you said you weren't prepared to discuss that necessarily, can you provide us some rationale for the Federal Government to be involved in this as compared to the States?

Ms. LaFleur. Yes. We will certainly take that and think about it. Thanks for the opportunity to think more.

Mr. McKinley. Okay. Thank you. Now, and the last is maybe more generic, but probably for over 10 years as an engineer in private practice prior, we were concerned about electromagnetic pulse, and it has been mentioned here again. I have been hearing about it for well over a decade, but certainly in the last 5 or 6 years. People have been talking even more here the last 3 years that I have been in Congress. Where are we with this? Or are we just waiting for some

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catastrophic event to happen, because there is just an awful lot of talk, but no action?

Ms. LaFleur. Well, I think I mentioned in my written testimony and briefly in my verbal testimony that last year, the Commission voted out a rule requiring utilities to have operational plans and response plans for --

Mr. McKinley. I guess more what I am saying, what is your expectation, not just your plan?

Ms. LaFleur. I think that the geomagnetic disturbance standards that we will get, and we have one pending, will help somewhat with the electromagnetic pulse. Although there -- I think there's also voluntary efforts going on in the North American Transmission Forum to talk about other aspects of the EMP, but I think the GMB standards are probably the most tangible action that has going on in this area for a long time.

Mr. McKinley. Is there progress being made in Europe or elsewhere with EMP's, but it is not unique to western -- to the United States?

Ms. LaFleur. I am sorry. I didn't --

Mr. McKinley. Is there progress being made with other countries in dealing with EMP's?

Ms. LaFleur. It is variable. A lot of progress is being made

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in Scandinavia, South Africa and the United Kingdom. A lot of other countries are taking a wait-and-see approach and looking -- Israel. Israel is also doing a lot. Other countries are taking more of a wait-and-see approach.

Mr. McKinley. Thank you. We will have further conversation, but thank very much.

Ms. LaFleur. Thank you.

Mr. Whitfield. The gentleman yields back the balance of his time. At this time, I recognize the gentleman from Colorado, Mr. Gardner, for 5 minutes.

Mr. Gardner. Thank you, Mr. Chairman.

And thank you to the members of the Commission for being here today, and congratulations to the acting chairman. I just wanted to follow up on a question, a brief conversation to Mr. Moeller that we touched on earlier, and it was an intriguing, I think, question raised. In Colorado, I think in -- just a couple years ago, we had the Hyde Park fire, which became the state's most devastating forest fire, followed a week later by the Waldo Canyon fire, which became the State's most devastating natural disaster. This past year we have experienced the Black Forest fire.

Do you believe that forest health threatens grid reliability?

Mr. Moeller. Well, I recall being involved in that issue,

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because I think we wrote the Forest Service -- or I wrote the Forest Service after talking to Colorado officials, including, I think, a Democratic State senator who works for the Keystone Foundation, just very concerned about the amount of dead forest and its threat from a fire perspective on transmission lines. That was the Nexus defer. So, yeah, forest health -- I come from the State of Washington. Forest health is a big issue up there, and particularly with the pine beetle issue. Should we hope for 2 more weeks of really cold weather to kill those beetles? I guess that is a mixed question, but it would be nice -- it would be nice if that threat to reliability can be removed.

Mr. Gardner. We would love to follow up with you a little bit more on that.

And to Acting Chairman LaFleur or Commissioner Moeller, earlier this year we unanimously passed the Hydropower Regulatory Efficiency Act. This Act revised how FERC regulates small conduit hydro projects, required the Commission to investigate a 2-year licensing process for non powered dams, and closed-loop pump storage projects, and also conduct pilot projects.

Could you give us an update on the Commission's activities to date to implement these and what provisions of the law outline -- you know, the other provisions of the law, and outline what steps the Commission will take in 2014 to implement the law?

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Ms. LaFleur. Yes, certainly. We have already received a large number of exemption applications for conduits, I believe 18, and they are all in some stage of the process. A couple of them have already been approved and others are close to approval. So that took effect immediately, and --

Mr. Gardner. Would you mind giving us maybe an idea of those 18 and which ones have been approved and where they are at?

