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OVERSIGHT OF FERC: ADHERING TO A MISSION OF AFFORDABLE AND RELIABLE ENERGY FOR AMERICA

TUESDAY, JUNE 13, 2023

House of Representatives,

Subcommittee on Energy, Climate, & Grid Safety,

Committee on Energy and Commerce,

Washington, D.C.

The subcommittee met, pursuant to call, at 10:00 a.m., in Room 2123 Rayburn House Office Building, Hon. Jeff Duncan [chairman of the subcommittee] presiding.

Present: Representatives Duncan, Burgess, Latta, Guthrie, Griffith, Johnson, Bucshon, Walberg, Palmer, Curtis, Lesko, Pence, Armstrong, Weber, Balderson, Pfluger,

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Rodgers (ex officio); DeGette, Peters, Fletcher, Matsui, Tonko, Veasey, Kuster, Schrier, Castor, Sarbanes, Cardenas, and Pallone (ex officio).

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Also present: Representatives Carter, Allen, and Fulcher.

Staff present: Kate Arey, Digital Director; Sarah Burke, Deputy Staff Director; Sydney Greene, Director of Operations; Jack Heretik, Press Secretary; Nate Hodson, Staff Director; Tara Hupman, Chief Counsel; Patrick Kelly, Staff Assistant; Sean Kelly, Press Secretary; Peter Kielty, General Counsel; Emily King, Member Services Director; Elise Krekorian, Professional Staff Member; Mary Martin, Chief Counsel; Jacob McCurdy, Professional Staff Member; Brandon Mooney, Deputy Chief Counsel; Kaitlyn Peterson, Clerk; Karli Plucker, Director of Operations (shared staff); Carla Rafael, Senior Staff Assistant; Emma Schultheis, Staff Assistant; Michael Taggart, Policy Director; Dray Thorne, Director of Information Technology; Waverly Gordon, Minority Deputy Staff Director and General Counsel; Tiffany Guarascio, Minority Staff Director; Kris Pittard, Minority Professional Staff Member; Kylea Rogers, Minority Policy Analyst; Medha Surampudy, Minority Professional Staff

Member; and Tuley Wright, Minority Staff Director.

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*Mr. Duncan. The Subcommittee on Energy, Climate, & Grid Security will now come to order.

The chair will now recognize himself for five minutes for an opening statement.

And I want to thank you all for being here today for this oversight hearing with the Federal Energy Regulatory Commission. I appreciate all four commissioners being here, and welcome to the committee.

FERC is a critical agency that plays a significant role in ensuring Americans have access to affordable, reliable supplies of energy. First I'd like to commend Chairman Phillips for resetting the priorities of the Commission to focus on affordability and reliability. You have moved forward some critical natural gas projects and are vocal about the negative effects of high energy prices on consumers and our constituents. The committee appreciates your work in this regard.

The Commission, however, needs to do more to ensure the affordability and reliability of our energy system. It can do this by adhering to its core statutes governing its

authorities under the Natural Gas Act and the Federal Power Act. We are far from achieving the goals set forth in these core statutes. The past two years under the Biden administration has severely weakened our energy security. Prices have skyrocketed and reliability has degraded. American consumers are paying more for less energy.

I urge the Commission to return to its core mission to provide for the orderly development of supplies of electricity and natural gas at just and reasonable rates. This must be the Commission's primary focus. Too many on the left want the Commission to became an environmental regulator. The Commission's primary authority is as an economic regulator. The energy industry and the American people rely on timely issuance of orders from FERC to help develop our energy infrastructure to the benefit of secure and affordable American energy.

Just last week, the Subcommittee on Environment, Manufacturing, and Critical Minerals held on a hearing on the negative effects of the EPA's rule regulating the electric generation sector will have an affordability and

reliability. The Commission must do more to resist such regulations that run contrary to its core mission.

Electrical reliability has significantly degraded over the past few years. Blackouts and energy rationing are now commonplace in the wholesale electricity markets like California and Texas. The Nation's largest grid operator, the PJM Interconnection, issued a dire warning earlier this year that it may face significant capacity shortfalls because of, in large part, rules like the EPA has proposed. The Northern American Electric Reliability Corporation, NERC, also issued a stark warning last month that the vast majority of the country faces potential for insufficient operating reserves and above normal demand conditions.

This is not happening by accident. It is not happening solely because of extreme weather or a lack of sufficient interregional transmission capacity. It is largely happening because too much dispatchable firm generation has retired from the bulk power system. These retirements are caused by unrealistic environmental policies like the EPA regulations and private sector environmental, social, and

governance goals as well as market frameworks that do not properly value firm generation. Addressing this is a top priority for this subcommittee and it should be for the Commission as well.

In February of last year under different leadership, the Commission issued two natural gas policy statements that had a chilling effect on private investment and natural gas infrastructure. It should come as no surprise that according to the Energy Information Administration, in 2022, we added the least amount of interstate natural gas pipeline capacity on record since the EIA began tracking that metric. The Commission must withdraw these policy statements to grant certainty of the natural gas infrastructure developers.

I would like to commend the Commission for undertaking a proceeding to modernize wholesale electric market design. FERC has encouraged the development of such markets for over two decades. The bulk power system has changed drastically since, and FERC must do more to ensure that these markets work for the American consumer. I encourage the Commission

to take a serious look at how these markets have affected the development of natural gas-fired generation and nuclear generation. These two resources are critical to ensuring the reliability and affordability of our energy system.

We have seen too much of this firm baseload generation prematurely retire from the grid over the past decade. FERC has the authority to act and ensure resources like these are appropriately compensated for the service they provide to the grid. So I urge the Commission to do just that, and I want to thank Chair Rodgers for allowing us to have this FERC oversight hearing. I looking forward to the conversation today from each commissioner and the members here.

[The prepared statement of Mr. Duncan follows:]

**********COMMITTEE INSERT**********

*Mr. Duncan. And with that, I will yield to the ranking member for her opening statement.

*Ms. DeGette. Thank you very much, Mr. Chairman.

First I would like to take a moment of personal privilege and congratulate the world champion Denver Nuggets. As a -- I see some of my constituents in the audience cheering. But as a fourth generation Denverite, we have been waiting a long, long time for this victory.

I also -- now turning to serious business, I want to thank you, Chairman Duncan, and you -- and to the other commissioners for being here today. The work that FERC does each and every day is really important to our overall energy system.

It is the body responsible for overseeing the flow and transmission of oil, gas, and electricity across state lines. It is the body charged with greenlighting new pipelines, hydropower projects, and LNG terminals throughout the country. It is the agency that can bring our Nation's energy system into the 21st century, help lead our clean energy transition, and take on the climate crisis head on,

all the while ensuring that Americans maintain access to the affordable, reliability electricity that they need. And that is why FERC is so important. And, Mr. Chairman, I am glad that we are having this hearing today.

As our Nation's demand for energy increases in the coming decades, as is expected to do, so must our ability to transmit that energy efficiently and effectively across the country. Since the transmission of energy is one of the most important facets of our Nation's overall energy system, one of the most important things that FERC can do right now is to help us modernize the grid to facilitate the deployment of transmission lines as needed throughout the United States. And everybody here knows that.

FERC has done the work, the research, the studies, and analysis. You know the regional and interregional issues that have to be addressed to increase our transmission capabilities as we make the clean energy transmission -- transition. And that is why FERC is already taking the steps to address several much needed transmission reforms that are necessary to ensure that all Americans continue to

have access to the reliable electricity they need.

It is working to create a long-term regional transportation planning process. It is implementing new backstop transmission siting reforms included in the Bipartisan Infrastructure Law. And it is working to reform the interconnection process to help get electricity generation projects online faster and to ensure that financed and shovel-ready projects are no longer allowed to languish. And I applaud FERC for these efforts. I urge the speedy completion of all of the rulemaking efforts.

But let me be clear about one other thing. The interregional transfer capacity -- capability study that was required by the debt limit deal two weeks ago, in no way prohibits FERC from completing any of these rules. It is not a stop to any of these rules or from working on interregional transmission or minimum transfer capabilities.

And so delaying any potential actions by FERC or NERC was not the congressional intent of that study, and is not the congressional intent of that study, and should not be construed as such. The timelines as laid out in the debt

limit deal are maximums not minimums, and I hope that we get some information from that study, but it should not be a block to the efforts that we need to do to expand transmissibility.

I am going to encourage both FERC and NERC to comply with the requirements under the law in an expeditious manner, because if we as a Nation are going to be successful in making the transition to clean energy, the work that FERC is doing to utilize grid-enhancing technologies like dynamic line ratings is more important than ever. We must build out our transmission capability in this country, and we need to take steps now to modernize our grid to get more electricity out of our existing infrastructure.

I would encourage the Commission to continue advancing these important technologies. And I want to encourage it to do so in a way that addresses environmental justice. It is no secret that our energy system and the pollution it creates disproportionately impact low-income and disadvantaged communities. As we continue to develop energy infrastructure, we must do so in a way that fully

incorporates the voice of those directly impacted by energy infrastructure and its pollution.

Just last week, Ranking Member Pallone and I sent a letter to Chair Phillips urging FERC to incorporate environmental justice into its decision making process. Let's bring our energy grid into the 21st century, and let's make sure we are doing so in a way that doesn't ignore the most vulnerable among so.

So, again, I want to thank everybody, and particularly all the commissions, for being here, and I yield back.

[The prepared statement of Ms. DeGette follows:]

**********COMMITTEE INSERT**********

*Mr. Duncan. I thank the gentlelady, and I will now -- it is my honor to recognize the chair of the full committee on Energy and Commerce, Ms. McMorris Rodgers, for five minutes for an opening statement.

*The Chair. Thank you, Chairman Duncan, and thank you, Chairman Phillips, and the commissioners from FERC for being here today. This is a very important hearing and FERC has a very important role to play to ensure affordable and reliable energy for America's economic and national security. I look forward to hearing from each of you today as we examine FERC's mission, its authorities under the Federal Power Act, the Natural Gas Act, and other statutes passed by Congress, and its performances over the past year.

As Chairman Duncan said, energy reliability and affordability are two of the top pillars of your congressionally-mandated mission. I believe that you have done a good job on steps to reset the priorities of FERC, but more is needed. Through its authorities to regulate energy, natural gas, and electricity, FERC touches seven percent of our economy. Without affordable and reliable

energy, our economic and national security are at risk.

We have witnessed this over the past two years through President Biden's damaging energy policies. Recent energy blackouts and rationing as well as increased prices have harmed American families and our industrial base, and we cannot allow this to continue. FERC plays an important role in ensuring energy costs are affordable for people. And that is why the Commission must return to its core mission of facilitating the delivery of abundant, affordable energy resources like natural gas and electricity to Americans.

FERC must resist calls by the radical left to circumvent the Commission's mandated priorities. These calls have upended the Nation's energy sector. ENC Republicans have sent several letters highlighting our concerns with FERC's current environmental overreach in the recent proposed rulemaking implementing its electric transmission siting authorities. We have inquired as to how FERC plans to implement the latest guidance from the Council on Environmental Quality, CEQ, which, if implemented, would significantly shift FERC's mission as an economic relater --

regulator to an environmental regulator.

FERC should be working to ensure that reliable, dispatchable supplies of energy are properly valued in wholesale electricity markets, issue timely decisions on interstate and natural gas facilities and liquified natural gas terminals, and grant certainty to hydroelectric power and electric transmission developers. If FERC sticks to these core functions, energy prices will decrease and reliability will improve.

Last week we heard from expert witnesses regarding how the Biden administration's new EPA regulations will weaken and harm our electric power sector, especially coal and natural gas-fired generators. This new suite of environmental red tape comes despite significant energy cap -- capacity shortfalls across the country. Nearly every grid operator across the country has warned it is facing an energy adequacy crisis which will continue into the near future. We can reverse this trend if we commit to energy expansion.

Chairman Phillips, at a recent conference you noted

that, "Building things like new energy infrastructure is something we can -- we are all in agreement on.'' I could not agree more. And we are committed to building more nuclear, more natural gas pipelines, more wind, more electric -- hydroelectric power.

America's electrical grid keeps our hospitals, military bases, homes, and businesses powered. Its security and reliability are critical to keeping people safe and our economy moving. An American energy expansion will lead to a more reliable grid and reverse the reliability crisis that currently looms over our energy sector.

In addition, FERC also has significant authority to license and permit hydropower infrastructure. Water power is vital for a secure affordable energy future. It has been critical for grid reliability and economic development in my home State of Washington.

Just yesterday, I introduced a hydropower licensing reform bill which includes significant reforms to the burdensome hydropower licensing process, which currently takes a considerable amount of time and investment. A

recent DOE report found that it takes on average five years to obtain the original license, 7.6 years for relicensing, and some complex projects can take more than a decade. These timelines are unacceptable.

America has been blessed with an abundance of natural resources, and we are the best stewards of them. It is critical that we foster these resources so Americans have access to reliable, affordable clean energy. It powers our way of life. It is foundational for human prosperity and flourishing.

So welcome again to FERC, the chairman, the commissioners. I thank you for being here, and I look forward to your testimony.

[The prepared statement of The Chair follows:]

**********COMMITTEE INSERT**********

*The Chair. I yield back.

*Mr. Duncan. I thank The Chair, and I will now recognize the ranking member of the full committee, Mr. Pallone, for five minutes.

*Mr. Pallone. Thank you, Mr. Chairman, and I thank each of the commissioners for being here today and for their important work at the Federal Energy Regulatory Commission.

It is unfortunate that the Commission only has four commissioners right now. I believe FERC is at its best when it has a full complement of five commissioners, and I was disappointed that the Senate was unable to confirm former chair, Richard Glick, to another term on the Commission last year. I urge the White House to nominate a fifth commissioner and for the Senate to confirm that nominee as soon as possible.

FERC's work is vital in ensuring that every American has access to reliable and affordable energy. The Commission's activities also have an outsized impact in the communities that play host to natural gas pipelines it authorizes and hydropower dams that it licenses, in

particular natural gas pipeline projects impact both the local environments that they run through and the national environment with the greenhouse gas emissions that they emit.

And that is why Ranking Member DeGette and I wrote to Chairman Phillips last week, as she mentioned, urging that FERC incorporate environmental justice principles into its decision making. Under the leadership of Chairman Phillips and former Chairman Glick, the Commission has already taken a number of vital steps on environmental justice and the Commission has issued its first ever equity action plan and finally established its Office of Public Participation, something I have long advocated. And these are important first steps, but additional action is necessary.

Last year, FERC issued two important policy statements that would guide its authorizations of natural gas projects. The first statement would have created a new framework to help guide the Commission in determining whether or not a project is in the public convenience as required by the Natural Gas Act; and the second would have clarified how

FERC access -- or assesses the impacts of greenhouse gasses emitted as a result of a potential natural gas pipeline. And I was pleased by both of these policy statements but was disappointed when they were downgraded to draft status a year ago and that the Commission has yet to return to them.

Now I want to be clear, FERC must consider environmental justice factors when making its public convenience determinations under the Natural Gas Act. Furthermore, greenhouse gas emissions and, critically, the consequences from these emissions are absolutely reasonably foreseeable environmental effects under the National Environmental Policy Act. The D.C. Circuit made this clear two years ago in its decision in Vecinos v. FERC.

Now downgrading the policy statements to draft status does nothing to relieve FERC of its obligations under the Natural Gas Act or NEPA. However, the policy statements did offer much needed clarity on how the Commission would consider those issues, clarity that has now been stripped away leaving communities and industry in the dark. So I urge all of you to act on finalizing the two policy

statements as soon as possible.

Now turning to electricity markets, it has been roughly 25 years since FERC issued Order 888 to bring competition to electricity markets across the country. And I was skeptical at first, but the developments of the last 25 years have made clear that power markets have promoted competition that has lowered prices and made the grid cleaner all while ensuring a reliable bulk power sector. So to be sure, there are issues, especially at PJM, the electricity market that covers my state and several other MidAtlantic states, but in looking at reforms to keep these markets viable and reliable, we should not throw out the progress we have made in lowering costs for consumers. A competitive electricity market has typically been a bipartisan issue in Congress, and at FERC, and I hope that that continues.

And, finally, I want to briefly address the three key proposed rulemakings on transmission that are outstanding at FERC. These rulemakings will be vital to electricity reliability over the next decade as we work to move clean energy generation from sunny and windy areas to population

centers, and I urge FERC to finalize strong versions of all three rules promptly.

Today we are going to hear about the reliability challenges our Nation is facing, largely caused by extreme weather events fueled by the worsening climate crisis. But if we want to be serious about addressing reliability issues, then we should be serious about having a more interconnected grid. This will ensure that different parts of the country not in a crisis at a given time can help by sending power to regions that are struggling. An interconnected grid will result in better reliability, increased affordability, and access to cleaner electricity.

So that is an across the board win for Americans, and I expect that FERC will do its part to ensure that our Nation's grids are sufficiently connected.

[The prepared statement of Mr. Pallone follows:]

**********COMMITTEE INSERT**********

*Mr. Pallone. And with that, I look forward to this hearing and yield back, Mr. Chairman, the balance of my time. Thank you.

*Mr. Duncan. The gentleman yields back. We now conclude with the member opening statements. The chair would like to remind members that pursuant to the committee rules, all member's opening statements will be made part of the record.

And so now we will go to the FERC commissioners, and we want to thank all of them for being here today and taking time to testify before the subcommittee. Each witness will have the opportunity to give a five-minute opening statement followed by a round of questions from the members. There is lights in front of you. If it goes to yellow, that means about time to wrap up. Red means conclude.

And our witnesses today are Chairman Willie Phillips, Commissioner. He is the chairman of the FERC. Commissioner James Danly, Commissioner Allison Clements, and Commissioner Mark Christie.

Mr. Chairman, we appreciate you being here today. We

will now recognize Chairman Phillips for five minutes for an opening statement.

STATEMENT OF THE HON. WILLIE PHILLIPS, CHAIRMAN, FEDERAL ENERGY REGULATORY COMMISSION; THE HON. JAMES DANLY, COMMISSIONER, FEDERAL ENERGY REGULATORY COMMISSION; THE HON. ALLISON CLEMENTS, COMMISSIONER, FEDERAL ENERGY REGULATORY COMMISSION; AND THE HON. MARK CHRISTIE, COMMISSIONER, FEDERAL ENERGY REGULATORY COMMISSION

STATEMENT OF THE HON. WILLIE PHILLIPS

*Mr. Phillips. Chairman Duncan, Ranking Member DeGette, Chair Rodgers, and Ranking Member Pallone, and members of the subcommittee, thank you for inviting us to testify here today about the important work that we do on behalf of the American people.

