

**Subcommittee on Energy
Hearing on
“Oversight of FERC: Ensuring Its Actions Benefit Consumers and the Environment”
June 12, 2019**

**The Honorable Richard Glick
Commissioner
Federal Energy Regulatory Commission**

The Honorable Paul D. Tonko (D-NY)

1. While distributed energy resources and storage are playing a growing role in our electricity system, transmission remains the backbone of our electricity infrastructure. As more utility-scale renewables are developed far from centers of demand, this infrastructure will become even more necessary. But we know these projects are incredibly difficult to plan, site, permit, and build.
 - a. What in your opinion can FERC do to provide greater incentives to increase the utilization of existing transmission infrastructure through the deployment of advanced technologies and/or adoption of practices to maximize capacity and efficiency?

RESPONSE: Better utilization of existing transmission infrastructure can improve reliability, reduce the cost of electricity, and help integrate renewable energy resources. One of the issues FERC considers when regulating the rates for transmission facilities under the Federal Power Act is whether those rates provide a sufficient return on investment to encourage necessary transmission investments. In addition, Congress, in the Energy Policy Act of 2005, directed the Commission to establish incentives to, among other things, “encourage deployment of transmission technologies and other measures to increase the capacity and efficiency of existing transmission facilities and improve the operation of the facilities.”

Earlier this year, the Commission issued notices of inquiry regarding both our approaches to transmission incentives and to setting the return on equity for transmission facilities. I am glad that the Commission is taking a fresh look at these policies. In addition, the Commission recently announced a staff-led technical conference to explore existing and advanced approaches to transmission line ratings and to discuss the potential adoption of approaches that enable more efficient and reliable use of transmission assets.

I believe the Commission should use those proceedings, in part, to examine how it can better encourage investments to enhance the utilization of existing

transmission infrastructure. Utilities, in some circumstances, appear to have a greater incentive today to invest in new, more expensive transmission facilities than to make more limited investments to increase the efficiency of existing transmission lines. I hope the Commission will consider incentives designed to encourage utilities to make better use of existing transmission facilities, which is consistent with Congress' directive.

- b. What are your recommendations for Congress to promote deployment of advanced transmission technologies on existing infrastructure?

RESPONSE: The U.S. Department of Energy's National Laboratories play an essential role in researching and developing advanced technologies as well as studying their potential applications in real world situations. Congress' support for the National Laboratories is critical to ensuring that we continue to develop and deploy technologies capable of increasing the efficiency of the country's transmission infrastructure.

In addition, Congress might also consider requiring the Commission or another agency, such as the Department of Energy, to conduct regular assessments of the potential to deploy advanced transmission technologies, as the Commission does for demand response and advanced metering pursuant to section 1252(e)(3) of the Energy Policy Act of 2005. Finally, support for pilot studies to examine the potential of advanced technologies might help to further break down barriers to their deployment.

2. We also know that the interregional planning process for new transmission infrastructure has not proven to be effective.
 - a. What in your opinion can FERC do to improve the interregional transmission planning process?

RESPONSE: In 2016, the Commission held a technical conference on competitive transmission development, which included a panel on interregional transmission coordination. I understand that some parties have expressed frustration that interregional transmission planning is not working as well as hoped. That is at least in part because different regions of the country are not required to engage in interregional transmission planning and so many regions do not thoroughly examine the potential benefits of interregional transmission facilities. In Order No. 1000, the Commission required transmission planners in one region to coordinate with their counterparts in neighboring regions, but did not require the regions to engage in actual interregional planning. I believe the time has come to consider requiring interregional transmission planning.

In recent years, the Commission has taken a number of steps to facilitate the development of interregional transmission facilities, especially along the seams between regional transmission organizations (RTOs) and independent system operators (ISOs), such as PJM Interconnection, L.L.C. (PJM) and Midcontinent Independent System Operator (MISO). For example, in 2016, the Commission granted a complaint and required MISO to lower the voltage threshold above which a transmission project must operate to qualify as an interregional economic transmission project in MISO and removed the cost threshold for these projects as well. In 2017, the Commission accepted PJM and MISO's proposal to create a new category of interregional transmission projects between the two regions, called targeted market efficiency projects, as well as a method for allocating the costs of these projects. I would like the Commission to continue exploring how it can promote these facilities along other RTO seams.