Ms. LaFleur. Certainly. We will take that as a written question and where they are in the process.

Also, on, I believe it was October 22nd, we held a tech conference, a technical conference on what we can do to help speed up the process in the 2-year licensing requirement. I believe comments are outstanding right now, and the folks in the hydro section are working on that; had a lot of the other agencies involved that contribute to the timing as well.

We have received fewer applications for some of the other parts of the law as of yet, you know, the 40-megawatt exemption and so forth.

Mr. Gardner. Do you believe that FERC will be able to implement the pilot projects in 2014?

Ms. LaFleur. Yes.

Mr. Gardner. Okay. You talked a little about the workshops, you talked about what you learned. Do you believe that we will be able

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to get through the intent of the legislation in the next 2 years, implement the intent of the legislation?

Ms. LaFleur. You mean satisfy the intent of the legislation?

Mr. Gardner. Yes. Correct.

Ms. LaFleur. I certainly think that is our job.

Mr. Gardner. Okay. And the process for excluding small conduit hydro projects from FERC licensing, how is that working?

Ms. LaFleur. I -- we -- it is working actually very well with your State, because of our Memorandum of Understanding, and we recently entered into one with California, I believe, just a couple weeks ago. It is variable in different regions, because some of the States don't have the resources on hydro to have the same level of cooperation, but it is something we have put a lot of effort into. The hydro team has simplified the Web site, simplified the processes to try to process them as quickly as we can.

Mr. Gardner. And do you have a number on the determinations that have been sought?

Ms. LaFleur. No, but I can get that and take it as a question for the record.

Mr. Gardner. That would be fantastic. If we could find out those granted and those denied, that would be great. And if you could provide some statistics on the length of time these proceedings have

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taken as well, that would be great.

Ms. LaFleur. Yes.

Mr. Gardner. To Mr. Moeller, Commissioner Moeller, Commissioner Clark, a question for you, and I am running out of time here, should behind-the-meter generation be treated as a demand response resource or generation resource?

Mr. Moeller. Very timely. I have issues with behind-the-meter generation, because it is not dispatchable like other forms, and I will point you to a dissent that I wrote earlier this week on a particular order.

Mr. Gardner. And Commissioner Clark, quickly, then I am going to have to follow up on the record with some of these other questions and some FERC 1000 Order questions.

Mr. Clark. Sure. Congressman, to a great degree, I think it depends on the record in each of those individual cases. I would have a concern in some areas, and others, if measurement and verification can be proven, I believe they may be able to participate. There is a separate question with regard to compensation that should be given to those resources, and from time to time, I have disagreed with parts of the Commission's orders on that issue.

Mr. Gardner. Thank you. Mr. Chairman, I will follow up with additional questions.

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Mr. Whitfield. The gentleman's time has expired. At this time I recognize the gentleman from Virginia, Mr. Griffith, for 5 minutes.

Mr. Griffith. Thank you, Mr. Chairman. Appreciate that.

Mr. Norris, earlier you were speaking with Ms. Castor, and you started talking about that people were worried about building coal-fired power plants because of legislation. Could you expand on that for me?

Mr. Norris. I think there is a general concern that there will be at some point in time, a cost put on carbon. Because of the uncertainty of when that will happen and what that will be, combined with the other factors in place right now that I have talked about in my testimony, natural gas prices, EPA rules, State requirements, that it is just too risky for investment into coal-fired generation. And, frankly, nuclear is suffering some of the same problems strictly on the cost aspect.

Mr. Griffith. So while natural gas is a concern because the prices are lower right now, looking forward, natural gas and coal have competed over the decades and that would probably continue, but with already existing newly proposed EPA regulations and the fear that either legislation or additional EPA regulations are major causes as to why no one's really looking at building a new coal-fired power plant. Is that correct? Is that a fair statement of generally what you said?

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Mr. Norris. Yeah. I think some of the existing facilities are being retired because new -- massive --

Mr. Griffith. The new -- right.

Mr. Norris. But the primary concern that was expressed to me is that -- the anticipation at some point, there will be a cost on carbon, and that makes the economics difficult to finance coal plants.