The Commission's jurisdiction is broad. Pursuant to the FPA, the NGA, and the ICA, and other statutes, it is our responsibility to ensure that rates for the wholesale sale and transmission of electricity as well as the transportation of oil and natural gas by pipeline are just and reasonable. In addition, we are responsible for

ensuring that the Nation's bulk power system remains reliable. And last, but by no means least, we are also responsible for siting vital energy infrastructure, including natural gas pipelines as well as LNG, hydro, and electric transmission facilities.

By exercising these authorities in a prudent and responsible manner, the Commission can help ensure that our country produces energy that is reliable, affordable, and sustainable.

Earlier this year, President Biden designated me as chairman of the Commission, and it is an honor to appear before you the first time in that capacity. In January, at my first open meeting, I laid out three principal priorities. They were reliability, transmission reform, and environmental justice. I am happy to report that in just a few months we have made significant progress on all three fronts.

I will begin with reliability because it is and always must be job number one. We face unprecedented challenges to the reliability of our Nation's electric system. Foreign

and domestic actors are testing our cyber defenses every day. Physical threats to the grid are on the rise, and extreme weather of all kinds are threatening power to customers across the country.

That is why under my leadership the Commission has taken at least one major action to promote reliability every month since I became chairman. The Commission has directed NERC to develop enhanced cybersecurity standards regarding internal network security protocols. We approved enhancements to a series of winter preparedness measures. We established incentives to reward cybersecurity investments, and just last month, we issued an order focused on inverter-based resources, or IBRs. These actions represent the blocking and tackling that is absolutely necessary to ensure that our electric grid remains secure, reliable and resilient.

My second priority, electric transmission reform, is itself a reliability imperative. Transmission plays a critical role in ensuring the electric system remains reliable while also facilitating the interconnection of new

resources. And transmission enables us to further increase our energy security and strengthen our Nation's grid.

To those ends, we are working as quickly as possible on a number of important rulemakings. First, my highest priority in the near term is interconnection queue reform. We are also working to finalize regional transmission planning and cost allocation, and we are working to finalize our new backstop siting authority. It is my hope that collectively these measures will represent the Commission's most significant action to promote the development of needed electric transmission in at least a generation.

My third priority is environmental justice, and this one is personal. I grew up in an environmental justice community in Alabama. I know well the significant impact that these heavy industrial communities face. But I have also seen the benefits that investment can provide to historically underserved communities in the form of jobs, tax revenue, and community benefits. Having seen both sides, it is my goal as chairman to do all that we reasonably can to ensure that environmental justice

communities do not bear too great a share of the burdens or too small a share of the benefits that new energy infrastructure can provide.

Here too we have made strides. In March, we hired a new senior counsel for environmental justice and equity, and later that month we held the first ever roundtable on environmental justice and equity in infrastructure permitting.

And finally on that point, I would be remiss not to mention the significant strides we have made with respect to permitting. Our country urgently needs energy infrastructure of all kinds. As Russia's war in Ukraine has made clear, energy infrastructure is essential to any country's national security. What we as a Nation must do is make sure that we bring abundant energy resources online and deliver it to our customers. I am proud of the steps that we have taken to streamline our permitting processes.

I thank you again for the opportunity to be here, and I look forward to your questions.

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[The prepared statement of Mr. Phillips follows:]

**********COMMITTEE INSERT**********

*Mr. Duncan. Thank you, Mr. Chairman. I will now recognize Commissioner Danly for five minutes.

STATEMENT OF THE HON. JAMES DANLY

*Mr. Danly. Chairman Duncan, Ranking Member DeGette, members of the subcommittee, it is a pleasure to be here.

So the United States is heading towards a reliability crisis in our electric markets. This reliability crisis is being driven by two primary factors. The first is the effective subsidies and the second is the Commission's let's call it abandonment of its longstanding commitment to rule of law.

The subsidies that are both state and federal have the effect of skewing market prices. The purpose of these markets is to ensure the least cost dispatch of the generation available to make sure that the rates are as low as possible within the physical constraints of the electric system and to send the price signals necessary to incentivize the investment to ensure that there is adequate capacity to serve load over the long haul. When you have the number and quantity of subsidies that we currently have available, the generators of certain types, specifically for

intermittent wind and solar primarily, those price signals get warped.

When FERC abandons its, as I said, longstanding commitment to the rule of law, primarily removing the guardrails for ensuring that price formation can happen absent the effects of the price warping effects of those subsidies, we find that there is no ability to accurately price new entry to the market and it -- and the markets fail to retain the needed existing generation that have the attributes necessary to keep the system stable.

So -- and this, as I say, has been partially FERC's fault because we have approved various orders like that, getting rid of the minimum price rule which ensured that generators actually had to bid in their actual costs. This is a problem because in the market areas, the old system of vertically integrated utilities in which a public utility commission and the state authorities would oversee the integrated resource plans that ensured that there was sufficient capacity, the right type to meet load. Those states have, for the most part, seeded resource adequacy as

a duty to the markets, and if the market's price signals aren't correct, then that sole backstop to ensure that there is sufficient capacity is not going to function as intended.

We have seen the effects of this. Our markets have been warning us now for years. In the case of PJM, very recently they have raised the hue and cry. And to give you a clear indication of how we know that the markets are failing to send correct price signals, despite the fact that PJM is right now warning us that there is an impending shortfall of capacity, in the last capacity auction, prices went down. So anybody who understands basic economics knows that in times of scarcity, prices are supposed to rise.

There has been a -- there has been this move afoot in which the markets have become something closer to a mechanism by which to harvest these subsidies rather than what they were intended to do, which is ensure lease cost dispatch of available resources and to incentivize new investment. And the largest barrier at the moment to the harvesting of those subsidies is the physical interconnection of what are typically remotely located

resources to the markets. You can't get, for example, the production tax credit if you aren't connected to a market and you don't sell.

And so there has been this concomitant effort to either mandate or speed the development of transmission specifically for the purpose of ensuring that let's say the asset managers that have ownership stakes in these renewable resources that are being developed have access to their revenue stream through building the transmission to get access to the market so that they can then get the subsidies.

The -- it would be a shame if we removed and socialized the cost of the development of this transmission because, at the moment at any rate, the cost of interconnecting to the electric system is one of the few disciplining factors remaining in the development of infrastructure. And at the moment, what's happening is we are sending price signals in which renewables bid into the capacity markets at a price of zero, sending the message that electricity costs zero which, of course, it doesn't. And if we then socialize the cost of

the transmission to get those resources connected to the bulk electric system, then we are going to send a further signal that the transmission costs less than it actually does.

If we are going to set up an electric system in which the success or failure of a generation asset relies not upon the efficiency with which its run or the cost of the fuel let's say that powers it but instead the availability of subsidies, then one questions whether or not we need to have markets at all since the markets very premise is being undermined by all of these let's call them adjacent public policies.

I would urge everybody when having these discussions about transmission and about reform of permitting to understand that the question of cost allocation for transmission and the question of permitting reform are completely separate and distinct. Permitting reform has to do with the mechanisms by which government makes decisions for whether or not a project that is proposed gets approval and the means by which that approval occurs. Cost

allocation is something completely different. That has to do with who bears the cost of a particular asset that is being developed over the period of its useful life.

So I see -- I apologize, I ran over time there. Those are the main issues I want to press upon the subcommittee's attention and understand that we are headed for -- toward resource adequacy failure in the near future. Thank you.

[The prepared statement of Mr. Danly follows:]

**********COMMITTEE INSERT**********

*Mr. Duncan. Thank you. I will now go to Commissioner Clements for five minutes.

STATEMENT OF THE HON. ALLISON CLEMENTS

*Ms. Clements. Chairman Duncan, Ranking Member DeGette, and members of the committee, thank you for having us here this morning.

Our energy system has always been the backbone of the U.S. economy and continues to provide the basis for our Nation's global economic success and security. In the past decades, we have seen that system grow, change, develop to meet the needs and expectations of the American people and markets. And in this important moment, that system is again at a crossroad.

We face new extreme weather challenges. We are also living with new geopolitical and economic realities. Russia's war in Ukraine, economy-wide inflation, and evolving cyber and physical threats to the grid. At FERC, as you all have mentioned, our plain responsibility is to work towards reliable and affordable energy for all Americans in the face of these challenges.

Today I will take a moment to highlight some of the

actions we have been taking to improve reliability and affordability. First, FERC has actively been responding to the changing needs of the grid in the face of extreme weather events. We must do all we can to avoid costly devastating outages like those experienced during Winter Storm Uri and Winter Storm Elliott when Americans needed the system to work the most.

Since Winter Storm Uri, FERC has made progress on several recommendations, including the issuance of new cold weather reliability standards to address one of the key issues that was experienced during the storms. I am also looking forward to an upcoming report from FERC staff about Winter Storm Elliott that may spur additional action.

Second, FERC is taking a regional approach to these concerns. Later this week, we will be hosting a forum to examine reforms that are needed to PJM's wholesale markets. Next week, FERC will be hosting its second New England Winter Reliability Gas Electric Forum to address the threats the region may face over the next few winters and in the longer term.

Third, FERC has been considering reforms that directly impact consumer costs, including at our cost management conference last year and in comments submitted in that docket. As we anticipate increasing levels of transmission investment in the next decade and beyond, which has required whatever kind of resources are hooking up to the grid if this country wants to maintain its place as an international superpower. It is important that somebody, FERC, is minding the store on behalf of consumers.

Fourth, I want to highlight FERC's outstanding notices that some of you have mentioned on transmission -- proposed -- excuse me, proposals on transmission and interconnection reform. A major regional transmission line can increase reliability and decrease customer cost in a whole host of ways. And it is equally important that new resources of any type are interconnected to the system in a timely and cost-efficient manner to reduce customer cost.

These two bipartisan proposals that the Commission has put forth take important first steps to reduce customer cost and give them the most bang for their buck by optimizing our

investments. Moreover, we are considering opportunities for establishing a minimum interregional transfer capability requirement and for encouraging the use of grid-enhancing technologies which can increase the efficiency of our existing system at modest cost. We continue to scrutinize rates for transmission and pipeline services and we continue our critical work to assess the public need for and impacts of natural gas pipelines and LNG infrastructure.

The work that FERC does is complex and challenging, and we rely on the participation of a broad variety of stakeholders. In particular, it is critical to engage early and effectively with frontline and fence line environmental justice communities, both to minimize and avoid impacts on those communities when possible, and also to avoid the time and risk with potential litigation challenging the Commission's decisions.

I want to end with a note of praise for our new Office of Public Participation that Chairman Pallone mentioned. It has been a resource around the country by facilitating public involvement in our proceedings. Better participation

leads to stronger decisions and more lasting outcomes. It remains my honor and privilege to serve the American people, and I am pleased to answer any questions you may have. Thank you.

[The prepared statement of Ms. Clements follows:]

**********COMMITTEE INSERT**********

765 *Mr. Duncan. Thank you. I will now recognize
766 Commissioner Christie for five minutes.
767

STATEMENT OF THE HON. MARK CHRISTIE

*Mr. Christie. Thank you, Chairman Duncan, Ranking Member DeGette, members of the subcommittee. I appreciate the opportunity to be here with my colleagues from FERC and speak to you.

Your focus is reliability and I am going to speak to reliability. I think we are heading for potentially very dire consequences, potentially catastrophic consequences in the United States in terms of the reliability of our grid, and I think that the basic reason is we are facing a shortfall of power supply. You know, the term we use is resource adequacy, but what we are really talking about is potentially a shortfall in power supply.

You have to remember about the grid, the grid has to have power being fed into it every second of every minute of every hour of every day to keep the lights on. It -- you can't store it up and bring it out the next day. So because of that, you have to have a power supply that is feeding into the grid on a continuous basis. We can't tolerate

shortages because shortages means the lights go out.

So what is going on now and what is the threat to reliability? In summary, what the threat is is this, we are facing cascading retirements of dispatchable resources, specifically coal and to a lesser extent gas. And the problem with losing that many dispatchable resources is you are losing the supply that is going to keep the lights on. And the problem is not the addition of wind and solar, really the problem is subtraction of coal, and gas, and other dispatchable resources which are the ones that we need during this transition to keep the lights on. That is the fundamental problem.

This is not just Mark Christie saying this. We have been warned repeatedly from NERC, the reliability experts for the country, that this is exactly what is going on. We are losing dispatchable resources at a pace that is unsustainable for keeping the lights on. NERC has been telling this -- us this over and over and over.

We are hearing it from the major RTOs. PJM, which is the largest RTO in terms of consumers serviced. MISO, which

is the largest RTO in terms of geography, it covers the Midwest and parts of the Southeast. We just heard it last week from New York system operator, the New York ISO. All the same message: we are losing dispatchable resources at a pace that we can't keep the lights on if we continue to do this. And so that is the fundamental problem that we are facing that threatens reliability.

So what are the two reason -- I will give you two reasons why this is happening because I always get asked why is this happening. Well, first of all, it is happening in both the RTOs and the non-RTOs. This is not a uniquely RTO problem. Now in the RTOs, it is a problem of market design. It is a problem in which the resources that are retiring, and a lot of them are retiring prematurely, and by prematurely what I mean is they have -- these units have many years of useful life remaining that they are retiring. And it is a problem of market design in the RTOs. They are simply not getting the compensation that it takes to keep units open, keep units operating.

In the non-RTOs, it is largely a problem of the IRPs of

the utilities are taking these units out and retiring them prematurely. It is sort of a self-correcting problem in the non-RTO states because in the non-RTO states there are state regulators who are supposed to be looking at this, and watching this, and supervising these IRPs.

The second reason we are seeing these premature retirements, and particularly we are talking gas. I'm going to focus on gas. Gas has become an increasingly more important dispatchable resource as we increase the percentage of wind and solar in the grid because wind and solar are intermittent, as everyone knows. And so you have to have, you know, a dispatchable backup, and gas has become the dispatchable resource of choice.

But for gas to run, gas has to have supply. It has to have the supply of the fuel, and that takes transportation, and that means pipelines have to be built, and there is a lot of people that don't want to build pipelines. Pipelines are -- there is a national legal campaign to try to keep pipelines from being built. But the only way you can have backup gas that provides the power when wind and solar are

not generating is you have to have gas units that have sufficient supply. And just last winter in Winter Storm Elliott at PJM we had a lot of gas units didn't run. One of the reason was a lot of them didn't have firm supply. They couldn't get the fuel. So that is the second big reason I think.

So as we move forward, I think this is a problem that is going to be become increasingly salient. I think that the warnings have been going on, we have been getting warnings from all the RTOs, from NERC. We have got to be aware of this. This problem is not just coming, I think it is already here, and it is coming here very quickly.

And with that, I will be glad to answer any questions you have, and thank you again for the opportunity, Mr. Chairman.

[The prepared statement of Mr. Christie follows:]

**********COMMITTEE INSERT**********

*Mr. Duncan. Well, I want to thank all of the commissioners for your testimony. We will now go into the question and answer portion of the hearing, and I will begin the questioning and recognize myself for five minutes.

Commissioner Danly, in a recent dissent to a transmission planning and cost allocation proposed rulemaking you noted that, "The majority of FERC seeks to establish policies designated, or designed rather, to encourage the massive transmission buildout that will doubtless be required to transition to an aspirational renewable future. To do so, they need to socialize the cost of this transmission across as broad a population of rate payers as possible.''

Do you believe that Congress requiring FERC to order the buildout of massive amounts of transmission connecting the different regions and integrate more renewable energy is consistent with the just and reasonable standard under the Federal Power Act?

*Mr. Danly. Thank you. The -- if any action is taken pursuant to a congressional enactment, it is going to be for

us to try to reconcile the two because both have the force of law. The constraint for the socialization of transmission costs doesn't really come from the just and reasonable rate standard directly but rather the invariant case law that we have had for decades now. The original case was Ill. State Commerce Commission v. FERC in which there has to be a commens -- a roughly commensurate benefit to the amount paid. So most of the undertakings that FERC has now in its transmission planning in which it is attempting to socialize those costs will ultimately, I think, fail on appeal because they violate that case law that is basically unchanged for decades.

To the extent to which, though, Congress changes that through an enactment, who is to say how that is going to shake out, but the sine qua non of just and reasonable rates now is that you cannot charge anybody for any benefit that they don't get, and that benefit has to be in some way articulable. Our recent transmission planning NOPR seemed to, by explained terms, expand that concept of benefits so broadly that it would include the public policy choices not

only of other states but even other municipalities. That is not contemplated in the caselaw now, and I think it is not only bad policy, but it is illegal.

*Mr. Duncan. Yeah. Thanks for that answer. I mean, if Iowa has surplus wind power and California wants it, the power lines to transmit that power are going to have to go across Colorado. Colorado won't pull any of the power off of that, why should Coloradoans pay for the cost of the transmission line they get no benefit from? So great answer, and I appreciate you sharing that.

What about requiring rate payers that do not benefit? We have covered that one, I am going to skip on.

Chair Rodgers and I recently wrote a letter to each of you requesting the Commission to take a more active role in ensuring reliability and wholesale electricity markets. We have witnessed energy rationing and blackouts in many of these regions and others over the past few years. Two regions in particular are the California Independent System Operator and the Electric Reliability Council of Texas have experienced blackouts and energy rationing.

So, Commissioner Danly, are such markets that experience blackouts just and reasonable for rate payers?

*Mr. Danly. The -- in a word no. The market design requires rate payers to pay money, and in return for that, they are supposed to get electricity and they are supposed to get it on a consistent basis. It has to be reliably delivered.

In particular, if you take cases like let's say PJM or ISO New England in which they are actually capacity markets, there is a specific product that the rate payer pays for which is the capacity payment. And if you have a market that is incapable of delivering proper capacity outcomes, despite the fact the rate payers are paying for it, I think that is an obvious case of an unjust and unreasonable rate.