In addition, in the notice of inquiry the Commission issued earlier this year regarding its transmission incentives policy, the Commission asked for comments on whether, and if so how, the Commission should use incentives to encourage the development of interregional transmission projects. We recently received a number of comments in response to the notice of inquiry and are still reviewing them.

- b. What are your recommendations for Congress to promote a more effective interregional planning process?

RESPONSE: Congress has previously provided funding to support the development of interconnection-based transmission plans. Such planning exercises can prove valuable in identifying the potential for interregional transmission facilities, even without a formal interregional planning requirement from FERC.

- c. What safeguards should be considered to ensure there is transparency, efficiency, and fairness in that process?

RESPONSE: Public and stakeholder participation is an important element of any transmission planning process. The Commission needs to continue to ensure that all affected entities have a voice in the planning process and that transmission planners, whether they are RTOs and ISOs or individual public utilities, consider such input when identifying, planning, and developing transmission facilities.

3. There are many regions of the nation with high-potential for clean energy deployment and growing interconnection queues. It is my understanding that Texas has successfully aligned incentives to encourage transmission construction to connect those areas with demand centers.
 - a. What in your opinion can FERC do outside of ERCOT to ensure right-sized transmission capacity is developed to meet high-potential clean energy regions?

RESPONSE: Developing additional transfer capacity between load centers and regions with high potential for renewable resource development can benefit customers by accessing low-cost electricity and helping states achieve their goals to reduce electric sector greenhouse gas emissions. Earlier this year the Commission issued a notice of inquiry regarding its transmission incentives policy. As part of that inquiry, the Commission asked a number of questions regarding whether and how to facilitate the development of transmission facilities that can achieve this goal. We recently received a number of comments in response to the notice of inquiry and are still reviewing them.

I also believe that it is important for the Commission to facilitate efforts among utilities, states, and other entities to identify and develop transmission projects that can help access remotely located renewable resources. Accessing these resources can require innovative solutions and the Commission must avoid being inflexible or dogmatic in reviewing any potential solutions for addressing these goals efficiently.

- b. What are your recommendations for Congress to promote efficient development of resources in these regions?

RESPONSE: Congress should consider legislation to break down barriers to develop transmission infrastructure in renewable resource-rich regions. The federal government has already made significant investments in transmission infrastructure and may be well-positioned to facilitate the development of new infrastructure to access these resources.

The Honorable Joseph P. Kennedy III (D-MA)

1. Congress established the Office of Public Participation under the Public Utility Regulatory Policy Act (PURPA) of 1978. The office was designed to assist the public and consumer advocates by intervening in FERC proceedings. However, to date, the office has never formally been established by FERC nor directly funded by Congress.

- a. Commissioner Glick, do you support the establishment of an Office of Public Participation at FERC?

RESPONSE: Several years ago, a group of public interest organizations led by Public Citizen filed a petition asking the Commission to formally create the Office of Public Participation pursuant to the 1978 legislation. Unfortunately, this petition still has not been noticed for public comment. I believe the Commission should seek comment on this petition and, if Congress provides funding, open an Office of Public Participation as is required by law.

- b. Would such an office prove to be a valuable resource for consumers and public advocates seeking meaningful participation in FERC proceedings?

RESPONSE: Yes. Commission proceedings often involve complicated issues that require experience in engineering, economics, or other disciplines to fully appreciate. Although the public interest is something we should consider in every proceeding, that complexity can sometimes make it difficult for the public to participate fully and effectively in Commission proceedings. An Office of Public Participation could potentially help to break down barriers to meaningful public participation before the Commission.

The Honorable Marc Veasey (D-TX)

1. Standard license Article 5 of the conditions that the Commission includes in licenses for major hydroelectric projects affecting navigable waters of the United States requires licensees to acquire and retain sufficient land or rights to use lands needed to construct, maintain, and operate their projects. In the past, the Commission has taken the position that if project operations require the acquisition of additional lands or use rights, the project's boundaries may be amended to include lands previously outside of the project boundaries. E.g., PacifiCorp, 105 FERC P61, 237 at ¶114 (2003).

- a. Do you believe that the Commission's hydroelectric licensing jurisdiction should be limited to a project's original boundary or should the Commission retain its current authority to require a licensee to acquire sufficient land or rights to use lands to operate the project, even if those lands lie outside a project's historic boundary?