Mr. Griffith. All right. And then let me ask about, to anyone who wishes to answer, all of you, PJM and the other markets, have you all done any studies to determine whether or not those markets have actually lowered the costs of electricity coming to the consumer?

Ms. LaFleur. Yes. We get regular reports from the markets and their market monitors and a -- the years are running together, but within the recent past, we compiled a major set of metrics from the different RTO's that included cost metrics over time, and there were, I know, within PJM and the other eastern markets cost reductions. Now, they are, in part, driven by the cost reductions in gas being used to generate the electricity, but we also looked at the transmission congestion and how that was coming down. So we could provide an update on that in written form as well.

Mr. Griffith. All right. That would be great, and I appreciate that.

Have any of you had contact with the White House regarding the

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President's climate action plan?

Ms. LaFleur. Not me.

Mr. Moeller. No.

Mr. Norris. I don't believe so.

Mr. Clark. No.

Mr. Griffith. Well, isn't that interesting. So they didn't talk to you all about that? I guess, if they didn't talk to you about it, they just -- nothing else you can say about it, I suppose.

Ms. LaFleur. I mean, in my view, we function as an independent agency. They don't give us policy guidance, at least never in my experience. They did call to make me acting chairman, which I very much appreciate, but didn't say anything about how to vote on anything.

Mr. Griffith. Well, and I wasn't really asking, you know, whether or not they had called you about how to vote on things, but I am just curious that they came out with this major plan and didn't discuss with you, and what I am talking about, get advice or seek input or anything like that. So you didn't have those conversations either? So maybe I wasn't clear when I asked it the first time around.

Ms. LaFleur. I do coordinate with the Department of Energy on the electricity advisory committee, but their efforts are more around transmission, storage, some other areas. I think the climate plan came from other parts of the administration.

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Mr. Griffith. Okay. So then I guess it would be fair to say that they didn't seek any information from you-all on how this might affect electric prices for the average American family?

Ms. LaFleur. The White House didn't seek any information from me.

Mr. Moeller. Nor I.

Mr. Norris. I am going to assume they didn't contact me because we are an independent agency, not because they didn't know we existed.

Mr. Clark. No, I wasn't contacted.

Mr. Griffith. All right. Well, I don't have any additional questions. Thank you very much for being here today. And, Mr. Chairman, with that, I yield back.

Mr. Whitfield. The gentleman yields back. At this time I recognize the gentleman from Illinois, Mr. Kinzinger, for 5 minutes.

Mr. Kinzinger. Thank you, Mr. Chairman.

And thank you all for being here. Competitive markets tend to be the most efficient when a light regulatory approach towards rules and regulations are in place. Given that the process as put in place by FERC impacts tens of millions of consumers, it is my hope that your Commission will work with all parties to ensure that all aspects of industry are taken into account in order to ensure that current and future energy demands are able to be met.

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It is my understanding that FERC is in the process of evaluating market mechanisms in a holistic fashion in a subset of the capacity markets in which it regulates. I appreciate the Commission taking on this effort, but I have a few concerns that I would like to discuss in order to determine where this effort may lead and whether or not it may be unnecessarily limited.

Chairman LaFleur, what does the Commission intend to do with the information it is currently gathering in this proceeding?

Ms. LaFleur. I think on the capacity markets, that is very much a work in progress that is going on right now, but I think potentially, an illustrative example is what we have done on gas electric where we have looked at a large number of comments from around the country and said, here is a large set of them that have to be handled regionally, and we will continue to deal with it with each region of the country, but here is a couple cut-across issues we may look at across more than one region, and that may well be the future capacity markets, but I think I want to read the comments and talk to my colleagues.

Mr. Kinzinger. Have you discussed the possibility of expanding this effort to include other wholesale capacity markets that the Commission regulates, and is there a specific reason for limiting the inquiry if, in fact, you have the capacity markets alone?

Ms. LaFleur. There was a reason to limit the technical

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conference to the three markets, because they operate in largely parallel fashion, they are more mature. The midwest ISO voluntary capacity market is considerably newer, and we thought it might be difficult to do them all in one day, but there is certainly no reason we won't in the future be looking at other places as well if the need arises.