*Mr. Duncan. Thank you. As I noted in my opening statement, electric reliability across the country is deteriorating. The main reason for this is not a lack of transmission capacity or extreme weather, it is because we lack insufficient firm generation that can quickly respond to meet demand. And, Commissioner Clements and Commissioner

Christie, thanks for recognizing that fact.

I have a yes or no question for each of you, starting with you, Chairman Phillips. Has electric reliability worsened or improved over the past three years? Worsened or improved? Electric reliability, has it worsened or improved?

*Mr. Phillips. I think the response to your question is that we have seen a trend where electric reliability has worsened somewhat. We are beginning to change that trend under my leadership.

*Mr. Duncan. Thank you. Chairman -- Commissioner Danly?

*Mr. Danly. It has worsened.

*Mr. Duncan. Worsened. Commissioner Clements?

*Ms. Clements. I think it is a region-specific question. Given any time of year, it is a seasonal question. It is a question of extreme weather and what types of stressors hit our electricity system --

*Mr. Duncan. Worsened in some areas and improved in others. Thank you.

*Ms. Clements. Yes.

*Mr. Duncan. Commissioner Christie?

*Mr. Christie. I think it has generally worsened because we are losing the dispatchable resources that are necessary to keep the lights on.

*Mr. Duncan. Yeah, that's perfect. Spot on. Dispatchable resources, natural gas, natural gas infrastructure to get the resources produced in this country delivered to where it needs to be used, utilized by the utilities to improve the lives of electricity generation and for our constituents, and then potentially exported to improve the lives of people around the world.

With that, I will go to the Ranking Member DeGette for five minutes with the questions.

*Ms. DeGette. Thank you very much, Mr. Chairman.

Chairman Phillips, one of the goals of FERC is, in fact, to improve and strengthen reliability, is that right?

*Mr. Phillips. That is right.

*Ms. DeGette. Now in my opening statement I talked about the work that FERC is doing on transmission issues,

and again, I want to say that this interregional transfer capability study that was required by the debt limit deal does not prohibit FERC from completing the outstanding transmission roles or any work on interregional transmission or minimum transfer capacity. So, Mr. Chairman, I want to ask you, do you believe that the interregional transfer capability study required by the debt limit deal prohibits FERC from advancing any transmission work while the study is pending?

*Mr. Phillips. The answer to that question is no. I believe that NERC is directed to do a study under the debt limit deal. We also have an ongoing proceeding at FERC where we have had a forum, we have had a technical conference, we have received comments. It is my belief that those two proceedings can move forward in parallel.

*Ms. DeGette. And do you think you could get information from this study that was required in the debt ceiling deal?

*Mr. Phillips. Yes. I believe it could very well be valuable the information that NERC finds in its report. And

what I would like to do is make sure that if and when NERC completes its report, FERC is also ready to act on our proceeding so that we continue to move forward, NERC moves forward, and we can incorporate their findings in what we are doing.

*Ms. DeGette. But you are not going to delay in your proceeding based on this study?

*Mr. Phillips. I am not aware of any requirement that we wait for NERC to --

*Ms. DeGette. Is it your intention to wait?

*Mr. Phillips. It is not my intention to wait.

*Ms. DeGette. Commissioner Clements, I want to ask you if you can talk briefly about the importance of finalizing the strongest possible version of the rule along with the importance of getting the regional transmission planning and cost allocation right.

*Ms. Clements. Thank you. Finalizing a rule on interregional transfer capability is critical. We have seen that in real life through the experience in Winter Storm Uri when the MidAtlantic was able to help out to keep the lights

on in the Midwest. The Midwest was able to keep the -- help keep the lights on in the South. But the South couldn't help Texas keep the lights on because there was a lack of interregional transfer capability. The same thing happened to the Southeast during Winter Storm Elliott.

And so absolutely, we need to move forward and finalize a strong interregional transfer capability rule. The good news is there has been broad consensus across the industry and across stakeholders that that is the case, and we are working on what kind of methodology might be appropriate.

*Ms. DeGette. And having a strong rule like that would go to what the chairman was talking about, increasing the overall reliability of the grid.

*Ms. Clements. That is right. Every year -- well, last year, EEI suggested that utilities spent 28 billion dollars on transmission investment. Money is getting spent, so the question is, is it getting spent in the way that most cost effectively protects customers, and that is what we need to be thinking about at FERC.

*Ms. DeGette. Now, Commissioner Clements, I wonder if

you can talk for a minute about how FERC can better leverage grid-enhancing technologies that can maximize the existing infrastructure.

*Ms. Clements. Thank you, Congresswoman. This is a really important question and something I spent a lot of time focusing on. Before we expose customers to the cost that Commissioner Danly has expressed concern about, how can we make lower cost modest investments on our existing grid to help squeeze more juice effectively out of the existing grid and bring more resources online without costly transmission investment. Grid-enhancing technologies is our number one tool, and we have put forward some proposals that I hope we will move forward with.

*Ms. DeGette. Thank you. Mr. Chairman, I -- it is really persuasive to me when you talk about your own experience with growing up with environmental justice issues. And, of course, I told you when I met with you, we have an area in my district, an EJ area. So I'm wondering if you can briefly talk about the tangible steps that you plan to implement to advance environmental justice.

*Mr. Phillips. Thank you, Congresswoman. We had the first ever, I mentioned this in my opening statement, roundtable on environmental justice and equity. What I am looking to do and we are working on right now is an outward facing document that both frontline communities, utilities, stakeholders, everyone across the board can understand how we define environmental justice, what factors we are looking for as we consider projects going forward. This is something that I believe will be critical to help move forward, and not just have projects approved, but to ultimately have them built.

*Ms. DeGette. Thank you.

Thank you very much, Mr. Chairman, I yield back.

*Mr. Duncan. The gentlelady yields back. I will now go to the gentleman from Virginia, Mr. Griffith, for five minutes.

*Mr. Griffith. Thank you very much, Mr. Chairman.

It is really good to see all of you here today but particularly my friend Commissioner Christie. It has been a long time since you, me, others, including Terry Kilgore,

used to have midnight dinner at the Third Street Diner in Richmond, Virginia, but it is good to see you here today.

You talked about several things in your opening, including dispatchable resources. And while this is a great hearing for all of us to dig into the weeds, the folks watching back home who may be seeing it a couple days from now in the middle of the night may not know what that means. Can you define dispatchable resources for the folks back home?

*Mr. Christie. Yes. I remember being asleep most of those midnight dinners. But dispatchable resources are resources that are not weather dependent. You -- they run all the time. Nuclear runs literally for months at a time without shutting down. Coal and gas can run all the time.

Now it doesn't mean they are not weather impacted. What we saw in Elliott -- Winter Storm Elliott, we had a lot gas units that didn't perform because they were not winterized or they couldn't get firm supplies. So units can be certainly weather impacted, but a dispatchable unit is a unit that is not weather dependent to run. Obviously, wind

and solar are weather dependent to run; that makes them intermittent. It doesn't mean they don't have a tremendous role. They certainly have no fuel cost, which is good.

But we have to understand the characteristics of generating units, and when you are trying to keep the lights on -- and again, you have to remember about the grid. The power that is coming out of these lights right now was generated nanoseconds ago. Power has to be generated and used within seconds, and so because of that, you have to have power sources feeding into the grid every single second of every minute, otherwise the lights go out. And dispatchable resources are great for that because they run for days, weeks, even months at a time without concern about what the weather forecast is going to be. So that is the difference.

*Mr. Griffith. And, obviously, knowing my end of the state, it is heavily reliant in many of the communities on the coal and natural gas industries, and it has just been somewhat bothersome to us that folks don't realize the intermittency of some of the renewables and that you have to

have the pipelines and you have to have high-voltage power lines to wield that electricity from one part of the country to another.

Can you go into a little bit about how long it is going to take to build the capacity even if we want to take wind or solar from an area where it is good weather to an area that weather may not be so good right then?

*Mr. Christie. Well, building generating capacity takes time, but the biggest problem we have right now is we are losing existing generating capacity that could be running, and it is shutting down, and it is shutting down prematurely, so we are losing assets that could be providing power right now.

With regard to transmission, you know, you have to have to transmission to move power from the supply source to the ultimate consumer, so transmission is absolutely essential. I would say on transmission, and based on 17 years as a -- at the Virginia State Corporation Commission and doing transmission line cases, every case comes with its own unique set of facts, and what you are trying to do is --

look, consumers are going to pay for transmission. Consumers are going to pay for it.

So you want to make sure that the consumers who are going to be forced to pay for transmission are getting the best deal and are getting a line that serves their interest and not the interest of developers. It should be serving consumers, and it should be the -- a solution to a reliability problem. And all these cases have unique sets of facts, and as a regulator, you sit down and determine is it needed, is it cost prudent. Those are the two biggest things you look at in a power line case.

And if it is, and if it -- and if you find yes on both, then it should be built, and that means they are extremely controversial. They go through -- some of them go through a hundred miles, two hundred miles, and you have to use imminent domain oftentimes. They become controversial.

But once you have determined it is needed, then they absolutely must be built, no question about it.

*Mr. Griffith. Yeah. And, you know, everybody wants to run from coal and some folks want to run from natural

gas, but they have been the most dispatchable -- nuclear as well, but they have been the most dispatchable overtime, and I don't see that changing. One of the things that I think we should do, and this is not your jurisdiction, I understand that, but we should be doing research to make the burning of the fossil fuels cleaner so that we can export it to the rest of the world. Do you have any thoughts on that?

*Mr. Christie. Well, I think the carbon capture is a tech -- and I am not a -- I am getting off on here, but it would be wonderful if carbon capture technology could be mature to where you could run coal or gas generating units with carbon capture and actually remove all the carbon and have that benefit. I don't think the technology is anywhere near being mature yet, but time will tell.

*Mr. Griffith. Time will tell. And I think we are a lot closer than you might realize, but we need to put some -- instead of putting all our eggs into the basket of renewables, we need to put a few of our eggs into the basket of fossil fuels so that we can improve it for the rest of the world because in all fairness, folks, the rest of the

world is going to burn coal. Sub Saharan Africa, India, China, they are going to continue to build -- burn coal. If we can figure out how to do it cleaner in the United States, we can do it better for the entire world and actually help the carbon issue in the -- on the planet.

And I yield back.

*Mr. Duncan. The gentleman's time is expired. I will now go to the Ranking Member of the full committee, Mr. Pallone, for five minutes.

*Mr. Pallone. Thank you, Mr. Chairman.

I want to start with environmental justice. As I mentioned in my opening statement, Ranking Member DeGette and I wrote to Chairman Phillips last week about the importance of incorporating environmental justice into his decision making, and while the steps the Commission has taken over the last two years have been vital, it still has a long way to go.

So let me start with Commissioner Clements. Many communities have pointed to the Office of Public Participation, which you helped stand up, as a rare bright

spot for first engagement with EJ communities. Can you talk briefly about what has made the office so successful and how it will continue to build on its success so far? Briefly.

*Ms. Clements. Thank you for the question, Ranking Member. The first reason it has been so successful is who we put in charge of it. The inaugural director, Elin Katz, who has since left, and the current director, Nicole Sitaraman, have taken their time and been deliberate, and worked with not only all of us as commissioners but with stakeholders to establish the kind of credibility that a new office like this needs to get results. That is the first reason.

The second reason is that the public has been hungry for a way to engage with this esoteric technical, you know, kind of arcane commission, and they are learning how to speak about it in English and inform people, neutrally, they take a neutral -- they don't get engaged in any position in any dockets, but they help people to understand that this agency over here makes -- has an impact on their lives. And they have been doing that not only on the gas infrastructure

side but also on the electricity side, and I think that is really important.

*Mr. Pallone. Thank you. Now let me go to Chairman Phillips. FERC held its first ever environmental justice roundtable in March. I found the perspectives directly from frontline communities in the second panel of the day especially impactful. So can you talk about what actions the Commission is taking in response to the input it received at that roundtable? Again, briefly.

*Mr. Phillips. Thank you for the question. I am extremely proud of the work we have already done on environmental justice at FERC. We are looking to, as I mentioned a moment ago, put out a public facing guidance document that all of our stakeholders can use. We are also -- and this is a public interest determination that every commissioner has to make when a project comes before us.

I consider environmental justice, I have always considered environmental justice in my public interest determinations for projects, and that is borne out now. Just recently, the Commission, sua sponte, for the first

time in its history, took action to protect environmental justice communities for air pollution regarding a project. This is the type of progress that we are looking to make at FERC regarding EJ communities.

*Mr. Pallone. All right, thank you. Now I -- you heard me say earlier that although FERC is a five-member commission, right now there are only four commissioners. So let me just go down the line and ask briefly each of you, do you agree, yes or no, that FERC is at its best and most effective when it has a full complement of commissioners, yes or no?

*Mr. Phillips. Yes, absolutely.

*Mr. Pallone. Commissioner Danly?

*Mr. Danly. Not invariably.

*Mr. Pallone. Not invariably? Okay.

*Ms. Clements. Yes.

*Mr. Pallone. Commissioner Clements?

*Ms. Clements. Yes.

*Mr. Pallone. And Commissioner Christie?

*Mr. Christie. Not necessarily.

*Mr. Pallone. Okay. Chairman Phillips, if the Senate does not confirm additional commissioners, FERC will be down to three commissioners in January. Can you talk about the danger that poses to FERC if it was just one commissioner away from losing a quorum?

*Mr. Phillips. I believe -- I have been a regulator for over 10 years. When the Commission is at a full complement, it absolutely functions best. There is five members for a reason. Having those voices, they give us better orders, they give us better decision making, better deliberation. If we go down to just three and we can lose a quorum, the Commission may not be able to act on important matters for the American people.

*Mr. Pallone. All right. Let me get one more question in. One of the five key actions identified in the Equity Action Plan was ensuring that natural gas project certification and siting policies and processes are consistent with environmental justice, and the document noted that reviewing FERC's regulations and policy statements on natural gas pipeline authorizations was a key

component of FERC's approach to aligning pipeline certification with environmental justice principles.

So 30 seconds left, Chairman Phillips, can you talk about where FERC currently is in its process of reviewing the natural gas policy statements that it issued last year?

*Mr. Phillips. Very quickly, we are now -- those are now draft policy statements. We are using the 1999 policy statement. We are moving projects. Of course, what I am looking for, still an ongoing proceeding, I want a bipartisan approach to these policy statements. Something that we can build consensus on. I also want something that stakeholders can embrace.

It is extremely important that when we do this that we don't do it in a way that if the composition of the Commission changes, it can be flipped over at the snap of a finger. I want something that is lasting and durable for the utilities and for the work that we do.

*Mr. Pallone. Thank you so much.

Thank you, Mr. Chairman.

*Mr. Duncan. The gentleman's time is expired. I will

now -- it is my honor to recognize the chair of the full committee, Ms. McMorris Rodgers, for five minutes.

*The Chair. Thank you, Mr. Chairman.

FERC's core mission is ensuring abundant, affordable supplies of energy at just and reasonable rates, and FERC is supposed to operate as an independent agency. Yet, under the Biden administration, we saw -- we have seen a strong shift with FERC unnecessarily delaying natural gas permits and supporting a forced transition to less reliable weather dependent wind, solar, and battery resources. Last year, NERC warned that half of the country is at heightened risk for electricity blackout. This year, that has increased to two-thirds of the country at a heightened risk for electricity blackout, so this trend is very concerning.

Yes or no, do you -- do each of you believe that FERC has upheld its statutory obligation to ensure abundant supplies of energy at just and reasonable rates? And I will begin with the chairman.

*Mr. Phillips. Yes.

*Mr. Danly. Sometimes, sometimes not.

*Ms. Clements. I think it is a work in progress.

*Mr. Christie. I agree.

*The Chair. Thank you. Commissioner Danly, can you expand and just discuss what you believe FERC could do to get back to its core mission?

*Mr. Danly. Certainly. We need to establish stable market rules and adhere to the rule of law. We need to make certain that the electric markets -- we have to speak about both the NGA and the FPA. So under the FPA, we have to make sure that our electric markets have stable rules, that we do not retroactively change the results of auctions, as we did in a recent order for PJM because we didn't like the outcome of the system we had already put in place. We have to make certain that the markets actually are protected from the effects of subsidies and that they have proper price formation. All of that is necessary to ensure resource adequacy and J and R rates.

Under the NGA, we have to constrain our analyses to the requirements of the Natural Gas Act, the purpose of which you rightly point out is to ensure abundant quantities of

natural gas at reasonable prices. And remember that though the public interest determination may have, as the Supreme Court has pointed out, subsidiary purposes, that is its primary purpose, and to the extent to which other elements enter the balancing, they have to be subsidiary to the main purpose of the statute.

*The Chair. Thank you. The district that I represent in eastern Washington, and the entire Pacific Northwest, is powered by hydroelectric power, and the licensing and relicensing process is entirely too burdensome. Hydropower is clean, reliable, and it is affordable, and one of the drivers of economic development in eastern Washington.

Yesterday, I introduced the Hydropower Clean Energy Future Act to expand the production and streamline FERC licensing and the relicensing process. Chairman Phillips, as you know, almost half of the Nation's existing hydropower dams, this investment that we made in this important infrastructure, is required to go back to FERC to be relicensed within the next several years. What is FERC doing to meet this challenge?

*Mr. Phillips. We are very aware that there is, some people call, an avalanche, some people call it a cliff, of coming, renew -- license renewals, excuse me, regarding hydro. It is critically important, I believe, our hydro fleet within the country. I applaud you for the efforts that you are taking to introduce the legislation.

FERC has made a priority to streamline our processes regarding hydro. We have a pilot project where we are looking to approve hydro facilities within two years. These are the types of steps that we are taking.

*The Chair. Do -- so this is the largest renewable in America, is water power, it is in every state. We could double hydro electricity without building a new dam. Only three percent of the dams actually produce electricity. So as a follow-up to the chairman and all the commissioners, do you agree that the United States has tremendous opportunity to expand hydropower production, and will you work with me on my legislation?

*Mr. Phillips. Yes, absolutely. FERC provides technical assistance. When asked, I would love an

opportunity for our staff to work with your staff to make sure that we have a workable solution to really empower this great resource, which is hydropower in the country.

