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House Liaison
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426
August 27, 2014

Nick Abraham
Legislative Clerk
Committee on Energy and Commerce
2125 Rayburn House Office Building
Washington, DC 20515

Dear Mr. Abraham:

Enclosed are the responses of Commissioner John Norris to the additional questions for the record. If you have any questions, please telephone me at [REDACTED].

Sincerely,

Jehmal Hudson

House Energy & Commerce Committee
Subcommittee on Energy & Power
Hearing entitled "FERC Perspectives: Questions Concerning EPA's Proposed
Clean Power Plan and other Grid Reliability Challenges"
Additional Questions for the Record for Commissioner John Norris

The Honorable Ed Whitfield

- 1. How many times did you or your staff meet with EPA to discuss the Clean Power Plan proposal?**

I did not meet with the EPA on the Clean Power Plan nor did my staff.

- 2. Do you view EPA's proposed Clean Power Plan as an "energy plan" or a "pollution control" rule? Please explain your response.**

"Pollution Control" - The Clean Power Plan is to reduce harmful greenhouse gas emissions. It impacts our energy sector because that is a major source of greenhouse gases but it is not an energy plan. As you may recall from my oral and also my written testimony I believe Congress needs to enact an "Energy Plan" and by doing so could incorporate limits on greenhouses gases through a carbon tax, cap and trade program or some other means. I believe this would enable us to achieve reductions in greenhouse gas emissions much more efficiently.

- 3. Would you agree that the proposed Clean Power Plan gives EPA a certain amount of control over State decisions regarding the generation, supply and consumption of power, particularly if State renewable energy and efficiency programs are included in an EPA-approved State Implementation Plan?**

I think the Clean Power Plan will do what it is intended to do, reduce harmful greenhouse gas emissions. How a state wants to reduce those emissions in its energy sector is still up to the states as the Plan provides flexibility or multiple pathways for a state to achieve a reduction in greenhouse gas emissions.

- 4. As the D.C. Circuit Court recently held, FERC lacks authority to dictate how States plan and operate their energy systems. Are you aware of any statutory authority that permits EPA to mandate that States restructure their electric systems and subject State energy decisions to federal oversight and control?**

Energy decisions are still up to the states. They just can't have an energy production system that pollutes the air for present and future generations. Protecting our environment is not something new the EPA is doing, it is the very purpose and essence of its existence and thankfully so.

- 5. To what extent does FERC have authority over State utility and resource planning? Are you aware of any statutory authority giving EPA greater authority in this area than FERC?**

Again, states still have control of their utility and resource planning as they did before but now there are limits on how much harm the generation of electricity in their states can do to our environment.

- 6. EPA projects nearly 180 gigawatts of generation capacity will retire between 2010 and 2020 in response to the Clean Power Plan and other factors, such as EPA's previously finalized**

Mercury and Air Toxics (MATS) rule. What do you view as the potential reliability impacts resulting from the loss of 180 gigawatts of generation over the next 6 years?

As I stated in my testimony, continuous communication and coordination between the EPA, states, FERC, NERC and stakeholders will need to take place to ensure this transition to a lower carbon generation sector can be done safely and reliably. Retirement of generation sources can be addressed in multiple ways. I don't presume it will be easy but I also believe we are capable of achieving a cleaner environment and a more sustainable energy system without sacrificing reliability.

- 7. Would you be supportive of EPA including in its final Clean Power Plan a "reliability safety valve" that provides FERC greater authority to prevent the retirement of reliability critical generating units? What might such a safety valve look like?**

I believe the multiple potential extensions and the process for input by FERC for the MATS Rule could be a useful model in evaluation of potential safety valves for the Clean Power Plan.

- 8. Has EPA advised you about how the Clean Power Plan would work in states with multiple Regional Transmission Organizations (RTOs) or states with RTO members and non-RTO members or states with no RTO members? If yes, how would the plan work according to EPA?**

As previously stated, I have not met or been advised by the EPA on the Clean Power Plan.

- 9. EPA analyzed a set of compliance scenarios referred to as "Regional" scenarios. The regional scenarios allow emission rate averaging across affected sources within six multi-state regions, inform (ed?) by North American Electric Reliability Corporation (NERC) regions and Regional Transmission Organizations (RTOs). What role does FERC see for itself in overseeing such regional compliance efforts?**

As I am no longer a Commissioner I will defer to Chairman LaFleur's response.

- 10. A Bloomberg article recently quoted you as stating that the U.S. is already almost halfway to meeting the emissions targets set under the EPA's proposed greenhouse gas rule, thanks to the 2005 base year selected by the agency."**
- a. Do you now understand that the emissions rate baseline used by EPA is actually 2012, and not 2005?**

My understanding when I was quoted by Bloomberg was that 2005 emissions were utilized to establish the base year for setting the goal of a 30% reduction in greenhouse gas emissions by 2030. While not referenced in the article or your question it was my understanding that 2012 emissions were utilized as the benchmark for states going forward. I'm not certain I understand if differently now as you stated in your question but I will admit I have found the EPA explanation of these distinctions confusing at times.

- b. Wouldn't you agree that a 2012 baseline makes compliance a considerably heavier lift than a 2005 baseline? Why or why not?**

I think whether you use 2005 or 2012 as the "baseline" for measuring a 30% reduction in greenhouse gas emissions we are only at the tip of a melting iceberg. The intent of all of this is to reduce our

carbon emissions to a level where catastrophic climate change can be prevented. To achieve that goal we need to take the next step of targeting an 80% reduction of 2005 emissions by 2050. The less we do now the more difficult the next step becomes so whichever, 2005 or 2012 is the heavier lift we should be pursuing it.