Mr. Kinzinger. Okay. Baseload electric generating assets have a life span of 40 to 60 years. The forward capacity markets and organized electricity markets typically operate 3 years ahead. Ms. LaFleur and Mr. Norris, let me ask you these questions. Do you agree that there is a fundamental mismatch between the investment recovery profile of electric generating assets and the way merchant markets are structured, and do you believe FERC has a role to play in addressing this problem? Mr. Norris first.

Mr. Norris. By markets, you mean capacity markets?

Mr. Kinzinger. Yeah.

Mr. Norris. Yeah. There is a disconnect. The capacity markets are really designed to make sure there are adequate resources and the reserve margin will be met for the long-term future. I think some of our current capacity constructs were largely put in place to provide a revenue stream for generators that were spun off in a lot of the restructuring areas, and there has been a cushion of time there for

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that to play out. We are reaching into that cushion now. We have got to look at these capacity markets and play a role in structuring them so long-term supply is available for adequacy.

Mr. Kinzinger. And, Chairman LaFleur, do you have any anything to add on that?

Ms. LaFleur. Well, I think the reason we are looking at capacity markets is largely to see if they attract the investment we need, and that includes, you know, baseload, peaking, intermediate, demand response, all the things you need to run a grid, and that is what we will be looking at.

Mr. Kinzinger. Does your Commission have plans to review and improve market rules so that wholesale markets are given the proper signals to allow for investment decisions to be made in the power sector?

Ms. LaFleur. Well, that is the purpose of the wholesale market rules in part is to attract the investment for reliability, so I think that is very much within our responsibility.

Mr. Kinzinger. And then finally, Mr. Clark, do you think the Federal Power Act authorizes FERC to subsidize long-distance transmission of remote wind power over potentially cheaper local renewables?

Mr. Clark. I don't think it authorizes, Congressman, the

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Commission to subsidize such lines. I think it charges the Commission with trying to make a reasonable attempt at allocating costs on a commensurate basis on a cost-causation beneficiary principle. I think the Seventh Circuit through the course of a couple of major cases has basically given us the goalposts in terms of what our responsibilities are in terms of assigning those costs.

Mr. Kinzinger. Okay. Thank you all for your time.

Mr. Chairman, I will yield back 36 seconds.

Mr. Whitfield. Thank you very much. At this time I will recognize the gentleman from Texas, Mr. Hall, for 5 minutes.

Mr. Hall. Mr. Chairman, thank you.

And commissioners, I thank you for appearing here today. If I ask questions that have been touched on earlier, I have been another committee. We are all trying to pass everything we can before getting to go home for Christmas.

I have been hearing about a new technology that is coming onto the market, and I am from Texas and, of course, have great interest in energy. Probably other than "prayer," it is the most important word in the dictionary for young people. And they have no jobs today, and if we go on the way we are going now, there will be no employers in about a year, so you have a very important job.

That new one, manufacture the solution out of gas liquids to make

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it easy to transport to a customer, who then treats it and then uses it as a fuel or feed stock or electric generation, whatever they want, and I am told that it is a new technology that can be used relatively small, simple equipment that is often modular and can be moved from site to site in an oil field, which is important to them, to capture stranded gas that Mr. McKinley had an interest in, or they can be installed within existing port facilities.

I hope FERC can ensure new beneficial technologies like this are not subjected to the same time-consuming and expensive review process as the major projects, say, such as LNG. Some of these new technologies don't always fit the rules that you have, they are all forced to fit into a category, but just because you are supposed to regulate and you feel that you have to regulate them, the new businesses are going to be stifled or it will never get off the ground. I hope you won't feel that you have that conjure up ways to regulate something if you haven't been told to regulate it by an act of Congress. And that is kind of a question that is not meant to be insulting in any way, because I admire you.

And do you have any short statement you want to make to what I have said so far?

Ms. LaFleur. Well, I believe we have to stay in our jurisdiction. As has been observed several times today, we have been given quite a

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lot of it. We are not short of things to do. And that is what we try to do, is follow the law.