*The Chair. Thank you. You know, part of the -- it is really important that in this legislation it gives FERC the tools to hold other agencies accountable to FERC's permitting schedule, and that is where I really could use all of your help. If you agree with the goal. So maybe I will move on down the line.

*Mr. Danly. So the goal of improving hydro permitting?

*The Chair. Yes.

*Mr. Danly. Yeah, of course I agree with that.

*The Chair. Yes. Okay, thank you.

*Mr. Danly. Yeah, so to the extent you need help, I am around.

*The Chair. Thank you.

*Ms. Clements. Absolutely.

*The Chair. Thank you.

*Mr. Christie. I think one of the reasons it takes so

long to get relicensing, we get criticized a lot and are asked, how come it takes so long to get a dam relicensed, is that FERC has been given so many duties that are not really related to our primary function as an economic regulator that when we relicense a dam it takes forever because there are so many other boxes we have to check that have really nothing to do with economic regulation. We even have to like determine whether relicensing affects recreational opportunities. And I said in the Senate committee, we are not the parks and rec department, shouldn't be.

But that's why if you really want to do something about the length it takes us to relicense these dams, it would be nice to just take away a lot of the jurisdiction that we have on the -- on these non-economic duties and give it to another agency.

*The Chair. Thank you.

*Mr. Christie. Because that is why it takes so long.

*The Chair. Yes. Well, I thank you all, and thank you, Mr. Chairman. I yield back.

*Mr. Duncan. I have got one in my district that has

taken more than a decade. I will now go to Mr. Peters from California for five minutes.

*Mr. Peters. Thank you, Mr. Chairman. I see -- I think there is a lot of bipartisan opportunity on that issue as well.

A modern interconnected and reliable electric grid is essential to our energy and national security, and despite this shared reality, the current grade is -- grid is vulnerable and outdated. Congress, the Federal Government, including FERC, have to act to strengthen the reliability of our grid while maintaining affordability for consumers. And it is not a partisan issue because everybody needs access to power, and transmission is essential for every energy source, whether it is coal, nuclear, hydropower, natural gas, solar, or wind.

And I want to look to the great State of Texas, home to significant energy innovation and leadership, as a perfect example. In 2005, the Texas legislature, including my friend, Mr. Veasey, at that time passed legislation to set up competitive renewable energy zones and they built

transmission lines to deliver cheap power to consumers. This plan led to 3600 miles of new high-voltage transmission lines, which isn't a lot, but it was 23 percent of all high-voltage lines added in the United States between 2008 and 2020.

And while these lines largely focused on expanding vast wind resources in Texas, the transmission also boosted another sector. The booming oil and gas industry in the Permian Basin. During the shale boom in the 2010s, oil and gas companies used hydraulic fracturing and horizontal drilling to access vast oil and gas resources. The increased electric transmission capacity helped cheaply power oil and gas infrastructure in rapidly growing towns. Transmission is not partisan or technology-specific.

Mr. Chairman, I would love to work with you and Ranking Member DeGette and all my colleagues to find bipartisan compromise on transmission policy because every day we wait Americans will be vulnerable to blackouts and higher prices.

Before I proceed to questions, I just want to address the notion of the -- that came up before about the study. I

would like to point out that we have a lot information about this already, and I would ask unanimous consent for the admission to the record of the following documents: the February 2023 Department of Energy's Natural Transmission Needs Study, the February 2023 study from Lawrence Berkeley National Labs, the February 2023 study from Grid Strategies, the October 2022 GE and NRDC study, the May 2022 NREL Interconnection Seam Study, and the July 2021 study from Grid Strategies.

I would like to enter all of those into the record.

*Mr. Duncan. Without objection, so ordered.

[The information follows:]

**********COMMITTEE INSERT**********

*Mr. Peters. Okay, thank you.

A more connected interconnected electric grid could cut consumer electric bills by more than a hundred billion dollars cumulatively or $300 per household annually. More interregional transmission can also help with reliability. As Commissioner Clements pointed out, Winter Storm Elliott caused blackouts across North Carolina and Tennessee, which could have been avoided if available power in the Midwest was diverted to the region.

Commission Clements, in your written testimony, you mentioned the benefits of major regional transmission lines. Can you please elaborate on how more regional lines can help reduce costs for consumers and provide reliability benefits? Understand that we are not all experts like you are.

*Ms. Clements. Thank you, Congressman. A robust regional transmission system brings a myriad of benefits. It can reduce congestion and therefore reduce prices. It increases resiliency in the face of extreme weather. It can transport zero marginal fuel cost resources from distant locations to customers where they need them. It increases

the ability to do reserve sharing. The list goes on and on.

And every transmission line has some component of a reliability benefit, some component of an economic benefit. So it is hard to parse them out.

FERC has put forward a proposal to improve upon over a decade old planning proposal related to regional transmission planning and cost allocation. That will get at the issue. That will start to solve the problem, and I think it is imperative upon this Commission to move forward with finalizing that rule.

*Mr. Peters. I was happy to work on and introduce the Power On Act, which became the backstop authority that Senator Manchin put into the infrastructure bill -- the Bipartisan Infrastructure Bill. This year I am working with Senator Hickenlooper on a bill to establish minimum levels of power capabilities, the Big Wires Act between regions. Can you comment on how a minimum transfer requirement could help with grid reliability?

*Ms. Clements. Absolutely, I would be happy to. And I think that the Big Wires proposal you put forward can -- is

a good idea related to providing a clear minimum threshold for regions to understand how much they should be able to share between each other because that is the place where, despite the fact that I think there is broad support across the industry and stakeholder groups for more interregional transfer capability, the question is how do we get it done.

*Mr. Peters. We need to force regions to be able to work together.

*Ms. Clements. We hope they will on their own. Yes, we would like to be able to help them and to facilitate that cost effectively.

*Mr. Peters. To encourage them.

*Ms. Clements. The reliability benefits are simply undoubted based on all those studies you demonstrate and real-life experience.

*Mr. Peters. Thanks. My time is expired, but I should have said encouraged.

*Mr. Duncan. Thank the gentleman.

*Mr. Peters. Thank you, Mr. Chairman.

*Ms. Clements. I will go to Mr. Latta, but before I

do, I want to thank him for helping me out chairing something yesterday, and I recognize you for five minutes.

*Mr. Latta. Anytime for my friend. Thank you, Mr. Chairman, and thanks to the commissioners for being with us today.

Commissioner Danly, I have been concerned with high-profile attacks on our electric substations throughout the country and the possible consequences if these attacks cease being random occurrences and become a coordinated effort. Last year, FERC commissioned the North American Electric Reliability Commission, NERC, to study physical threats to the bulk power system. Would you highlight the findings of the report?

*Mr. Danly. So it was -- NERC has written a lot on and talked a lot about the dangers to the bulk electric system both from cyber attacks and physical -- from a physical security standpoint. The bottom line is, without getting into all the details, the -- this is a distributed system and it is vulnerable to any number of asymmetric attacks of various types.

*Mr. Latta. So pretty much are you saying that we are vulnerable but didn't really give us any specifications of what we should be doing in the meantime or how we can protect ourselves?

*Mr. Danly. Well, so there are any number of means by which you can physically harden the infrastructure. The problem with that is at a certain point, people have to pay for it. And so this is typically a -- most of the vulnerability is in the distribution system, which is not the bulk electric system, that is the state jurisdictional distribution system. That is run in our system by the division of jurisdiction by the states and the state POCs who would offer cost recovery to the utilities that would put the physical security in place.

*Mr. Latta. So I guess on two questions, what can FERC do to help the local communities out there if something would occur like a -- more of a mass attack instead of an individual attack, is there anything that FERC can be doing to help our local communities?

*Mr. Danly. Well, FERC already has an Office of Energy

Infrastructure Security, which is extremely active in engaging with utilities and local jurisdictions in talking about best practices, conducting audits, trying to figure out ways that they can enhance the security of their facilities. They are really very good at it.

And there is, of course, FERC's bully pulpit being able to talk about the issue and convene discussions, which we have done over the last few years.

*Mr. Latta. And here is the wildcard question. What can Congress do to help either FERC or the local communities if something like this would occur?

*Mr. Danly. Well, I would caution Congress in trying to make FERC the locus for anything having to do with physical security because we are so distant and removed from the physical assets that are in question. That is really more a local government and state POC issue I think properly.

But to the degree to which you want to cooperate with the states, I think you ought to. They are probably the ones that have a better view as exactly what they need.

*Mr. Latta. Okay, thank you. Well, I am working on legislation right now, and so I think as we work on the legislation, I would like to work with you and FERC on that.

If I could turn to Commissioner Christie. In addition to the grid security, as the co-chair of the Grid Innovation Caucus, I am an advocate for the development and deployment of new innovative technologies within the bulk power system. How is FERC working to ensure the reliability of the bulk power system as new technologies are deployed onto the grid?

*Mr. Christie. Well, if you are referencing grid-enhancing technologies, I think that is what Commissioner Clements was asked about earlier. Some of these technologies work really well and when they are deployed, they absolutely provide a lot of benefit. Some work not so well -- or don't work so well in certain places and work well in others. It is all very fact-specific.

FERC can encourage the use of -- in fact, we did an order not too long ago encouraging the use of what are called dynamic line ratings, DLR, or adjusted ambient ratings. So FERC's role is -- and also we put out the

reliability standards through NERC, which is essentially transmission line standards.

So FERC's role is to ensure that the reliability standards that apply to all the bulk power system, particularly transmission, and also to encourage the use of these technologies as they develop and are deployed to ensure that they are being developed and deployed in a -- in the most cost-effective way. I hope that answers your question.

*Mr. Latta. Thank you. Well, and back to Commissioner Danly real quickly in my last 40 seconds. You know, back in 2008, Republicans came out with an all above energy strategy, so we wanted to have, you know, everything from nuclear, and clean coal, and natural gas, and hydro, and then all of the other clean energy systems out there. But can we rely on just an intermittent system out there that some people sometimes advocate? What would happen if we had the intermittent go down, do we have to have that backup baseload capacity?

*Mr. Danly. There is no way, and it certainly has

never been tested, to have a large-scale electric interconnection run entirely on intermittents. The spinning mass that has been the basis for our generation fleet for ages is what allows us to ride through the voltage disturbances that are inevitable in a dynamic system like this. And even if you have grid forming inverters, the likelihood that they would have that level of resilience, given the fact that intermittents can turn and on off in a moment's notice is very likely.

There has to be some amount of backup, which is why counterintuitively the greater the penetration of intermittents in a region, the more natural gas transmission capacity you need because when all of the intermittents do turn off, you have to have the entire fleet backed up with that quantity of capacity in natural gas, typically.

*Mr. Latta. Well, thank you very much.

Mr. Chairman, my time is expired, and I yield back.

*Mr. Duncan. I thank the gentleman, and now as an honorary Texan, it is my pleasure to recognize the gentlelady from the Lonestar State, Mrs. Fletcher, for five

minutes.

*Mrs. Fletcher. Thank you so much, Mr. Chairman, and thanks to Ranking Member DeGette, too, for organizing this hearing, and thank you, Chairman Phillips and Commissioners Danly, Christie, and Clements, for taking the time to testify before us today.

I also appreciated Representative Peters' comments about innovation in my home State of Texas where we really have been and continue to be at the forefront of all kinds of energy, both traditional and renewable. But we have also experienced the very worst of the failures that we are talking about here today. And so the work that you do is incredibly important to us and it is really important that we are talking about these issues here today.

So I do want to talk a little bit about an issue that we haven't covered as much in detail today but I think it is really important, especially because it relates to a lot of the work that we are doing in my hometown of Houston. We are very focused on capitalizing on the great investments that were made in the last Congress in the Infrastructure

Investment and Jobs Act, the Inflation Reduction Act, in particular, and the emerging technologies that we think can help us address our current challenges and really power our future while also addressing the climate challenge and reducing emissions.

So what we are seeing in Houston is an increased demand in the market for hydrogen. It is something we have been very actively working on. Currently there are about 1600 miles of hydrogen pipelines and they are generally concentrated along the Gulf Coast, as I am sure that you know, and nearly all hydrogen shipment occurs in dedicated hydrogen infrastructure because of its chemical nature.

So if we want to see the hydrogen programs that are included in the IIJA and the IRA succeed, we are really going to need to build out the necessary infrastructure to move hydrogen at scale. And so I really want to focus my questions to you all on these issues because I think there are some open questions right now.

Currently, the regulation for siting, commercial service, security and safety of hydrogen infrastructure is

divided between various federal agencies, including FERC, and the Surface Transportation Board, Transportation Security Administration, Department of Transportation. This large collection of jurisdictional oversight and the ambiguity associated with it has I think led to a lot of regulatory uncertainty in this space, and I think that that has the potential to hinder a lot of the projects that we are very interested in seeing move forward. So clear siting authority for unmixed hydrogen really is needed to provide the clear pathway for potential projects that the folks who are developing it really need to see.

So I want to ask each of you this question, whether, in your opinion, FERC is the best situated agency to play a lead role for siting interstate hydrogen infrastructure projects, similar to its responsibilities for natural gas and petroleum pipelines, and I would like to start with you, Chairman Phillips.

*Mr. Phillips. Thank you for the question. I believe given FERC's experience with natural gas pipelines, and as you mentioned, we currently have regulatory authority over

blended hydrogen and natural gas, I believe FERC could absolutely take on the responsibility of pure hydrogen. Of course, I urge Congress, any new authority that they give us in this area, please be specific. Be specific. It helps us implement down the road and avoid costly litigation or delays.

*Mrs. Fletcher. Thank you, Chairman Phillips.

Commissioner Danly?

*Mr. Danly. I am not certain that we actually have jurisdiction under either the ICA or the NGA, so it would probably require an enactment to make that clear, but I generally would advise that you not subject nascent industries, especially those that you actually wish to promote, to the full panoply of federal regulation immediately. So even if we are the best, I'm not sure it should be regulated at all immediately at the federal level.

*Mrs. Fletcher. You are not sure that hydrogen pipelines should be regulated --

*Mr. Danly. Requires --

*Mrs. Fletcher. -- at all at the federal level?

*Mr. Danly. No, no, no. By -- I should said that -- by FERC at the federal level because the entire panoply of regulations that attend FERC jurisdiction are quite onerous, and these are typically borne by well-established companies that have been operating for the better part of a century. I just am always cautious when people talk about giving additional jurisdiction to FERC. I always suggest they slow down and think through the consequences because it can be difficult operating under a FERC paradigm.

*Mrs. Fletcher. Well, I am going to run out of time, so I am going to move on to the other commissioners, but I may have some questions to follow-up with you on the record after this hearing.

*Mr. Danly. Please.

*Mrs. Fletcher. Commissioner Clements?

*Ms. Clements. Thank you. I would agree with Commissioner Danly that we would need clarification as to this responsibility and support the chairman's perspective on both the need for specificity and also the need for the staff to support something like that.

Contrary to Commissioner Danly, I have had stakeholders coming in to me and saying, can you let us know how you are going to do this, can you please talk about this. So I do think there is a desire for some sort of regulatory certainty at the federal level. Thank you.

*Mrs. Fletcher. And Commissioner Christie?

*Mr. Christie. I think it is -- if you convert a natural gas pipeline to a hydrogen pipeline, I think it is very questionable whether we would have authority under the Natural Gas Act, so I would urge Congress, if you want us to regulate hydrogen pipelines that used to be natural gas pipelines, or build new ones, that you really need to pass legislation and make that clear.

*Mrs. Fletcher. Well, thank you very much. I will submit some additional questions for the record. This is a really interesting topic, and I thank you so much, Mr. Chairman, for allowing us to have this exchange this morning, and I yield back.

*Mr. Duncan. I thank the gentlelady, and I will now go to the chair of the Environmental Subcommittee, Mr. Johnson,

for five minutes.

*Mr. Johnson. Thank you, Mr. Chairman.

Commissioner Christie, in my subcommittee just last week we examined the reliability impacts of proposed EPA regulations, and I want to kind of build on that this morning. In your testimony, you discussed the threat to reliability due to the rapid subtraction of dispatchable resources, especially coal and gas, with no replacement. You further discussed that one megawatt of wind or solar is simply not equal to one megawatt of gas, coal, or nuclear energy. I agree with that, by the way.

But RTOs like PJM, which includes Ohio, have warned us about this. I am especially concerned about the public health impacts of system-wide outages. If you look at the EPA's own website, you look at the mission of the EPA on the White House's website, it is to protect public health and the environment. Public health is primary.

So these outages, these potential outages resulting from taking dispatchable energy off the grid before anything can replace it can lead to loss of life in extreme heat and

cold scenarios when folks in places like rural Appalachia don't have power. And it can result in negative impacts on nutrition when families, especially low-income families, can't cook their food because they can't power their kitchen appliances. You yourself characterize this situation as a "serious threat to reliability that is looming on the horizon.''

So, Commissioner Christie, in your view, would you agree that current and proposed EPA power generation regulations are making this potential situation more precarious?

*Mr. Christie. Yes, because they are going to drive up the cost of operating a coal-generating unit, and if you drive up the cost, obviously that has to be paid for. Now if the unit is in rate-based, meaning in a vertically integrated state, well then consumers ultimately would have to pay the cost because cost in a -- for a unit that is in rate-based, they get cost recovery through that mechanism, so that unit could potentially stay open with consumers paying the additional cost.

If the unit is in one of our RTO markets, and they are already at a point where they are not recovering their capital costs or their operating costs due to the market then, you know, it -- you add additional cost. It just makes them even less financially viable, so they will close even sooner.

*Mr. Johnson. Okay. And would you agree, to avoid catastrophe, we need to work to preserve more of our reliable dispatchable coal and gas-fired power?

*Mr. Christie. That is exactly what NERC and the RTO management has been telling us. You can't just shut down your dispatchable generation overnight or within a matter of a few years and think that you can keep the lights on by simply trying to replace -- my point about the megawatt versus the megawatt is the capacity value of a wind or solar megawatt is simply not equal to the capacity value of a megawatt --

*Mr. Johnson. That is right. That is science. That is fact.

*Mr. Christie. That is engineering. And it is

engineering, and you can't keep the grid running with a one -- you don't get a one for one replacement so --

*Mr. Johnson. That is right.

*Mr. Christie. -- the numbers don't add up.