RESPONSE: The Commission's current authority should be retained. Hydroelectric licenses must be in the public interest and it is important that the Commission have the authority to require licensees to take the steps needed to operate a hydroelectric facility consistent with that standard, which includes the ability to require a licensee to obtain the land or rights needed to operate a project.

- b. Do you believe this rule should be different for the Pensacola Hydroelectric Project, FERC No. 1494, than for other hydroelectric projects licensed by the Commission? If so, why?

RESPONSE: No. I believe FERC's ability to ensure that the Pensacola Hydro Project is in the public interest would be impaired if Congress were to prohibit the Commission from ensuring the licensee take appropriate actions associated with the Project's boundaries.

2. According to the Compliance Handbook published by the Commission's Division of Hydropower Administration and Compliance, many licenses "contain conditions that require specific reservoir water levels to be continuously maintained or maintained during specified periods of time ... or target elevations within required reservoir operating bands. The purpose of these water-level requirements is to protect and enhance the recreational, scenic, and environmental resource values of a project. Non-compliance with the water-level requirements of a project reservoir could adversely affect the project's environmental integrity and quality."

- a. Do you believe that the Commission needs the authority to prescribe reservoir water levels in its hydroelectric licenses in order to fulfill its statutory responsibilities under the Federal Power Act?

RESPONSE: Yes. Prescribing reservoir water levels is one of the most effective tools available to the Commission for ensuring public safety and preserving the recreational, scenic, and environmental attributes of a hydroelectric facility. Without that authority, the Commission might not be able to fully protect those attributes or ensure that the facility is being operated consistent with the public interest.

The Honorable David B. McKinley (R-WV)

2. Many transmission assets are aging. My district is in the PJM footprint, which, as I understand it, has projects called supplemental projects that are projects identified by transmission owners to connect new customers and to upgrade their systems as needed to maintain reliability to the benefit of customers.
 - a. With transmission infrastructure being critical to the safety and security of our great Nation, what is FERC doing to ensure that Transmission Owners retain the ability to make asset management decisions in order to maintain and upgrade their systems as needed to continue the uninterrupted flow of electricity to consumers as required under their obligation to serve?

RESPONSE: The Commission has continued to allow transmission owners to identify projects within their service zones that are necessary to comply with

applicable reliability criteria, including the transmission owners' own planning criteria. At the same time, the Commission has acted to ensure that transmission owners are complying with their obligations to satisfy the Commission's transmission planning principles, including transparency and coordination with stakeholders. In PJM, the Commission recently acted to help ensure that the planning processes for supplemental projects remain open, transparent, and capable of facilitating coordination between transmission owners and stakeholders, including ratepayers.

3. I think that inconsistency in design standards would create operational risks, and increased transparency would increase security exposure to the detriment of the public.
 - a. If FERC were to allow outside third parties to construct and operate piecemeal facilities on the incumbent transmission owner's grid through opening up supplemental projects to competition, do you agree this would create operational, security, and safety risks?

RESPONSE: I think what is encompassed by the term supplemental projects is not always clear and is different for different transmission owners and regions, so I cannot say generically whether opening up supplemental projects to competition would create operational, security, and safety risks.

The Honorable Bill Flores (R-TX)

1. You mention the need to explore possible mitigation measures with respect to greenhouse gas emissions as projects are considered for approval. Will you please explain your mitigation expectations, and the costs of those mitigation measures, including:
 - a. What is the impact on lost jobs,

RESPONSE: The Natural Gas Act (NGA) gives the Commission the authority to attach reasonable terms and conditions to an order authorizing a project, be it an interstate natural gas pipeline or a facility for importing or exporting LNG. Those reasonable terms and conditions include measures intended to mitigate environmental harms associated with the project. The Commission's conditioning authority is critical to its ability to authorize these projects: Without such mitigation, some projects might fail to satisfy the NGA's public interest standard, meaning that they could not be approved by the Commission.

The companies developing a project commonly propose environmental mitigation plans, which addresses impacts on the project on vegetation, wildlife, and wetlands, among other factors. Companies also frequently evaluate options for mitigating greenhouse gas emissions, including reduced reliance on natural-gas fired compression and carbon capture and sequestration. The Commission then

evaluates these mitigations plans, accepting the companies' proposals where they are consistent with the public interest and requiring additional mitigation as necessary.