Mr. Hall. And I expect you to do that.

Mr. Clark. Yeah. Congressman, I would just add, I agree with Chairman LaFleur. Coming from North Dakota as I do, where we have a significant concern with flared gas, and I understand --

Mr. Hall. You have a role to play there.

Mr. Clark. Yeah. I understand the technology that you are talking about, and I am intrigued by it, but I would share your concern that anything that we can do to advance technologies that allow us to capture and utilize valuable resources is something we should do.

Mr. Hall. Well, we go back some 20, 25 years that some of us have been up here. And if you remember, we passed Clean Air Acts and Clean Water Acts, and took several sessions to do them. And we breathed life into the EPA in those. I remember that. Even though I was a Texan and believed in energy, and energy paid 55 or 60 percent of the taxes that were paid in Texas, we felt that it was very important. And we breathed life into the EPA by giving them a role in that act.

I am kind of sorry now that we did, because they acted well then and we were pleased with what they did, and we thought, even though we were energy oriented, that the energy people needed some supervision, but they also needed some help that the Federal Government

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can give. So they now hurt us by overregulation, and that is what I was asking you about, I guess.

And, Acting Chairwoman, a key goal in FERC's strategic plan 2009 to 2014 calls for safe, reliable and efficient infrastructure development to integrate these resources. Are you supportive of FERC's -- have you been there 3 weeks, you say?

Ms. LaFleur. No. I --

Mr. Hall. Golly, you --

Ms. LaFleur. I have been 3-1/2 years, so I --

Mr. Hall. I would hate to cross-examine you --

Ms. LaFleur. I have only been in this job 2 weeks.

Mr. Hall. All right. Well, you are doing very well, and I thank you for that, because you have given -- are you supportive of FERC's goal for infrastructure development included in this plan?

Ms. LaFleur. Yes, I am. I think it is an important part of what we do.

Mr. Hall. And what kind of enhancements or changes would you consider on this goal?

Ms. LaFleur. Excuse me?

Mr. Hall. Do you have any changes you'd make? Maybe you haven't had time. Maybe the other gentlemen might.

Ms. LaFleur. When I looked most recently at the strategic plan,

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it is written at a very high level, and I think most of it is things like just and reasonable rates and a robust infrastructure, which I do not think there would be any need to change.

I think, as I said, as we look at the current situation of where the country is, I want to meet with my colleagues and figure out are there things that we need to give more priority to. And I think I will be very accountable for that, but I want to do a little bit of work before I answer, if possible.

Mr. Hall. Commissioner Moeller, Mr. Clark, if the administration continues down this part of taking fuel-of-choice decisions away from the electric industry, as I am told that they do, and reducing fuel diversity, what negative consequences would you expect?

Mr. Moeller. Well, we just have to watch reliability very, very closely. A number of us have made references to the midwest, but it is just not the midwest. In the next few years and the next few summers, very concerned about making sure that we have resource adequacy.

Mr. Hall. And to the acting -- my time up?

Mr. Whitfield. I am sorry, Mr. Hall.

Mr. Hall. Well, I guess I will yield back, then.

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RPTS BINGHAM

DCMN CRYSTAL

[11:35 a.m.]

Mr. Whitfield. We were all so mesmerized by your comments that I forgot the time, too.

But at this time I would like to recognize the gentleman from Nebraska, Mr. Terry, for 5 minutes

Mr. Terry. Thank you, Mr. Chairman. And I am your favorite witness, the last.

So, Mr. Norris, I want to follow up with you because part of the discussion today has been about a carbon price being built in that the carbon price is based on the uncertainty of what is going to happen regarding carbon. That intrigues me, what you were talking about, because yesterday I was hit up by a reporter that asked me a similar question about energy companies already starting to build in a carbon price. And of course the question then from the reporter is, what are you guys doing in Congress about a carbon price? And I said, nothing, we aren't trying to artificially inflate, at least legislatively, energy prices, nor overtly through a tax.