*Mr. Johnson. Well, what about the future? Renewables need to be backed up with something. Is there enough new gas-fired power plant to be built and integrated into our grid? Can you quickly touch on the current barriers to building out more gas-fired generation?

*Mr. Christie. Well, you look at the PJM queue, what is called the queue, which is the line of units that want to get in and get interconnected. About 90 percent of it is wind, solar, or battery, and some other -- I think some DR. And then the -- it is only about four percent I think gas. So the problem is not only that we are -- are we getting enough new gas generation to provide backup to the increased deployment of wind and solar, the answer is, no, we are not getting enough new.

But the bigger problem is the gas units that we have increasingly can't get the fuel supply to run as either

baseload units that run all the time or as peaker units that have to be called in on a -- you know, it is really a matter of supply. If they can't get the fuel supply, then they can't provide the power supply.

*Mr. Johnson. Okay. Let me go quickly to Commissioner Danly. I want to pivot to LNG exports. You wrote in September 2021, you discussed, and I quote, "Lingering apprehension that the Commission may not actually have authority to oversee the safety of liquified natural gas LNG facilities under Section 3 of the Natural Gas Act.'' And you noted that, "There is no language in the NGA that explicitly grants power to either the Commission or the Department of Energy to take responsibility for LNG safety.''

I am concerned about duplication of efforts from multiple federal agencies here. And I know my time has run out. I will ask this question, Commissioner Danly, and then if you would respond later in writing, that would be great. Can you share with our committee your perspective on FERC's authority for LNG safety and the cause of your apprehension,

and are you still concerned about the Commission's interpretation of its authority? If you would get back to me on that question, I would appreciate it.

*Mr. Danly. Certainly. Thank you.

*Mr. Johnson. Mr. Chairman, I yield back.

*Mr. Duncan. The gentleman yields back. I will now go to Ms. Matsui for five minutes.

*Ms. Matsui. Thank you very much, Mr. Chairman.

And first of all, I want to start by thanking all of you for your work on transmission planning, cost allocation, and interconnection queues. And I want to encourage you to make the most of the authorities Congress has given you to take further administrative action.

Now study after study has confirmed the dire need to build more transmission infrastructure and to build it faster than we have in decades. DOA's national transmission need study had found that additional investments in transmission infrastructure would improve reliability and resilience in nearly every region in the United States. Meanwhile, the National Renewable Energy Lab found that

significantly expanding transmission infrastructure would save more than 300 billion dollars in power system costs. These upgrades would not only make our grid more reliable, they could also pay for themselves.

Long distance, high-voltage transmission between regions can provide the flexibility to distribute energy from a diverse energy portfolio to where it is needed the most.

Commissioner Phillips, in your opinion, would more long distance transmission infrastructure between regions likely reduce wholesale electricity prices?

*Mr. Phillips. Yes.

*Ms. Matsui. Yes?

*Mr. Phillips. Absolutely.

*Ms. Matsui. Okay, great. So would more long distance transmission between regions likely reduce the threat of blackouts or brownouts?

*Mr. Phillips. [Indiscernible.]

*Ms. Matsui. Okay, thank you. Now in California, there are times when we have more solar power than we need.

In April alone, California curtailed more than 700 megawatts of wind and solar energy because there is simply no one to take it. Meanwhile, other areas of the country are curtailing more wind power, which tends to peak at different times of the day and different times of the year.

Commissioner Clements, if we had a fully integrated macro grid allowing uncongested transmission from California to the Midwest and beyond, could California's abundant solar power potentially reduce energy prices for rate payers elsewhere in the country?

*Ms. Clements. Indeed. The West in particular has a real opportunity for increased integration to the benefit of customers but it does require transmission investment to get there.

*Ms. Matsui. Absolutely. So if we had uncongested interregional transmission, could the otherwise curtailed wind energy in the Plains and Texas potentially lower energy prices in California?

*Ms. Clements. I think we would have to get into the specifics, but absolutely, resources in one region can lower

prices far from home.

*Ms. Matsui. Thank you. In my district, the Sacramento Municipal Utility District, or as we call it SMUD, plans to be zero carbon by 2030, making SMUD one of the first utilities in the country to achieve this benchmark. At the same time, SMUD's electricity rates are some of the cheapest in California, and SMUD has among the highest consumer satisfaction ratings of any western utility.

Commissioner Clements, your mandate is affordability and reliability and achieving those goals. FERC is resource-neutral, correct?

*Ms. Clements. Correct.

*Ms. Matsui. Now as part of SMUD's 2030 zero carbon plan, SMUD plans to retire two gas-fired power plants over the next few years, replacing that capacity with renewables and battery storage. Generally speaking from a cost and reliability perspective, why are we seeing so many fuel -- fossil fuel retirements across the country right now?

*Ms. Clements. That requires a longer answer,

Congresswoman. I think it is important to ground this conversation in the facts. Today in the U.S., 82 percent of our electricity supply is dispatchable, is what is known as dispatchable.

*Ms. Matsui. Right.

*Ms. Clements. Is that going to change over time? Yes, absolutely. But if basic supply and demand economics tell us anything, a good amount of thermal generation will stay online and be important in the reliability mix over time. So when we are talking about the risk, and when NERC or any grid operator including CAISO, stands up and says, we should be concerned, it is FERC's job to take notice and to take that seriously.

But let's talk specifically about what we need. Are we talking about resource adequacy? In that case, the answer is to get more steel in the ground. Are we talking about energy adequacy? In that case, the answer is how do we build up resilience against extreme weather events that the system wasn't designed to endure. Are talking about reliability services? Then let's talk about what services

the grid isn't getting that it needs and let's move market rules quickly so that those resources we need online, whether they are new or those to stay online, can get the signals they need to act.

And so to me, we have a lot of tools in the toolbox to address these reliability issues in the timing -- in the planning timeframe. It is a long ballgame, right? We are only in the third or fourth inning. We don't know what is coming and we will have some needs to prioritize higher cost reliability things upfront, but over time, the market constructs we have can provide this reliable transformation.

*Ms. Matsui. Okay. Well, thank you very much.

*Ms. Clements. Thank you.

*Ms. Matsui. I ran out town -- time. Thank you. I yield back.

*Mr. Bucshon. [Presiding] The gentlelady yields back. I now recognize myself for five minutes.

I want to thank the commissioners for joining us today in the hearing during a crucial time as we see electricity prices continuing to rise. I will speak for Indiana's 8th

Congressional District. On average, Indiana residents spend about $189 per month on electricity. That is 12 percent higher than the national average electric bill.

I am a strong supporter of an all above energy approach. In order to get reliable and affordable electricity to rate payers, we must be sure that energy projects of all kinds are able to develop without unnecessary delays or uncertainty. This Commission routinely discusses the reliability of the electric grid, its consequences to Americans, and FERC's role in reliably administering it. Yet recently FERC pipeline certificate matters have experienced unusual delays.

Unfortunately, one such example of the Commission failing to act in a timely manner relates to a project close to my home. A pipeline that would deliver natural gas to a southern Indiana power plant from Kentucky. This project could deliver reliable and cost-effective electricity to Hoosiers in my district and throughout the state.

Commissioner Christie, how does the Commission reconcile these recent delays in the -- in certificate

proceedings with the Commission's critical obligation to providing for a reliable power grid for the nation?

*Mr. Christie. Well, I don't want to talk about a pending proceeding, but we have to get certificates approved, but we have to get them approved in a way that they are going to be legally sound and address the issues that opponents of pipelines bring up. And one thing that is going on, I have mentioned it, you know, there is a national legal campaign, very well-funded, against every single natural gas pipeline or even facility from -- down to the compressor station. And so it has driven up the cost of even processing and investing in these facilities.

And yet we know that as gas becomes a much bigger portion of the resource mix and is absolutely essential as you deploy more wind and solar, you are going to have to gas backup. But they have to have supply, and that takes transportation. You have to transport the fuel to the generating units, and that is going to take natural gas pipelines. There is no way around it.

And so FERC's job is we have to -- when the evidence

shows that a line is needed and, of course, obviously we go through the Natural Gas Act and determine whether the evidence shows it, then we have to put orders out quickly, we have to put orders -- I say quickly, I mean, within the time limits of the statute, and orders that hopefully address the issues that are raised because if we don't address them, they are going to be addressed in the court anyway, because every one is going to be appeal --

*Mr. Bucshon. And so in a recent -- for example, in a recent FERC proceeding, the Commission failed to issue a rehearing order in a case where rehearing had been pending since November of 2022, CP 21467-001. The record in that case has been transferred to the D.C. Circuit without a rehearing order, which is not the Commission's standard practice. The Commission's actions in this case presumably increase the likelihood of an appeal for a project that the Commission held to be in the public interest last October.

I guess, Commissioner Danly, how can project sponsors of critical energy infrastructure projects required for reliable and resiliency of the electric grid rely on the

Commission's process if the Commission itself fails to provide the requisite regulatory certainty?

*Mr. Danly. They can't. And, in fact, we have seen the effects of the regulatory uncertainty that FERC has created, in part, with the issuance of the now draft certificate policy statements, and in the changing standards that we have applied, and in the intentional slow walking for a couple of years of many of those projects with unnecessary EISs, that is the longer NEPA reviews.

The result is that last year saw the least number of additional -- the least quantity of additional transfer capacity added to the interstate gas system since the 1990s, and we have seen a chilling of investment because the companies are unable to rationally allocate capital and cannot assess the right risk premium given that regulatory uncertainty.

*Mr. Bucshon. Yeah, I mean, I am just going to give my opinion. This is purposeful in order to increase the likelihood of lawsuits against these projects and delay them for years if not decades.

So I guess another question for you maybe is, does FERC have the authority to require pipelines to mitigate downstream or upstream greenhouse gas emissions?

*Mr. Danly. No, not under the NGA.

*Mr. Bucshon. Okay. Does FERC have the authority and capability to determine whether the emissions from a specific project are significant?

*Mr. Danly. We don't have a metric by which to do so that would survive the requirements of reasoned decision making, so it would fail on that basis.

*Mr. Bucshon. Great. Thank you. I yield back.

Now I recognize Mr. Tonko for his line of questioning.

*Mr. Tonko. Thank you, Mr. Chair. And to the chair and commissions of FERC, thank you for your presence here today and for the service that you provide.

Chair Phillips, FERC is consistently rated one of the top places to work in the Federal Government, but we know it can be difficult to recruit and retain the technical experts needed to make the Commission function effectively and have it at its -- top of its game. Can you discuss what pay

scale and direct hiring authority changes Congress could consider to ensure FERC has the economic, environmental, engineering, legal personnel necessary to complete timely reviews?

*Mr. Phillips. Thank you for the question. First of all, I want to just say some nice things about our staff. I think we have an outstanding staff. I continue to be impressed with their dedication.

What we've done, we are hiring. Everybody watching this right now, FERC is hiring. If you want to serve the public, please apply here, and I mean that in a very sincere way. We are looking to staff up our energy projects department, our division, but what we need, we have to keep pace with the industry. We have to compete with them for these very technical engineers, lawyers, professionals up and down the line. We need to make sure that we have every tool available.

I would like to see our pay scale on par with other technical agencies like the SEC. That will help us work faster and get our work done better.

*Mr. Tonko. Thank you. I also want to express my appreciation for the Commission's focus on transmission policy in recent years. As we continue to discuss potential threats to reliability, it is critical that members of Congress recognize the important role the -- that transmission infrastructure plays in making our grid that more resilient.

I want to strongly encourage the Commission to move forward with its open transmission proceedings as quickly as possible. There is no reason to wait. We know our electricity system is changing, and making certain that grid operators are doing effective, long-term, regional and interregional planning is foundational to maintaining an affordable and a reliable grid.

So, Chair Phillips, how does the regional planning proceeding require grid operators to take a longer view of their transmission needs and will those plans have reliability in mind?

*Mr. Phillips. Absolutely. Right now, the way transmission works, it is very siloed. It is siloed when

you talk about economic benefits. It is siloed when you talk about reliability benefits. What we are proposing to do in our regional planning is to have a longer view, to look at the reality on the ground so that we can plan for what we know is a changing resource mix. This is critically important.

*Mr. Tonko. Thank you. And, Commissioner Clements, I want to get your thoughts on this. What is the role for better long-term transmission planning in maintaining grid reliability.

*Ms. Clements. Thank you, Congressman. I think about it as reality-based planning. All infrastructure is hard to build, as we have been talking about. All types. And so if what we need to do is ensure that we have a reliable grid and an affordable grid over time so that costs are spread out over time and in 20 years you don't have customers in every state left holding the bag, what you need to do is look forward, take all the inputs that we have, and do -- plan for various scenarios. In the face of uncertainty, what are the trends we are seeing? What are the set of no

regrets or low regrets regional transmission planning lines that will help to ensure reliability out 10, 15, 20 years and beyond? And so I think it is a really important effort and it is a pretty practical requirement as well.

*Mr. Tonko. Great. And, Commissioner Clements, the -- I heard the earlier discussion you had with Ranking Member DeGette about the importance of grid-enhancing technologies. We know even if major transmission reforms have put into place, it will still be challenging to plan, site, permit, and build new infrastructure. I strongly believe we must maximize the efficiency of our existing infrastructure.

So, Commissioner, what do you see as the role for grid-enhancing technologies and reconductoring as part of an holistic approach to grid planning that seeks to achieve affordability, reliability, and certainly public policy requirements?

*Ms. Clements. Thank you. It is a really important opportunity. There has been, just like in every industry, a lot of innovation in transmission equipment. Now as Commissioner Christie said, any given grid-enhancing

technology, whether it is an enhance power flow control or a dynamic line rating, won't help the situation in every circumstance. But there are some set of circumstances where lots of these technologies can help clear up room on the grid, reduce congestion, allow for more use of the lines at times when the weather is good or, you know, not too hot, to bring on more resources.

When we talk about these retiring resources, all of the grid operators say that while there are not one for one for one replacements, the ability to accelerate additions of new resources, wind and solar and other resources to the grid, is a critical component of maintaining reliability in the face of these retirements. And so if we can clear up room today and the next couple of years by using these relatively low-cost technologies, let's do that, right? Let's do that and make room for these new resources.

*Mr. Tonko. Thank you, Commissioner.

And with that, Mr. Chair, I yield back.

*Mr. Bucshon. The gentleman yields back. I now recognize Mr. Walberg for five minutes.

*Mr. Walberg. Thank you, Mr. Chair, and thanks to the Commission for being here.

As Michigan acquiesces to more and more renewables, we see the loss of flexible generation like natural gas. Grid operators such as MISO have acknowledged that this transition may lead to reliability concerns in the loss of essential attributes like ramping capabilities, voltage stability as well. In fact, in Michigan, like the broader MISO region, it is fast approaching the renewable penetration inflection point of 30 percent that a 2021 study found could result in reliability concerns as soon as 2027. That is close.

We can't allow this to happen. I assume that you don't want it to happen either. But we have seen the impacts, and loss of life, and high prices, and lack of reliability that happened to the EU last winter. Even a day without power in Michigan could be devastating.

Commissioner Christie, does FERC share the concern expressed by MISO that retirement of flexible generation without the necessary placements could lead to decreased

grid reliability in the next few years?

*Mr. Christie. Well, I'm not going to speak for FERC or my colleagues. I do. I think MISO has been very vocal about this. The CEO of MISO has been very vocal about the loss of dispatchable resources in the MISO territory. It is threatening reliability. That has been something MISO has been very vocal about.

*Mr. Walberg. Very much so. And I think there is evidences to prove that they do have those major concerns justified. How is FERC driving markets to incentivize new resources with the necessary attributes to ensure hour by hour reliability?

*Mr. Christie. I think it is important to understand that FERC doesn't order generating units to be built and FERC doesn't order generating units to be shut down. We regulate the markets that have a big effect on whether the -- on how those decisions are made. In MISO and really throughout the country, it is states who decide what to build and states can decide what to retire.

FERC has a huge impact because of the way we regulate

the markets, but it all interacts. And so what FERC needs to be doing in terms of regulation of the markets is to determine whether these markets are serving reliability and look at the rate designs and see whether these rate designs actually are producing just and reasonable rates and have the right incentives in them. So that is really our job is regulating the markets.

But I want to emphasize, states decide what units get built, states decide what units get shut down.

*Mr. Walberg. And, of course, when you set those rates, set some continuity there, that encourages or discourages states in some of the things they decide to do.

*Mr. Christie. Well, it absolutely -- because we are regulating the markets, and the markets are going to send signals to units, you know, whether they shut down or not. That is why I think that really the vertical -- a -- it is a better system when -- in a state when the state is doing an IRP and which is saying we want these units to stay open and we are going to put these units in the rate base if that is what it takes to keep these units financed and keep them

open.

That is a much bigger debate than a few minutes. And the country is really very different. There is a lot of different areas in the country which don't -- no one does it all the same way, and that is a huge issue which really would take about a couple hours to go --

*Mr. Walberg. Well, I am glad to hear you say that, but that is crucial.

*Mr. Christie. Right.

*Mr. Walberg. The Nation is big, it is different.

Commissioner Danly, to what extent does interregional transmission make up for this loss of flexible generation?

*Mr. Danly. Interregional transmission can on the margins help with reliability, but I think that people have a tendency to believe it to be a panacea. If we look at the recent reliability event over this Christmas, it wasn't entirely driven by a lack of transmission capacity. In the Southeast where I live, there were outages driven by the fact that counterparties, with whom the utilities in the Southeast had contracts, failed to show up and the power

wasn't there.

So you can have plenty of interregional transfer capacity that could even be mandated, but if you don't have the electricity that is needed -- the power to actually be shifted, then you don't have any benefit from it, right? And until we deal with the resource adequacy problem, which I argue is driven primarily by poor market design, until that issue is dealt with, then the marginal benefits to be gained by the transmission that people are contemplating, especially for the regional development, is really probably not worth the amount of money it is going to cost because it will be very, very expensive.

*Mr. Walberg. Okay, thank you.

Chairman Phillips, I have a question on cybersecurity, but in 11 -- 10 seconds you can't answer it, so we will submit it for your answer later. Thanks so much.

*Mr. Phillips. Thank you, sir.

*Mr. Walberg. I yield back.

*Mr. Duncan. [Presiding] The gentleman yields back, and Ms. Kuster is recognized for five minutes.