The federal courts have made clear that the reasonably foreseeable greenhouse gas emissions caused by a project must be considered under the NGA's public interest standard. Consistent with that conclusion, I believe that the Commission should thoroughly consider all available options for mitigating the harm caused by the incremental impact that a project's greenhouse gas emissions will have on climate change. In addition to the mitigation options already considered by project applicants, one additional option might be to use zero-emissions credits to offset a project's greenhouse gas emissions. As with all forms of mitigation required by the Commission, these options would be adopted only where the Commission determined that they are necessary to find that the project is in the public interest.

A credit-based approach to mitigating greenhouse gas emissions would not have a major effect on most projects. These credits are widely available and would not delay the construction or operation of a project. I also do not believe that adopting such an approach to mitigation should have an adverse effect on jobs, the balance of payments, or tax revenue. As noted, the Commission imposes mitigation measures along these lines only where they are proposed by the project developer or deemed necessary to find that the project is in the public interest. In other words, without Commission-required mitigation a project could not be approved. Adopting this approach to mitigation could thus create jobs and generate tax revenue from projects that could not otherwise be found to be consistent with the public interest.

Furthermore, such mitigation would limit the significant cost to the human environment caused by greenhouse gases contributing to climate change. According to the Administration's own estimates of the social cost of carbon, which narrowly consider only domestic effects of climate change, every five million tons of greenhouse gas emissions imposes a cost of \$35 million on Americans each year (and more than \$1 billion over 30 years). The benefits of avoiding these emissions would exceed the cost of credit-based mitigation by 400-600 percent. Expanding the consideration to global impacts of climate change, the economic benefit of greenhouse gas mitigation would exceed the cost of mitigation by more than 25 times. As a result, I believe pursuing reasonable greenhouse gas mitigation would strengthen rather than adversely impact the economy including the local economies where these projects would be located.

- b. What is the impact on balance of trade payments,

RESPONSE: See response to 1.a.

- c. What is the environmental impact of delaying a potential customer's access to a cleaner-burning fuel coming from a project in which you are dissenting, and

RESPONSE: See response to 1.a.

- d. What is the impact of loss tax revenue to the federal government as well as the impact on the deficit?

RESPONSE: See response to 1.a.

The Honorable Billy Long (R-MO)

1. The last time the FERC Commissioners testified before this subcommittee, I asked Chairman McIntyre why City Utilities, a public utility owned by the City of Springfield, Missouri, is paying the highest energy cost in the Southwest Power Pool. I also asked why City Utilities is paying for transmission upgrades where the costs greatly exceed the benefits received, as shown by Southwest Power Pool's own study. The study shows that City Utility's benefit ratio is around .5, lower than the threshold of .8 needed to meet the Federal Power Act's Just and Reasonable Standard. At the same time, Chairman McIntyre expressed surprise that one entity would be paying substantially more for transmission service than others and promised to look into it.

- a. Are you or any of the other commissioners aware whether a wide discrepancy in benefits to customers remains within SPP?

RESPONSE: As Chairman Chatterjee explains: On August 12, 2019, the Commission issued an order denying the City Utilities of Springfield, Missouri's complaint against SPP regarding how SPP is applying its Highway/Byway transmission cost allocation methodology. The time period for requesting rehearing of the Commission order is still open, and therefore I cannot discuss the merits of this proceeding.

2. On May 10th of last year at a hearing entitled "Examining the State of ELECTRIC Transmission Infrastructure: Investment, Planning, Construction, and Alternatives," John Twitty testified on behalf of the TAPS Group about the benefits of joint transmission ownership arrangements as an effective means of getting needed transmission facilities built. For more than a decade, FERC has reportedly expressed strong support for such arrangements, however your support has not spurred additional joint ownership arrangements. The Commission has recently initiated a notice of inquiry regarding its transmission incentives policies.

- a. Should the Commission do more to actively promote joint ownership arrangements involving public power entities?

RESPONSE: I agree that joint transmission ownership arrangements can offer significant benefits. Earlier this year, the Commission issued a notice of inquiry regarding its transmission incentives policy. As part of that inquiry, the Commission asked specific questions regarding (1) whether there are barriers to non-public utilities' ownership of transmission facilities and (2) whether the Commission should establish an incentive to promote joint ownership of transmission facilities between public and non-public utilities. We are still in the process of reviewing the comments received to date, which will help to determine what steps, if any, the Commission should take with regard to joint ownership.