11. During the hearing, in response to a question from Rep. Waxman, you stated:

...it is a gradual transition that is already occurring. We are already not building coal plants because the science is not changing. We are already having, as Commissioner LaFleur said, the advent of gas coming that is impacting the system, that is as a result of technology, the fracking technology, so science and technology is driving this change, not EPA.

If, as you testified, the transition is "already occurring" and that science and technology, not EPA, is driving this transition, why do you believe EPA's Clean Power Plan is necessary?

In a word, certainty. The science is so overwhelming regarding climate change that nearly everyone I have spoken with in the electric industry assumes that at some point the U.S. and other nations will have to take action. The uncertainty about what action and when, is impacting investment in electric generation and a wide range of energy technologies. The Clean Power Plan is the most significant governmental action to date that gives this industry some much needed direction. That is also why I have stated I believe the better and more efficient course of action would be for Congress to enact a carbon policy. Legislation such as a carbon tax or cap and trade program would provide significantly more certainty for investment in clean energy technologies. By doing so I believe you could enable the United States to minimize the costs for building a sustainable, clean energy industry and create jobs for Americans by taking advantage of the expanding global marketplace for clean energy technologies.

The Honorable David B. McKinley

1. This January, during the "Polar Vortex", electricity customers in the PJM region experienced significant abrupt increases in their electricity costs, with bills rising to several times their normal levels. These price spikes were caused, in part, by significant generation outages during January, despite these generation resources receiving billions of dollars a year in advanced payments in exchange for their being available to provide energy during peak periods, whether in the extreme heat of the summer or the extreme cold of the winter. I am concerned that the causes of this situation have not been understood well enough to prevent it from happening again. Do you think you fully understand what happened and can assure us it isn't going to happen again? Has the Commission conducted a comprehensive root cause investigation and analysis of the situation, or directed PJM or the PJM Independent Market Monitor ("IMM") to do so?

a. If yes, have those results been released publicly?

b. If no, why not?

I will defer to Chairman LaFleur's responses regarding Commission action.

2. **What efforts has the Commission undertaken, or directed PJM and the IMM to undertake, to identify potential solutions to the generation performance problems that occurred during January 2014 in the PJM region?**

I will defer to Chairman LaFleur's responses regarding Commission action.

3. **Has the Commission determined whether any generation outages were reflective of attempts to manipulate market-clearing prices?**

I will defer to Chairman LaFleur's responses regarding Commission action.

4. **We understand that the delivered price of natural gas rose to historic highs in the PJM region during January 2014, and that these unprecedented delivered prices for natural gas were primarily the result of extraordinarily high prices for capacity on interstate natural gas pipelines in the PJM region. Has the Commission conducted a comprehensive root cause investigation and analysis, or directed PJM or the PJM Independent Market Monitor ("IMM") to conduct a comprehensive root cause investigation and analysis, of the unprecedented natural gas prices that surfaced in the PJM region during January 2014?**

a. **If yes, have those results been released publicly?**

b. **If no, why not?**

I will defer to Chairman LaFleur's responses regarding Commission action.

5. **What efforts has the Commission undertaken, or directed PJM and the IMM to undertake, or directed interstate natural gas pipeline operators to undertake, to identify potential solutions to the natural gas deliverability problems that occurred during January 2014 in the PJM region, either by better optimizing the use of existing assets or by constructing new assets or both?**

I will defer to Chairman LaFleur's responses regarding Commission action.

6. **Has the Commission determined whether any natural gas deliverability problems were reflective of attempts to manipulate natural gas prices or electricity market clearing prices?**

I will defer to Chairman LaFleur's responses regarding Commission action.

7. **Price increases for natural gas and electricity in the PJM region, and elsewhere, are very concerning to me. My constituents in the PJM region have asked me to ensure that markets have been, and are, functioning properly and that prices have not been increased by speculation or manipulation. It is now July, can you assure me that FERC intends to have answers to these questions about natural gas and electricity pricing BEFORE next winter?**

I will defer to Chairman LaFleur's responses regarding Commission action.

8. In the Clean Power Plant proposed rule's Regulatory Impact Analysis, EPA notes that the Integrated Planning Model (IPM) was used to project the impact of the rule on electricity prices. The documentation for the IPM on EPA's web site explains that the model assumes both perfect competition and perfect foresight. The former means that "IPM does not explicitly capture any market imperfections such as market power, transaction costs, informational asymmetry or uncertainty." The latter "implies that agents know precisely the nature and timing of conditions in future years that affect the ultimate costs of decisions along the way." Does FERC agree that such a model can accurately capture how the proposed rule will impact prices? What are some likely differences in the actual implementation of the rule and this model?

I will defer to Chairman LaFleur's responses regarding Commission action.

9. Achieving compliance with the proposed rule will require a replacement of higher carbon dioxide emitting resources with new lower or zero-emitting units. Yet a recent study by Christensen Associates commissioned by the Electric Markets Research Foundation concluded that the RTO markets "do not and cannot address long-term capacity needs." The study also found that "[b]ilateral forward contracting remains key under any market design for locking in revenues and facilitating financing of new resources. Contrary to this key necessity, however, the RTO markets include some design elements that impede long-term investments and long-term bilateral contracts." What steps does FERC intend to take to ensure that RTO markets do not impede bilateral contracting needed for new resource development that will be required for state compliance with the rule?

I will defer to Chairman LaFleur's responses regarding Commission action.

10. Within the retail access states, most of the generation is no longer owned by vertically-integrated utilities and instead is under merchant ownership. There is no state or local jurisdiction over these merchant generation owners regarding whether to continue to operate or close a plant or what types of generation technology should be built. Does FERC see any difficulties in implementation of the proposed rule in states with large amounts of merchant generation?

I will defer to Chairman LaFleur's responses regarding Commission action.