*Ms. Kuster. Thank you so much for hosting this important hearing. I am going to jump right into my questions.

I want to start by asking about interconnection. Before a developer can connect a new electricity-generating product -- project into our transmission system, the transmission system operator must complete an interconnection study to see how the new project will impact the existing transmission system. If there is inadequate capacity on the transmission system to support the new project, then upgrades must be made to the transmission system.

Compared to traditional steel transmission lines, alternative transmission technologies like advanced conductors can increase capacity on the transmission system, reduce view shed impacts, which are important in a state like mine in New Hampshire, and improve reliability. While alternative transmission technologies may cost more up front, there are dramatic cost savings for customers over the long term. Yet transmission system operators are

hesitant to evaluate alternative transmission technologies in the generator interconnection study process.

Commissioner Phillips, what can FERC do to ensure that system operators and utilities incorporate alternative transmission technologies, including advanced conductors, into their interconnection study process?

*Mr. Phillips. Thank you for the question. This is exactly one of the issues that we are addressing in several of the transmission reform NOPRs that we have ongoing right now. I believe that it is important that we consider grid-enhancing technologies that the industry considers at every phase of our transmission development.

At the interconnection queue phase, as you mentioned. During transmission planning, implementation, and buildout. It is critical to -- we cannot build our way to a clean and renewable energy system. We have to take advantage of advanced reconductoring, ambient line ratings, dynamic line ratings. Issues that we have taken up here at FERC to, as Commissioner Clements said, squeeze as much juice as we can out of the current system.

*Ms. Kuster. Thank you. Next I want to turn to grid reliability. Commissioner Phillips, I want to ask you about an esoteric but important subject, ancillary services. Ancillary services, the performance attributes an electricity system needs to function reliably. I would like to focus on the market for two important -- on the moment, for two important ancillary services, spinning and non-spinning reserves.

Spinning reserves and non-spinning reserves are provided by energy generation resources that can quickly ramp up generation or come online to respond to changing grid conditions. One resource that does this very well without carbon emissions is hydropower. As our electric generation system moves toward more variable energy resources, it is important for system operators to ensure resources that provide spinning and non-spinning reserves remain on the electric system to manage changes in grid conditions.

Despite spinning and non-spinning reserves importance for ensuring grid reliability, the ancillary service markets

that compensate generators for providing these resources provide just a fraction of the revenue in organized markets. For example, ancillary services provided just .5 percent of the revenue in the ISO New England market in 2021. To be sure, resources that provide ancillary services also participate in energy markets and energy markets provide the bulk of revenues in organized markets. But the ancillary service market should send a signal that ensures we preserve resources that provide carbon free ancillary services.

Again, Chairman Phillips, how can FERC ensure organized markets adequately compensate resources that provide carbon free spinning and non-spinning reserves?

*Mr. Phillips. Thank you for the question. You are right. When you look at hydro -- and there is another non-thermal spinning reserve demand response. We have seen that come into play when there were emergencies, like what we saw in California over Labor Day just last year.

FERC has ongoing proceeding. We actually in 2021 and 2022 had technical conferences on this issue to address compensation of ancillary services. We require regions to

submit a report to FERC on this issue. We are now looking at that report, looking at those reports, studying it to see what, if anything, we need to do to address compensation for these services. But I do agree, they do play a critical role for the reliability of our system.

*Ms. Kuster. Great, thank you very much. I did have one more question on U.S. LNG exports, but given the time, we will submit that. And I yield back.

*Mr. Phillips. Thank you.

*Mr. Duncan. The gentlelady yields back, and the chair will now recognize a former Bear Bryant football player, Mr. Palmer, for five minutes.

*Mr. Palmer. I always have to correct the record. I practiced for him. Thank you for holding the hearing.

I have a number of questions. And one of my concerns is about the rush to renewables and how it impacts our grid security. NERC put out a report back in summer of 2021 that listed the top threats to our power grid, and I think most people were surprised that it wasn't a cyberattack that was changing the resource mix. And I just wonder how seriously,

Mr. Phillips -- Chairman Phillips, you guys at FERC take that.

*Mr. Phillips. We take the reliability -- the reliability of our grid, Congressman, is job number one.

*Mr. Palmer. Now I -- that is not the question. The question is, do you take seriously the threat to the reliability of the grid of changing the resource mix, in other words, shifting to making this major shift to renewables?

*Mr. Phillips. Yes, absolutely.

*Mr. Palmer. Okay, thank you. What concerns me is that when we look at what has happened in Europe and in UK, there was an article in The Economist just a couple of weeks ago that said there are 68,000 people died, classified as excess winter deaths, because they couldn't afford to adequately heat their homes.

Commissioner Christie, are you familiar with that?

*Mr. Christie. Are you talking about Winter Storm Uri in Texas? Is that what --

*Mr. Palmer. No, sir. This is what happened in --

last winter in Europe. And it was a rather warm winter for Europeans standards. But they estimate that 68 -- are you not familiar with this, that 68,000 people died because of higher energy prices? That's --

*Mr. Christie. I am familiar that in Europe they had a huge spike in energy prices following the invasion of Ukraine.

*Mr. Palmer. Well, it wasn't just that. In Germany, because of the massive shift to renewables, energy prices spiked up 46 percent.

But, Commissioner Danly, are you familiar with this, the threat that it creates to low-income households when energy prices spike?

*Mr. Danly. The specific story about the excess deaths in Europe, I didn't remember the specific number, but I know that they attributed a large number of deaths to the fact that people were unable to afford to pay for heating. And this should stand as an object lesson to anybody when we are considering market design. If we have markets that make it impossible for price formation to be adequate to incentivize

new renewal -- new arrival generation, then we are going to face similar problems here. The consequences of the electric system failure are dire.

*Mr. Palmer. Right. And it really surprises me that, Commissioner Phillips and Commissioner Christie, you are not aware of this because it is a huge problem. I mean, in the UK, it has become a scandal. This has been going on since -- with the UK shifting the way they have, I think one of the reports I read that residential energy consumption has declined by 10 percent, not because they have become more efficient, but because they can't afford it.

*Mr. Christie. I would say this, I am very familiar with European energy policy. I have been over there a lot and lectured over there. Their energy policies over the last 20 years I think have been borderline just crazy.

*Mr. Palmer. I agree.

*Mr. Christie. And they are paying the price in increased prices and reduced supply. In Germany in particular, we could talk about that for an hour, has been pursuing policy -- they shut down all their nukes, which I

think was a terrible policy decision.

*Mr. Palmer. Yeah.

*Mr. Christie. And what they did in Germany, they shut down their nukes but yet they reopened coal. So it is ironic that they --

*Mr. Palmer. Which is against the law in Germany, I think.

*Mr. Christie. Well, one thing I think that shuts -- that is absolutely undeniable is energy prices, when they skyrocket, threatens people's -- not only their comfort, but their health because people --

*Mr. Palmer. Well, I want to close this out because we have got less than a minute. My point is there is a couple of things here that should be very instructive to FERC and to the Biden administration in regard to energy policy. When prices spike, they have a disproportionately negative impact on low-income people, even to the point -- and particularly people who are struggling with respiratory and cardiac issues.

The other thing about it is is that what Germany and

the rest of Europe just learned is how devastating it can be to be reliant on an adversarial nation for something that is critical to their economy and their national security as energy. And that is where we are heading with renewables. We have the hydrocarbon resources we need to be a world superpower in energy, yet we want to make ourselves reliant on China for renewables which will drive up cost, and which are intermittent, and which I think, Mr. Chairman, will be a threat to public health.

With that, I yield back.

*Mr. Duncan. The gentleman's time is expired, and now we go to the gentlelady from the Northwest, Ms. Schrier, for five minutes.

*Ms. Schrier. Thank you, Mr. Chairman, and thank you, Chairman and Commissioners, for appearing here today. I read all of your testimonies and today, again, we have heard a lot about uneven playing fields and criticism from some of you of incentives for clean energy as being disruptive to the free market.

I agree that the energy market is an uneven playing

field. It has been for quite some time. Estimates are that the U.S. gives 20 billion dollars in direct subsidies to the fossil fuel industry every year and hundreds of billions more in indirect subsidies. So fossil fuels have had an unfair advantage in the U.S., and also with FERC where it is my understanding much, much easier to get an interstate natural gas pipeline approved than an interstate transmission line.

Commissioner Clements, could you walk me through the powers that FERC has to site interstate natural gas pipelines that it lacks for interstate transmission lines, and is there any reason in your opinion that we should be giving more favorable treatment to natural gas lines than transmission lines?

*Ms. Clements. Thank you, Congresswoman. There is different legislative histories of FERC's authority when it comes to responsibility for the siting of interstate natural gas pipelines over which FERC has full authority, and the way that the Federal Power Act has divided responsibility between the Federal Government and the states. So on the

transmission side, electric transmission, we only have authority over the planning of that and the paying for that, but then states have the ultimate authority over siting.

And so on both the planning side and the permitting side, there are more regulatory hoops to jump through when it comes to electric transmission than interstate gas pipelines. Now I am not suggesting either is easy. Both are hard and both are important.

I think the one thing that we can say about transmission -- electric transmission planning is that we have robust regional planning processes set up and we have a proposal out to improve upon those processes so that when a line comes through that rigorous analysis that happens at the regional level, we can say with confidence, the grid operators and the utilities can say with confidence, that line is going to provide benefits to customers that outweigh the costs, so let's move forward with building it.

That is why I think we can feel confident in these transmission lines that are coming out, despite the fact that we need to work really closely with states and with the

utilities and the stakeholders at the state level who then have the ability to provide input onto the siting of electric transmission.

*Ms. Schrier. And are you finding that states are generally receptive and cooperative with that, like there is a common goal and interest, or are you getting pushback?

*Ms. Clements. That is a 50 part answer. But we have -- one thing that I am proud of since we -- I have been at the Commission is that we have worked closely with states. We have set up a joint task force that continues today to work with states on some of these harder issues to get at. But when you think about the interstate highway system, for example, if President Eisenhower and Congress hadn't decided to take federal action, getting those roads built would have just been up to the counties and the states.

*Ms. Schrier. Right.

*Ms. Clements. And hope -- we could hope that they would decide that those projects were beneficial.

*Ms. Schrier. Thank you.

*Ms. Clements. Thanks.

*Ms. Schrier. Thanks for working with the states. I have another comment. I come from the Northwest. It is a unique region where a significant percentage of transmission is owned and operated by a federal entity that is -- that FERC does not have jurisdiction over, the Bonneville Power Assoc -- Administration, excuse me. And this fact can present challenges for interconnecting vast amount of new renewable generation that Washington State's Clean Energy Transformation Act is spurring.

And FERC's recent notice of proposed rulemaking on generation interconnection would require significant coordination among agencies whose transmission systems could be affected by these kinds of interconnections, large wind farm, solar farm, for example. Again, Commissioner Clements, can you talk about how FERC, and you only have about 30 seconds, how FERC is planning to ensure that this coordination is going to ensure, even though you don't have jurisdiction over Bonneville?

*Ms. Clements. Thank you. There is regional differences akin to Bonneville around the country. What the

Commission has done is put forward a proposal that gets at some of the nuts and bolts reforms required to fix the long interconnection lines for generating resources to hook up. As we have put out this proposal, we know that even if we past this final rule -- or finalize a rule in some form, there will be more to do. That includes the impact in some cases of proposed inter -- you know, proposed new generation hookups on affected systems around it, and it is one of the things that we really need to commit ourselves to continuing to move forward on should we finalize the proposal that we have before us today.

*Ms. Schrier. Thank you. I yield back.

*Mr. Duncan. The gentlelady is expired. I will now go to the vice chair of the committee, Mr. Curtis, for five minutes.

*Mr. Curtis. Thank you, Mr. Chair.

I would like to kind of change all of our paradigms for a minute from a national grid and pull you down to a very local level, municipal power. My power that I receive in -- from my hometown is a municipal power city. They are part

of a larger organization called UMPA, Utah Municipal Power Authority. I had the opportunity to actually chair that commission for a number of years, and so I am very sympathetic to these municipal powers and the way they operate. And I actually had the responsibility to, as mayor of my city, to stand in front of my residents and introduce a rate increase, the first one in 20 years. I'm telling you, you talk about price sensitivity, that was a big deal.

I am also very sympathetic to let's say a municipality that is a municipal power that has a new transmission line. Passing those rates on sometimes to a city with just a few thousand people in it, you can see the disproportionate impact that might happen in a small municipal power agency like that.

Last fall, FERC -- and by the way, the first time I heard the name FERC I was in this role, and you might imagine, it wasn't spoken with kindness. Nothing personal, I am sure all of you were not part of FERC at the time. But last fall you invited comments on fixing the current queue problems for applying to interconnect new generation

facilities to the grid.

The current practice to interconnect a new generation facility, if it is wind, solar, geothermal, or natural gas, requires that all the stakeholders submit an application to the grid operator to be studied. The interconnection request is placed into a study queue managed by the grid operator. The study process is costly and painful -- painfully long an effort to weed out unfeasible projects. This backlog is clogging up the system for getting good and viable projects, generating projects out in a timely manner.

Municipal utilities and cooperatives have obligations to serve. As we have talked about them, you know, I mean, this is folks you see in the grocery store, right? And if they are not being responsible, they feel that impact quite directly.

However, if UMPA, Utah Municipal Power Authority, selected the best solar or wind project through an RFP in negotiations or wanted to develop the site themselves, they would be delayed by the current backlog for the transmission queue system.

So, Commissioner Christie, you mentioned -- I am going to loosely quote you, these aren't your exact words, I am going to paragraphs. We are losing dispatchable resources at a pace that we can't sustain. Given that, is there any consideration from FERC to filtering these applications by either quality of applicant or quality of project?

So, you know, hypothetically you have got, you know, a hundred solar projects out here and you have got one that is dispatchable that is getting clogged up with all of these, and the applicant might be somebody like UMPA that knows the process, is very good, it has got it exactly nailed down versus somebody who has never applied before. Is there any thought that you could actually build a filter in that would prioritize quality of applicant or quality of project?

*Mr. Christie. Well, I mean, I think that is the advantage in a non-RTO vertically integrated environment where the state is determining what resource mix they want and what kind -- and what type of resources they want. In the markets, no, we can't say build this and don't build that, that is just not FERC's role. FERC regulates the

markets for just and reasonable rates, and we have to determine -- like in the interconnection queue regulation, again, it is all about getting just and reasonable rates and not being unduly discriminatory.

So if you want to prioritize, if you want to pick certain resources over others, that is really much more suited for a vertically integrated state regulated model than it is for an RTO model.

*Mr. Curtis. So, Chairman, can you -- are -- would you be willing to look specifically into this queue in Utah, take a look at the comments that were submitted to FERC last fall, at your request, and see if there is anything that FERC can do to move this queue along or to prioritize the better projects for the grid?

*Mr. Phillips. Yes, sir. In fact, we receive some comments on our interconnection queue reform NOPR. We are -- what we are trying to do is get some of these speculate projects out of the queue so that we can move forward with projects that are actually ready to go. Now we are moving from a serial first come, first serve approach to a more

clustered first ready, first serve approach. That is exactly the type of policy I think that can help with the issue that you are talking about.

*Mr. Curtis. Yeah. And as I understand it, that is what my folks are concerned about is you may have a project that is just not viable or the builder is not viable and that is getting the same priority as a -- the dispatchable, reliable project from somebody who knows exactly what they are doing. So I would love you to look into that. And I am out of my time. Thank you all for your service.

*Mr. Duncan. The gentleman's time is expired. I now go to the Sunshine State, Ms. Castor, for five minutes.

*Ms. Castor. Well, thank you, Mr. Chairman, and thank you to the FERC commissioners. You all have a very important role ensuring safe, reliable, and efficient electrical grid. And this is an exciting time as we put all of the historic investments of the Infrastructure Investment and Jobs Act and the Inflation Reduction Act to work. Already we have seen, according to reports, over 140,000 jobs created over 240 billion dollars of private sector

dollars invested across the country with much more to come.

But in order to fully realize the benefits and our potential, what you all are doing is absolutely critical on transmission reforms, on public participation, environmental justice, and more. I was very heartened to see your emphasis on environmental justice and what has been going on at FERC on this. In fact, Chair Phillips, you -- I liked the way you put it. You -- having -- you say, "We need to do all that we reasonably can do to ensure that environmental justice communities affected by the Commission's decision do not bear too great a share of the burdens or too small a share of the benefits that new energy infrastructure can provide.''

And, Commissioner Clements, you have also emphasized this and worked hard on it. How does FERC consider the burdens and benefits as electrical transmission proceeds and how do you consider it in your decision making process?

*Ms. Clements. Thank you, Congresswoman. FERC has authority under the Natural Gas Act and under the Federal Power Act, and it is different in each case. When we are

considering project or proposals under the Natural Gas Act, the law tells us that under the Natural Gas Act and under NEPA, and the courts have affirmed, that the Commission has a responsibility to consider environmental factors. We also have SEQ guidance that speaks to any executive orders that speak to specific treatment of environmental justice communities.

And so when I go in to do my own public interest determination, which we have to all speak to ourselves, I believe it is imperative that we follow the responsibilities and the statute and as interpreted by the courts very clearly to consider environmental factors.

*Ms. Castor. Thank you. And it has been heartening to hear so many of my colleagues talk about the traffic jams on the grid, the problems with interconnection queues. I learned a lot chairing the House select committee on the climate crisis, and we led a bicameral letter encouraging FERC to act. I filed a bill, the Efficient Grid Interconnection Act, to encourage FERC to do proactive planning on transmission to connect anticipated future

generation. Also encourage you to consider the multiple benefits of a proposed project and ensure the cost allocation project accounts for the widespread benefits for consumers.

You have also highlighted this, Mr. Chairman, as one of your priorities. What -- with the rulemaking, what is the timeframe?

*Mr. Phillips. So we are working as fast as we can, our staff. In the near term, our immediate focus is on interconnection queue reform. I do believe that is probably the biggest bang for our buck, something that we can do immediately to help unlock the bottleneck that we see right now. Getting new resources onto the grid.

We continue to work on the other reforms as well. My hope is that within the next 12 to 24 months we will have all of these reforms landed and helping bring new transmission --

*Ms. Castor. Why 12 to 24 months?