So it begs the question, since there is a lot of discussion about now building in a carbon price, is there discussions in FERC that you have been involved with or know about as an overt attempt to either

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raise prices based on carbon or any other thing that would, in essence, increase cost based on carbon?

Mr. Norris. In short, no. The reason for my comments in my testimony here today is to make you aware I think that is a major factor in some of the change happening in our energy landscape right now, is the uncertainty about when or if there will be a price on carbon.

Mr. Terry. Well, and I think there is some merit to the "if," because there are a lot of people that are pushing that. There is no legislative attempt. But it also begs the next level of question, with natural gas in particular, and you just had some discussions about flaring in North Dakota. I have pictures on my iPhone of that when our subcommittee took a little trip up there.

So we are burning it off, we have got an ample supply. But I think there is some uncertainty in that area as well based on some environmental groups and even some people on this committee that would like us to stop using the technology of hydrofracturing.

Have any of you had discussions in there about any policy impacts on hydrofracturing, how that could impact the reliability and affordability of electrical generation in the United States? And let's start with the Acting Chairwoman.

And congratulations. That is a good call from the White House. I am just looking for any call from the White House on any of the issues

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I have asked them to talk to me about. But that is a issue for a different day.

Ms. LaFleur. We don't regulate hydraulic fracturing. We have been asked in some of our gas pipeline cases to evaluate the environmental impacts upstream and downstream, and we have taken a pretty strong line under the National Environmental Policy Act to just look at the impact of the project we are certificating.

I think as part of the discussion of fuel diversity and gas-electric there has been general discussion of should the rules change at any time on natural gas, you know, we have to be alert to that because that could affect reliability, but no direct impact on it.

Mr. Terry. Well, let's take that, because one of the discussions we have had with FERC in the past has been the coordination with FERC, particularly on natural gas with the other entities, EPA for example, reliability. How is that work going of everyone trying to get on the same page in regard to natural gas?

Chairwoman.

Ms. LaFleur. Most of the discussions I have been present with on the EPA have been about specific suites of regulations that we have discussed, MATS and so forth. I stay alert to discussion of regulation of natural gas, but I have not been part of discussion of fracking.

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Mr. Terry. Well, no, this is just on natural gas in general, and reliability, because there is going to be an issue, as some of these plants are unable to use coal because of the new standards that are being produced, and there will be a time when they either shut down or move to natural gas. That is going to affect reliability. And I assume those discussions are occurring with the EPA and other agencies so that you that you know that this is going to happen and how you are going to deal with it.

Ms. LaFleur. Well, should there be a time when I have any reason to believe the natural gas supply is going to be interrupted, I would certainly take part in those discussions. Everything we are seeing --

Mr. Terry. Well, this will be more about the down time of plants, to either shut down or the shutdown to retrofit. Because you can't gut a coal-fired plant and have it still running while you are putting in a whole new system.

Ms. LaFleur. Well, on that we have had discussions, and I think that is one of the reasons that the EPA gave us, among others, a consultative role if a plant needs more time to retrofit under the MATS standard.

Mr. Terry. Well, even if you give them more time to retrofit it is going to be down time during the retrofit. So we are going to have issues of electrical generation not existing in certain areas.

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Mr. Whitfield. The gentleman's time has expired. I am very sorry to say you are not going to be the last person to ask questions, Lee.

Mr. Hall. Mr. Chairman, can I make an inquiry of you? I didn't get to ask everything I wanted to, but I didn't know what had already been asked. Would you ask to leave the record open for a couple of weeks if we mail a direct question to them --

Mr. Whitfield. Absolutely.

Mr. Hall. We have had problems about the natural gas sector and the electricity sector. Thank you, Mr. Chairman.

Mr. Whitfield. Yes. We will have it open for 10 days and work with you to get the questions to the commissioners.

So at this time I recognize the gentleman from New York, Mr. Engel, for 5 minutes.

Mr. Engel. Thank you, Mr. Chairman. And I won't take 5 minutes. I was here before and I had to run out.

I just really have one question. I would like to focus on the Champlain Hudson Power Express. I am sure you are aware that I and others have spent many years speaking out in favor of closing the Indian Point nuclear power plant in New York. I am not opposed to nuclear power, and I never spoke a word about closing the plant until after September 11th, when I learned that one of the planes that hit the

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towers flew right over this power plant, which is probably about 10 miles out of my district.