*Mr. Phillips. So it takes --

*Ms. Castor. Two years is a long time.

*Mr. Phillips. It has to run its course. So everything is changing in our industry, and we have to make sure that we get this right.

*Ms. Castor. Okay.

*Mr. Phillips. If we get it wrong, it will set back everything that we are doing.

*Ms. Castor. Okay.

*Mr. Phillips. That is why it takes the time that it takes.

*Ms. Castor. Thank you very much. I am also very concerned with the number of scandals we have seen across the country and just overly concerned about -- or overtly concerned about rate payer money possibly being used for unauthorized purposes, for politics. For example, in Florida they were -- FPNL was involved in election interference, in Ohio massive scandals, Illinois.

Commissioner Clements, are utilities allowed to use rate payer monies to lobby for political purposes?

*Ms. Clements. They are not. We have a uniform system of accounting that requires what types of expenses that

utilities can put in what box. We have put forward a proposal to -- excuse me, a notice of inquiry to look at this type of spending.

*Ms. Castor. Is anything happening on that notice of inquiry?

*Ms. Clements. I am -- I would -- we don't speak to internal timing, but it is out there --

*Ms. Castor. Is --

*Ms. Clements. -- and we have a great deal of comments on it.

*Ms. Castor. Because, obviously, the rules that are in place right now aren't working. You -- do you agree the guardrails can be improved?

*Ms. Clements. I -- yes, I absolutely believe that it is an important duty of this Commission to protect customers, and part of protecting customers is ensuring that utilities are spending money appropriately per our system of accounts. Absolutely.

*Ms. Castor. Thank you very much.

*Mr. Duncan. The gentlelady's time is expired, and I

will go to another leader on energy, Dr. Burgess, for five minutes.

*Mr. Burgess. And I thank the chair.

Commissioner Danly, let me just ask you a question in your -- and I apologize for not being here, we have got multiple things going on at the same time, as we typically do, all of them very important. And, of course, this is extremely important.

But, Commissioner Danly, in your written statement dealing with the issue about the possibility of a looming reliability crisis you make the statement, "As an engineering matter, there is no substitute for reliable, dispatchable generation. Intermittent renewable sources like wind and solar are simply incapable by themselves of ensuring stability of the bulk electric system.''

So I guess a lesson for us as policy makers is you can't legislate physics, it actually -- physics is the law, we just try to administer it. Can you speak to the distortion of the wholesale electricity markets because of what has happened with subsidization of the less reliable

renewable markets?

*Mr. Danly. Certainly. So in our -- in the ISOs and RTOs, the FERC jurisdictional markets, the subsidies have effectively allowed intermittents to bid into the capacity markets at a price of zero. That bid of zero sends the price signal that that electricity, that power is free which, of course, it isn't, and it depresses the prices for the entire market, such that those units that have to bid in their actual costs are not going to clear the market and they will not get a capacity award. The result of that is premature retirement.

And the dispatchable resources are the ones that have things like fuel costs, right? Regardless what that fuel is, if you have a fuel cost, you have to bid in your actual cost. They are pushed out of the market before their useful life is over, and the intermittents will end up making up a larger percentage of the fleet going forward.

*Mr. Burgess. So the problem thereby compounds and becomes even more pronounced as you increase the component that is brought by the renewables.

*Mr. Danly. And the longer these subsidies have their effect, the more this happens with each successive auction. And I mentioned earlier but I will say it again, that we have proof of the effect of the -- of these subsidies in the actual numbers from the market. PJM has recently said that we are facing imminent resource adequacy scarcity -- or scarcity of resources, and yet in the last procurement auction, the capacity prices dropped. And during times of scarcity, if a market functions correctly, obviously the prices should go up. This is proof that the subsidies are doing -- are working ill in the markets right now.

*Mr. Burgess. Well, and I just don't think it can be overstated. They can bring their product to market with essentially a zero cost, but that is not true. I mean, the dollars have been expended in the subsidies that have been provided in various pieces of federal legislation that have come forward. Is that not correct?

*Mr. Danly. Of course it is. And, in fact, if we look at the system as it is developing right now based on public policy and FERC prom -- FERC's promulgations, we have

something even worse than that which is the active contemplation of the sub -- of the socialization of cost of transmission to get many of those subsidized renewable's power to the markets, and thus, the taxpayer is going to suffer a double insult and injury. They are taxed for the subsidies that distort the markets, and then if these issuances by FERC actually go forward, they are going to have the pleasure as rate payers for paying so that the speculators and project developers, the asset managers are going to be able to actually realize their revenue streams.

*Mr. Burgess. But, in fact, the electricity future cannot exist if there is no place to plug it in, so that is going to have to happen, is it not? I mean, all EVs, all the charging stations that are contemplated, they do have to have some place to plug in.

*Mr. Danly. Certainly, but more importantly, there has to be generation of the right type to keep the system stable. Every theoretical future that people talk about depends upon actually having a stable bulk electric system which requires dispatchable reliable power, and the way that

we get that in our markets, or at least we are supposed to, is by having price signals that incentivize either the retention or the arrival of new assets as needed. And that is not happening, and it is eventually going to come home to roost, this problem.

*Mr. Burgess. I could not agree with you more, and I just frankly do not understand why we are willing to give that up.

Thank you, Mr. Chairman. In the interest of time, I will yield back.

*Mr. Duncan. The gentleman yields back. I now go to Maryland to Mr. Sarbanes for five minutes.

*Mr. Sarbanes. Thanks very much, Mr. Chairman. Thank you all for being here.

So I am a novice on this stuff. I am trying to understand this balance that needs to be struck during a transition period between maintaining a certain capacity of dispatchable resources and introducing more renewable but intermittent resources into the mix. I do think there is some fearmongering going on, though, about the dispatchable

resources and giving up through, you know, premature retirement of those resources, something that, you know, we have to hold onto for dear life, so I am trying to navigate that conversation.

Earlier this year, PJM, which is the electricity market in which Maryland sits, as you know, flagged that roughly 40 gigawatts of generation capacity was at risk of retirement by 2030. It didn't mention in all of that that it currently has over 200 gigawatts of renewable generation capacity stuck in the interconnection queue. And obviously there is a difference in logistical requirements between a gigawatt of solar or wind capacity and a gigawatt of natural gas or coal-fired capacity.

But PJM in theory has now excess capacity that is five times the capacity of projected retirements within the system. And, again, I know it is not an easy dynamic here. It does bring us back, though, to the same question line you have been getting now for the last few minutes since I have been here, which is what is going on with the interconnection queue. And I think you said that the

timeline for this proposed reform rule being out and completed and implemented is 24 months, is that what I heard? No?

*Mr. Phillips. So for interconnection queue reform --

*Mr. Sarbanes. Yes.

*Mr. Phillips. -- we are looking to move a lot of faster than that.

*Mr. Sarbanes. Okay.

*Mr. Phillips. I can't talk about specific timelines.

*Mr. Sarbanes. Okay.

*Mr. Phillips. It is my hope that within the coming months we will have a final rule to act on.

*Mr. Sarbanes. And in the meantime, are the RTOs effectively just stopped and waiting for that reform to come out or are they able to proceed, and how much -- I don't mean that they are not taking applications and processing them. I mean, in terms of looking for any opportunity to expedite or sort the applications coming in, do they have some tools at their disposal to do that even as this rule is pending?

*Mr. Phillips. You make an excellent point. I think just FERC taking action on the proposed rule, we have seen different regions throughout the country implement their own reforms --

*Mr. Sarbanes. Okay.

*Mr. Phillips. -- regarding interconnection queue reform, and we have acted on some of those. And I think that we are going to see the benefits of this. It is a region by region issue. Flexibility is important. What works in the Southeast may not work in the Northeast. What works in the West may not work in the Midwest. We want to make sure that we recognize the nuances --

*Mr. Sarbanes. Okay.

*Mr. Phillips. -- of the different regions as we move forward.

*Mr. Sarbanes. That's good. So there is kind of an iterative feedback loop going on in this process, which is helping to move the whole enterprise forward.

I did want to touch briefly on some issues related specifically to PJM. I know you are having a forum coming

up, I want to thank you for that, on PJM's capacity markets later this week I believe, which is obviously an important issue related to reliability. I was troubled to hear, though, that FERC's -- this forum that you are putting together doesn't have any representation from the clean energy industry which, as we just mentioned, is dominating the majority of the interconnection queue right now.

So I would love to have you commit that any decisions that the Commission is going to make coming out of that forum will adequately consider the views of the clean energy industry within PJM's territory if you might.

*Mr. Phillips. We are absolutely focused on including voices of all stakeholders. In fact, just two days ago we added a new panelist to the PJM forum, Abigail Hopper from SEIA, who will represent the voices that you mentioned.

*Mr. Sarbanes. Thank you very much, I appreciate it.

*Mr. Phillips. So thank you for the concern.

*Mr. Sarbanes. And I yield back.

*Mr. Duncan. The gentleman's time is expired. I now go to I believe Mrs. Lesko for five minutes.

*Mrs. Lesko. Thank you, Mr. Chairman, and thank you all for being here and also doing your job. I mean, it is absolutely important, as you know, to keep our lights on.

On June -- this first question is for Commissioners Danly and Christie. On June 1, 2023, the CEO of the North American Energy (sic) Reliability Corporation, Jim Robb, testified before the Senate and plainly said, I quote, "Conventional generation is retiring at an unprecedented rate. North American Electric Reliability Corporation is concerned that the pace of change is overtaking the reliability needs of the system. Unless reliability and resilience are appropriately prioritized, current trends indicate the potential for more frequent and more serious long duration reliability disruptions, including the possibility of national consequence events.''

I am actually working on legislation to address this issue, so your input is helpful to me. Some of you on -- NERC also pointed out that the retirement of existing firm power generation and the lack of new firm generation to replace it is the concern.

Commissioners Danly and Christie, besides transmission, what new authorities, if any, does FERC require to establish reliability markets for each ISO or RTO and to address grid reliability in general? And I guess first to you, Mr. Danly.

*Mr. Danly. I would argue that we don’t need any new authorities, that what we need to do is not ignore the obligations we already have to ensure that rates are just and reasonable. And as long as we violate certain basic legal principles, like the requirements of our statute that they be J and R rates, or that if we ignore the Filed Rate Doctrine and do things like go back and retroactively change the results of a procurement auction because we didn't like the outcome, as long as we keep doing that, you are not going to have a reliable system and have insured resource adequacy. What we need to do is add fidelity to our statutes.

*Mrs. Lesko. Thank you. And Commissioner Christie?

*Mr. Christie. I just want to say one thing and alluding to your mention about NERC speaking in the Senate

interview committee. We just heard about there is some -- there is an accusation there is fearmongering going on with those of us expressing concerns about loss of dispatchable resources. I don't think the head of NERC is fearmongering when he repeatedly says that this is a coming danger. I don't think the head of PJM is fearmongering when he has said we are losing dispatchable resources at a rate we cannot sustain. I don't think the head of MISO is fearmongering when he says we are losing dispatchable resources at a rate we can't sustain. I don’t think it is fearmongering when the head of New York ISO last week said the same thing.

I think we need to listen to the engineers not the lobbyists, and I think we need to be doing what is right for rate payers and not political narratives. We are losing dispatchable resources. All the experts are saying -- who know how to operate a system, the people who actually know how to operate a system, are saying this is a huge incoming problem, and I think we ought to be listening to them.

*Mrs. Lesko. Thank you. My second question is for

Chairman Phillips. In 20 -- in June 2021, FERC established a rule I guess you would call it, and it allowed California basically to steal energy that was contractually obligated for Arizona. And so I sent a letter to FERC about it saying I don't think this is fair.

But now there is another concern, and it is a concern because Arizona stakeholders felt that the law was violated in that respect, and so now there is a concern related to the current Western Area Power Administration, WAPA, negotiations about joining the Southwest power pool RTO. In Section 1232D of the Energy Policy Act of 2005, Congress expressly prohibited the Commission from exercising any authority over the electric generation asset's electric capacity or energy of the federal utility that the federal utility is authorized by law to market, or the power sales activities of the federal utility.

Chairman Phillips, in the event that WAPA joins a regional transmission organization, will the Commission refrain from exercising authority over WAPA as stakeholders in Arizona believe is required by law?

*Mr. Phillips. Thank you. I am aware of the negotiations that is going on in the West and the issue that you raise with WAPA joining the pool. I have to take a careful look at the facts and circumstances that you talk about to see what exactly our rules require, what our obligations are. But I absolutely commit to taking a look at that and working with you and your staff to get a response to that question.

*Mrs. Lesko. Thank you. And my time is expired, and I yield back.

*Mr. Duncan. The gentlelady yields back. I will now go to California to Mr. Cardenas for five minutes.

*Mr. Cardenas. Thank you, Mr. Chairman and Ranking Member, for having this important hearing. I appreciate the four commissioners for being here today, and sharing some time with us, and enlightening the public about what may or may not be going on out there.

Last Congress we successfully passed three significant energy-related laws, and in the years to come, these laws will transform the electricity sector of our country. In

fact, the investments made in the Bipartisan Infrastructure Law and the Inflation Reduction Act have already started to propel our Nation toward a cleaner energy economy. These laws also took long overdue actionable steps to advance environmental justice.

FERC has unique authority over the energy infrastructure in this country, and as we build out clean energy, it is vital that the Commission similarly prioritize environmental justice in its decision making processes. I would like to talk about the role of environmental justice in the making -- in making determinations for authorizations of natural gas pipelines and LNG facilities under the Natural Gas Act.

Commissioner Clements, can you speak about the role environmental justice considerations play when the Commission is making determinations about if individual applicants satisfy the criteria for certificates or authorizations under the Natural Gas Act?

*Ms. Clements. Thank you, Congressman. As part of our NEPA review for any application for certification of an

interstate natural gas pipeline, the Commission does consider environmental justice impacts. We have had a difference of opinion sometimes about whether that consideration has been sufficient, but that is the place where that consideration comes in as part of making our determination under the Natural Gas Act.

I think it is a legal requirement, and therefore, if we don't -- if we cut corners and don't fully consider the communities impacted by our decisions, what we do is we add months if not years onto the end of those processes because of the litigation risk involved. It also makes our decisions better when we think about the impacts, our public interest determinations about the impacts on the communities impacted by those decisions.

*Mr. Cardenas. Now when you say impacts on the communities, you are talking about the impacts of human beings, children, men, women, elderly?

*Ms. Clements. That is right. Any environmental justice community or otherwise disadvantaged community.

*Mr. Cardenas. Thank you very much. Chairman

Phillips, to my knowledge, FERC has never withheld certification or opposition for a pipeline or LNG facility on environmental justice grounds. Can you expand upon the criteria that would have to be satisfied for the Commission to withhold or deny approval to a project on environmental justice grounds?

*Mr. Phillips. Under NEPA and with our NEPA review process, and also under the NGA, we are required to consider environmental impacts of a project. That includes environmental justice communities. And you are right, we are not aware of any circumstance where we have actually had to deny a project based on environmental justice concerns.

Hypothetically, it is possible, though, that there could be significant enough impacts where we would have to consider that. That has not happened.

*Mr. Cardenas. Thank you. When it comes to environmental impacts, and public comment, and open hearings, and things of that nature, have there been -- are there any examples where a project has been improved because of this activity of open meetings and public comment?

*Mr. Phillips. Yes. We have a prefiling process, especially with our natural gas projects, hydro projects where we have a public comment process. And based upon those comments, and feedback from the community, we can go back to the applicant and say make these adjustments, make these modifications. It absolutely helps a better applicant -- a better application from the applicant as well as a better decision from the Commission.

*Mr. Cardenas. Good, thank you. In FERC's fiscal year 2024 budget request, the Commission indicated it was interested in supporting intervenor funding through the Office of Public Participation. Can -- Commissioner Clements, can you discuss the importance of intervenor funding, specifically how will it allow FERC to hear from communities traditionally sometimes excluded from its proceedings?

*Ms. Clements. Thank you, Congressman. We do not currently have an intervenor funding program. What we have done as we have set up the Office of Public Participation is invited representatives of states that have set up

intervenor funding programs, including California, to take lessons learned and figure out how we might approach this. I would certainly defer to the chairman on further consideration of that opportunity at the Commission.

*Mr. Cardenas. When somebody is making a comment and they have the opportunity to hire experts in the field or -- and/or attorneys who have tremendous experience in this, does it help that community have representation and involvement in the process?

*Ms. Clements. Absolutely. If we don't have that evidence or that perspective in the record, we cannot consider it in our decision making.

*Mr. Cardenas. Thank you so much. My time having expired, I yield back.

*Mr. Duncan. The gentleman yields back. I will now go to the Crossroads of America, Mr. Pence, for five minutes.

*Mr. Pence. Thank you, Mr. Chairman, and thank you all for being here today.

I really appreciate my colleague's comments just now. Our grid is on an unsustainable path, as a few of you have

mentioned today. Last summer in the State of Indiana we had to fire up a coal plant that had been, I call it mothballed, that is not a technical term. That is because we didn't have enough electricity. And that is not even the growth. We have lots of windmills and lots of solar panels. That is not even the growth of the electrification of the transportation industry yet.

Unfortunately, decisions affecting electricity markets and their impact on our grid are not overnight decisions. These affect long-term investments and could take years to be fully realized, as you've mentioned. If we do not change our direction now, we could be heading towards catastrophic failures now, last summer.

Even though the entities charged with building and maintaining our electric grid continues sounding alarms, that has not slowed down the administration's top down federalization approach to forced electrification. I am concerned that the Commission's order to implement new transmission backstop authority will trample state's rights and subject rate payers to foot the bill for a project they

did not ask for.

The Infrastructure Investment and Jobs Act provided limited authority to clarify Section 216 of the Federal Power Act. However, the Commission seemed to have taken matters into their own hands to grow their authority over transmission siting and inject environmental justice goals to fulfil a Green New Deal. Now maybe that hasn't inhibited anything yet.

But, Commissioner Christie, I have a question. How do you think the use of Section 216 authority under the proposed rule would impact state's ability to govern themselves, and do you envision a scenario where rate payers will be required to pay for misguided transmission facilities that may not fit the unique needs of that state, that community in which their local government or state have already rejected?