I believe, and so does our governor and all the elected officials in the surrounding area, Members of Congress who represent the area in Westchester County, we think it presents one of the most serious safety and environmental threats facing the New York metropolitan region.

But New Yorkers no longer really need to face this threat because the Champlain Hudson Power Express would deliver 1,000 megawatts of power to the New York metropolitan region. And with the implementation of the Champlain Hudson Power Express, security of New York's electric grid would be increased and New Yorkers would no longer have to live with the dangers of Indian Point in their own backyard.

It is obviously a benefit to New York, and the safety of New Yorkers is obviously all of our concerns. And given the great benefits of the project, I really believe that it is important that it is implemented in a timely manner.

So my only question is really in our effort to plan for a post-Indian Point New York, I am sure that we have to make sure that we have sufficiently reliable, safe energy to replace the nuclear facility because when some of us said that it should be closed, people came back with, well, what are you going to do to replace it? So I

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believe the Champlain Hudson line provides a portion of that energy. And I would like to hear from any of you regarding the status of the project.

Madam Chair.

Ms. LaFleur. Thank you, Mr. Congressman. I believe about a year ago, within the past year, FERC issued an order approving market-based rates for the Champlain Hudson line. No one sought rehearing of that order, so it is final, so we did the rate making. I believe the siting of the line is being done in New York State, and so I don't think we have any anything open on the line right now. But we got out the order that they needed for their rates.

Mr. Engel. Thank you.

Anybody else have anything to add.

Mr. Moeller. Congressman, I think it points to the fact that transmission is such a good technology because it can solve a multitude of challenges going forward. And so I again want to stay positive on the need for more transmission investment. This is a local example that has regional benefits. We can duplicate that in many areas of the country.

Mr. Norris. Thank for the question. Yes, I echo my colleagues' comments, we have dealt with that line, given it negotiated rate authority as a merchant transmission line. I think it is a great

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example of the wealth or abundance of hydroelectric facilities, of possibilities coming down from Canada that could meet a lot of our long-term needs with low emissions, or no emissions, but also transmission will be key to making it happen.

The second point would be, as you talk about your nuclear facility, I am very sensitive to the decisions of New Yorkers about that plant. We are also facing a close down of the San Onofre plant in California. Just a heads-up: Replacing those large facilities in huge urban centers is going to require some other infrastructure to replace it. So we are going to need support, and developers are going to need support for building that infrastructure to replace those generation facilities. That is not easy to do in today's environment.

Mr. Clark. I would concur with my colleagues and don't have anything to add.

Mr. Engel. Okay. Thank you all very much. I appreciate the answers.

Thank you, Mr. Chairman.

Mr. Whitfield. I will make one just comment on this. You referred to the closing of the nuclear plant down in southern California, and California has the 33 percent renewable mandate. And I was talking to one of the CEOs of one of the majority utilities out there. And as they build new transmission lines to bring in renewable

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power to where they need it, they are getting in some instances specific instructions relating to going underground on the transmission lines, which raises a lot of technical issues. And this CEO informed me that the mileage that they are going underground is costing his utility \$100 million a mile. So we are talking about some costly situations in some cases.

At this time, I recognize the gentleman from Texas, Mr. Olson, for 5 minutes.

Mr. Olson. I thank the chair. And I thank you, sir, for your patience. I can assure you that I will take only a maximum of 4 minutes and 59 seconds of my time.

Welcome to the witnesses. Chairwoman LaFleur, Commissioner Moeller, Commissioner Norris, Commissioner Clark, welcome. Happy holidays.

I have one question, and it is about the production tax credit. I will start with you, Commissioner Moeller.

As you know, for the next 10 years some wind turbine owners will get tax credits for every hour they run. This tax credit was designed to kick start renewables. And yet it lives on despite wind being a major part of the grid, at least 12 percent in my home State of Texas capacity coming from wind. But some markets have seen, quote/unquote, prices as low as negative \$41 per megawatt hour as operators get the

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credit and run whether the power is needed or not.

Now granted, that is an extreme example, but they can suffer a loss and taxpayers make them whole. That moves markets. Back home, our lack of new power construction in Texas, our public utility commissioner Chairwoman Nelson has said, and this is a quote, the market distortions caused by renewable energy incentives are one of the primary causes. This distortion makes it difficult for other generation types to recovery their costs and discourages investment in new generation. And while the PTC isn't the only driver of market distortions, it is a significant force.

So starting with you, Commissioner Moeller, do you agree that incentives for renewables distort energy markets?

Mr. Moeller. Congressman, I think all subsidies distort markets.

Mr. Olson. Chairwoman LaFleur, any comment, ma'am?

Ms. LaFleur. In a pure market there would be no tax subsidies, but many of the resources that fit into the market have tax subsidies of one sort or another that are not taken into account in the market price.

Mr. Olson. Commissioner Norris, you are up, sir.

Mr. Norris. I echo my colleagues' comments. I agree any tax implication is going to affect an open marketplace. Having said that,

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I am concerned that some of the nuclear facilities that have been closing or looking at retiring because of negative nighttime pricing is a concern for me because I think of the long-term stability of those as baseload fuel, and baseload plants in our system is important.

Mr. Olson. Yeah, we need those. Yes, sir.

And, Commissioner Clark, you are our last hitter, sir. Clark.

Mr. Clark. I would agree and for the reasons that you have identified. Obviously it is a decision for Congress to make whether there will be a PTC or not, it is not FERC's, but clearly it does have a market-distorting impact, especially in very wind-rich parts of the country and at certain times of day and at certain times of the year.

Mr. Olson. And one final question, it is a yes-or-no answer, and following up on my colleague Mr. Green's questions about our grid liability bill we passed here in Congress. Yes or no, does everyone out there still agree that it is bad policy to trap companies between two different regulators with different goals during power crisis?

Chairwoman LaFleur.

Ms. LaFleur. Yes. I think it is bad policy and I supported -- you are talking the Hobson's choice bill?

Mr. Olson. Yes, ma'am, our grid bill.

Ms. LaFleur. I supported the basic principle that if the DOE orders you to run, you should not face sanctions for that in that limited

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instance.

Mr. Moeller. I strongly, strongly support the concept, especially with what we are hearing about in the Midwest and to some extent Texas.

Mr. Olson. Yes, sir.

Commissioner Norris.

Mr. Norris. I think it puts people in an unfair position.

Mr. Clark. I would concur, and I have been supportive in the past of the bill that you and Congressman Doyle have sponsored.

Mr. Olson. Thank you. I yield back the balance of my time. I am 41 seconds early, sir.

Mr. Whitfield. Yeah. Thank you very much. We appreciate that.

Well, that concludes today's hearing. I would like to ask Ms. LaFleur one additional question.

Recently it was brought to my attention that FERC has jurisdiction over a number of lakes around the country in which hydropower is being produced, and a decision affecting the Lake of Ozarks and about tearing down some houses and whatever and then went out at the Grand Lake in Oklahoma. Would you be able to identify for the committee the name of an individual at FERC that would have up-to-date information on the authority and jurisdiction that you all have over these lakes in which hydropower is being produced? Not right now, but later.

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Ms. LaFleur. Yes. Absolutely.

Mr. Whitfield. Okay. Thank you.

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[The information follows:]

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Mr. Whitfield. And without objection, and hopefully you all have seen this, we have a letter from the American Public Power Association, a statement that they would like to insert into the record. Without objection. So that is entered.

[The information follows:]

\*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

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Mr. Whitfield. And we will keep the record open for 10 days because, as Mr. Hall and others said, there are a few additional questions we would like to submit to you all.

[The information follows:]

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Mr. Whitfield. But I want to thank you for coming up today and visiting with us and for the exchange that we had. And thank all of you for what you are doing and continue to do in addressing these important issues.

And with that, that will conclude today's hearing. Thank you.

[Whereupon, at 11:52 a.m., the subcommittee was adjourned.]