*Mr. Christie. I think there is two questions there. The first question is who should do the review of whether it is needed or prudent. And I absolutely believe the state regulators should. I think they are much more suited to

understand whether a transmission line is going to serve consumers in that state. I don't think it is the question of "state's -- state rights,'' I think it is the question of who is best suited to determine whether a power line, which consumers are going to pay for, let's never forget that, consumers are always going to get stuck with the bill for power lines.

So before you can justify charging consumers, you have to make sure that the consumers are going to be served by the line. And I think that the best people in the best position to do that are state regulators.

Now RTOs are going to do planning criteria, and they are going to vet these lines, and they are going to determine that these lines have an interregional value, and that is good. But before you build them, it ought to have to go to a state regulator and do that vetting. And that is what I think is so important.

Now cost allocation is a separate issue. Cost allocation when you are talking about a line that -- and, again, we are in an RTO scenario now. So RTOs do cost

allocation for regional lines and allocate them across consumers in different states. I think when it is a -- when you go into an RTO, you know that is going to happen, as I say, but you do it because you assume that the lines are going to either provide a reliability benefit or an economic benefit such as reducing congestion cost, and everybody sort of agrees on what the formula is going to be.

When a line is built that is -- as NARUC, the state regulator commission, put it, would not be built but for a state policy, then I think the state regulators have to be the ones determining how you allocate cost to their own consumers, because they shouldn't have their consumers charged for a policy project unless the state agrees to it. To me, that is just a no brainer.

*Mr. Pence. I am going to have to -- I got one more question, and this question is for Mr. Danly. In my view, pipeline modifications and upgrades that have minimal environmental impact should not be subject to lengthy and burdensome recertification requirements. If the Commission follows through on an environmental agenda, I am concerned

this could open opportunities to inject environmental justice goals into these types of recertifications and exasperate delays in upgrading technology, further deterring investment.

How should FERC refocus authorities from the Natural Gas Act to ensure that the Commission does not delay these types of technological upgrades and modifications?

*Mr. Danly. FERC should conduct its Section 7 reviews and the -- produce the NEPA document that is the minimally invasive and least difficult document for that project. That means doing EAs where EAs are acceptable as opposed to more burdensome EISs. But, unfortunately, the fact of the matter is all of our Section 7 issuances are going to be subject to some degree of litigation risk because if people choose to attack it on the basis of our NEPA document, they are going to be operating under a cloud until that is resolved in the courts.

So absence some kind of profound permitting reform in which that backend litigation risk under NEPA is changed --

*Mr. Pence. Which you had mentioned before, the last

time we were together, so okay.

*Mr. Danly. Yes. With -- in the absence of that sort of a reform of the backend litigation risk --

*Mr. Pence. So we have got to take action here.

*Mr. Danly. Something has to happen, otherwise it is all going to be under a cloud. But --

*Mr. Pence. And I am out of time, so I yield back, Mr. Chair.

*Mr. Duncan. I thank the gentleman, and I now go to Ohio, Mr. Balderson, for five minutes.

*Mr. Balderson. Thank you, Mr. Chairman, and thank you all for being here today.

Ms. Clements, I Googled you and you are from Dayton, Ohio, so it is nice to see another Ohioan here.

This question is for Mr. Danly. And during the hearing with Administrator Regan last month I expressed my concerns with the EPA's tailpipe emissions proposal and the increased demand that would bring while at the same time pushing policies aimed at forcing the early retirement of the existing generation. PJM, NERC, and others raised alarm

bells on reliability well before the EPA's latest proposal on fossil fuel fired power plants was released.

Just last week, New York's grid operator expressed grave concerns on declining reliability margins across the state. If these rules are finalized, can you discuss the consequences they could have on reliability and ultimately what this means for our constituents?

*Mr. Danly. So any rule that comes out that increases the cost for dispatchable generation to operate, when those dispatchable generators have to seek part of their revenue in our capacity markets, and those capacity markets are subject to the effects of subsidies that are preferably given to one type of generation over them, it is going to drive them into retirement. And I realize that was several steps through the chain, but the higher the cost, the harder it is to recoup those costs in a market that is warped by subsidies.

So you are going to see further retirements of the dispatchable generation that is necessary to keep the system stable, and that is going to impair our reliability.

*Mr. Balderson. Thank you. A follow-up. Mr. Danly, do you think this administration is seriously considering grid reliability and listening to concerns from grid operators and energy producers when developing these policies?

*Mr. Danly. I have no idea who was consulted in that process. I didn't participate in that docket so I would be reticent to say.

*Mr. Balderson. Yes, sir. Thank you. Next question. Mr. Danly, can you discuss the importance of natural gas and balancing weather-dependent resources?

*Mr. Danly. Oh, certainly. So the -- as you have greater penetration of intermittent resources like wind and solar, somewhat counterintuitively you actually require a greater quantity of natural gas transmission. The reason being, when both wind and solar go offline, which they inevitably will at certain times of the day and during certain conditions, you need to backup that entire number of megawatts with something immediately dispatchable, and that has become natural gas.

In fact, in the case of New England, the total quantity of natural gas transmission capacity they are going to need going forward if their state policies are implemented is going to have to increase drastically, just as an example of that.

*Mr. Balderson. Okay, thank you. My next question is for Mr. Danly or Mr. Christie, but I am going to go with you, Mr. Christie, since I have spoken with Mr. Danly a couple of times.

Commissioner, you have said in terms of capacity value, one nameplate megawatt of wind or solar is not equal to one nameplate megawatt of gas, coal, or nuclear. And even if every unit waiting in the PJM queue was interconnected, it would not solve the reliability problem caused by rapid loss of dispatchable generation. You touched on this a little with my colleague from Ohio, Mr. Johnson, but why is that, and can you expand on the inherent issues with weather-dependent resources?

*Mr. Christie. So PJM right now has told us that they are looking at the loss of about 40 gigawatts of generating

capacity in the next five years. And I have also been told by the market monitors it is really closer to 50 gigawatts. So whether it is 40 gigawatts or whether it is even worse at 50 gigawatts, so you lose that generating capacity, most of which is dispatchable.

So in the queue, if you clear the whole queue you don't -- 90 percent of the queue is wind, solar, or battery. And so since one megawatt of -- in terms of capacity value, a mega -- a rated capacity, let's say, of a hundred megawatts on a generator but it is wind, it is not a hundred megawatts that is going to run 24/7 365, it is going to run intermittently. And so valuing capacity is one of the big challenges that RTOs do.

Nuclear is going to run 90 percent plus of the time. Gas -- combined cycle gas can -- is -- has a capacity factor north of 90 percent as well, it runs all the time. So when you look at what your resources are in the future, if you lose 40 to 50 gigawatts of a dispatchable -- of dispatchable resources and you are putting on an equal number of megawatts of wind or solar, you just aren't getting the same

capacity value.

Now there are other ways to make up the gap. You have to make up the gap. And so how you make up that gap is the big challenge that the RTOs face. But that is the problem, and it is arithmetic. It is -- you know, you are just not replacing the resources that you are losing.

*Mr. Balderson. Thank you very much.

Mr. Chairman, I yield back. Thank you.

*Mr. Duncan. I thank the gentlemen and now go to the gentleman from Augusta, Georgia, home of Vogtle Nuclear Power Plant, Mr. Allen, for five minutes.

*Mr. Allen. Thank you. Thank you, Mr. Chairman, and, you know, this important hearing with our Federal Energy Regulatory Commission, and thank you for being here today.

Ensuring reliable affordable energy is critical to the mission of -- it is critical to your mission, so I am glad to have this opportunity to discuss some impacts in my home State of Georgia. My district is home to the first new nuclear units being built in the U.S. in more than three decades. The Vogtle project has created thousands of jobs

and will provide long-term reliable and affordable power to Georgians.

The Georgia Public Service Commission had the ability to approve a project like this, a project that will change the energy landscape in our state and country, because Georgia's energy regulatory structure values reliability and holds utilities accountable for keeping the lights on.

Commissioner Christie, should all states and markets be focused on building and investing in reliable assets like nuclear plants?

*Mr. Christie. Well, your state is a vertically integrated state regulated state, and so those decisions are made by the state, the state regulator, the PSC. In RTO states, it is not that simple. In RTO states, especially if they what is called deregulated, and PJM is a good example, then they are going to have to seek their reliability resources in what we call the capacity market, and we have a lot of problems in the capacity markets right now. A lot problems as to whether they are delivering the incentives to get the resources built that actually are necessary for

reliability.

So I think every state ultimately has to determine what is the best way for it to achieve resource adequacy. Georgia does it in a vertically integrated state regulated model where units are built in rate based and so they are not worried about capacity markets and the assurance of getting financing.

*Mr. Allen. Have you all looked at the impact of states that are vertically integrated versus those states that are dealing with this situation and are actually shutting down certain gas, coal, nuclear power? And obviously their citizens are already experiencing brownouts in difficult weather situations. I mean, so what is the impact going to be state to state if some states allow this to happen?

*Mr. Christie. You know, I think every state's got to decide how they want to serve their consumers. I think that the vertically integrated state regulated model has worked very well, and I think if you look at the RTO versus non-RTO states and the data, the rates are actually lower in non-RTO

states than they are in RTO states.

*Mr. Allen. Right.

*Mr. Christie. Now there is outliers both places, okay? But overall, the rates are lower in non-RTO states than in RTO states. But it is really, ultimately the states have got to ask themselves, looking at the various -- and there is a lot of different models around the country. There is RTOs that have capacity markets like PJM; there is an RTO that does not have a capacity market. SPP is the example.

So states have really got to step up and ask themselves what is the best model for us. And I don't think FERC ought to be telling them what they ought to do.

*Mr. Allen. Right.

*Mr. Christie. I think the states have got to decide what is the best model for us. And you certainly got a whole wide array across the country that you can choose from. I think states ought to be looking at the different models. I think Georgia's model, frankly, is a very good one. I think they ought to stick with it.

*Mr. Allen. Right.

*Mr. Christie. But that is the decision for Georgia to make.

*Mr. Allen. Well, but the public needs to understand the repercussions of some of the -- what some of these states are deciding is -- and particularly residents in those states and -- let me ask you this, the reliability risk if we stop building assets like natural gas, and nuclear generation, and try to transition too quickly to renewable energy, which is what we are seeing right now, if you look down the road, where are we going to be?

*Mr. Allen. As I said at the very beginning of this, I think if we continue to lose dispatchable resources, I think we are going to be in a catastrophic situation with loss of power and outages and those are -- you know, a week-long outage such as we saw in Texas during Winter Storm Uri is catastrophic. There is no other word for it. People die. They freeze to death. And we don't want that in the United States of America. And I don't -- and I think we have got to have the resources to make sure that we don't suffer that

kind of catastrophic outcome.

*Mr. Allen. Well, thank you for that. And you did write a letter -- or we wrote a letter. In a letter you wrote back to Chairwoman Rodgers and Chairman Duncan in May of 2023, while no regulatory construct is perfect, all have their flaws, I believe that on balance, the state regulated integrated resource plan construct is the most effective in dealing with consumer cost and that sort of thing. And you obviously still believe that that is the best way to go is the state integrated system.

*Mr. Christie. If I was in a state and somebody asked me how would you do it, that is how I would do it. I think that is -- that model served the United States for a long, long time to give us one of the best and most enviable power systems in the world.

The whole RTO system -- we could talk about this for hours. The whole RTO system really is rooted in what was called deregulation in the late 1990s and early 2000s. And I think there has been a lot of flaws that have been exposed in that, but even that, they are different models. I mean,

my state, Virginia, we went into an RTO, but we kept the vertically integrated state regulated model, so we were sort of half in/half out, you could put it that way. But I am glad we kept the model we kept.

*Mr. Allen. Right.

*Mr. Christie. But, again, there is no -- there are flaws in every system. There is no perfect system. And it is -- you are not choosing the best model, you are choosing the tradeoffs you want to make.

*Mr. Allen. Right. Thank you.

*Mr. Duncan. I thank the gentleman. I will now go to Idaho to Mr. Fulcher for five minutes.

*Mr. Fulcher. Thank you, Mr. Chairman, and thank you for being here and -- to the panelists, and for the information today.

I am going to direct the first part of this to Mr. Christie, but probably try to get some input from Mr. Danly as well as least here. But we have a natural gas pipeline system that runs through the Pacific Northwest, including my State of Idaho and also California. It is called the GTN

Express. And there is some relatively small improvements that need to be made on the compressor stations for that pipeline, and they are all -- and it is already in place. Those are on private lands.

Last October, the Idaho Delegation, the entire delegation and our Idaho Governor sent FERC commissioners a letter in support of this upgrade. And, Mr. Chairman, I would like to enter that letter into the record if I may, please.

*Mr. Duncan. Without objection, so ordered.

[The information follows:]

**********COMMITTEE INSERT**********

*Mr. Fulcher. FERC's response to us came on November 29, and it simply wanted to look at the elements of the EIS that it received in November. And that was generally the response. But it has now been eight months and nothing has happened on that. And this was also not included on the June 15 open meeting agenda, so I have to assume that it is still outstanding and that delay is ongoing.

The delay appears to have started with former Chair Glick's decision to have FERC staff complete a lengthier EIS rather than the environmental assessment under NEPA, and I just need to underscore this is not a new project, and so I am trying to contemplate why this would need to be done over again with a new I -- EIS is difficult here, because there has been no significant environmental impacts.

So I would just like to ask, Mr. Christie, if you could address that, bring that to bear, why the delay on this?

*Mr. Christie. Are you asking the chairman or are you asking me?

*Mr. Fulcher. Mr. Christie.

*Mr. Christie. That is me, okay.

*Mr. Fulcher. Okay.

*Mr. Christie. Well, I think that is a pending proceeding, and so we can't talk about it anyway.

*Mr. Fulcher. So --

*Mr. Christie. I don't think we are allowed to talk about it.

*Mr. Fulcher. -- nothing for eight months, and so -- and nothing on the agenda.

*Mr. Christie. Well, if it is a pending proceeding, we can't talk about it. I can't answer why a letter that was sent to --

*Mr. Fulcher. Okay, then we will ask the chairman. Mr. Chairman?

*Mr. Christie. -- the former chairman didn't get answered.

*Mr. Phillips. Mr. Christie made a good point. This is a pending proceeding. You are right, we had -- EIS was performed for this particular project, just talking procedurally here.

*Mr. Fulcher. So why --

*Mr. Phillips. That was --

*Mr. Fulcher. -- did we need to do a new EIS?

*Mr. Phillips. That was a decision that was made --

*Mr. Fulcher. By?

*Mr. Phillips. Not by me.

*Mr. Fulcher. Well, you are the chairman.

*Mr. Phillips. What I have tried to focus on is moving forward expeditiously as we can and speeding up our reviews.

*Mr. Fulcher. Mr. Chairman, it has been eight --

*Mr. Phillips. Based upon advice from our --

*Mr. Fulcher. It is eight months, nothing on the agenda.

*Mr. Phillips. We will act on projects when they are ready.

*Mr. Fulcher. The level of dependence on this is very significant, and we just don't seem to be getting any kind of a response.

*Mr. Phillips. We understand. We are working as diligently as we can. I am very proud of the progress that we have made on projects. This is another project that is a

part of the backlog that we have inherited --

*Mr. Fulcher. Mr. Chairman, there appears to be a pattern, and it appears to be a political one. If there is anything that has to do with infrastructure, energy infrastructure, the extraction industries, there appears to be a pattern here that things just get delayed and all of the sudden there has got be a whole other set of processes done on something that is in existence. And so please take that as constructive as you will, and we are going to continue to stay on top of this.

Mr. Chairman, I yield back.

*Mr. Duncan. All right, the gentleman yields back. I'll go to North Dakota, Mr. Armstrong, for five minutes.

*Mr. Armstrong. Thank you, Mr. Chairman.

Commissioner Danly, FERC's 2022 draft policy statement appears to incorporate the feedback of activist groups that call for weighing and use when make certification determinations. This would seem to me to adjust FERC's economic regulatory goal to one of a regional planning entity. Isn't that inconsistent with FERC's statutory

mission?

*Mr. Danly. Yes, it would be.

*Mr. Armstrong. Does FERC actually have jurisdiction over upstream production or downstream use?

*Mr. Danly. Not only do we not have conduc -- jurisdiction conferred, it is specifically excepted from our jurisdiction in the NGA.

*Mr. Armstrong. You note in your dissent to the 2022 updated policy statement that the Natural Gas Policy Act, Wellhead Decontrol Act, and the changes to the Fuel Use Act altered the natural gas market. You go on to say that these deregulatory changes were not at play in the Transco case. Can you explain how the statutory and regulatory changes in the decades after Transco are instructive for limiting FERC's ability to consider end use?

*Mr. Danly. So we have two different statutes that we have -- that -- in every Section 7 case. We have NEPA, which requires a review of the environmental consequences of a major federal action, then we have the Natural Gas Act. The Natural Gas Act gives us clear jurisdiction over the

actual facility, the pipeline, from beginning to end of the pipeline. And our obligation under the NGA is to ensure the orderly development of the infrastructure that gets plentiful supplies of natural gas to customers at reasonable prices.

We do not have jurisdiction over the ultimate end use of the gas nor over the production or gathering facilities. And so our NGA inquiry is not -- is cabined to the actual facility. And under NEPA, we are not obligated to consider any effects over which we don't have jurisdiction. That is a Supreme Court case, public citizens, unambiguous. You do not have to consider those effects that are outside your jurisdiction. And because we don't do things like license gathering facilities or the generators that burn the gas, it is not obligate -- we are not obligated to consider it.

*Mr. Armstrong. So when you guys are continuing -- I mean doing these, are you taking into account Supreme Court cases from other agencies that are going on at this point in time, like West Virginia v. EPA or -- I mean, is anybody taking those analysis and applying it to what I would argue

is a non-statutory expansion of FERC's role?

*Mr. Danly. I will speak for myself. You will find cases like that in my dissents when I disagree with the Commission's decisions. But, ultimately, even if we don't restrain ourselves, the hope is that ultimately the courts are going to and they will chastise us and tell us to stay in our lane properly.

*Mr. Armstrong. I have a different viewpoint from that. I -- my position is whether we want to or not, the Supreme Court is going to start forcing Congress to do its job, which I think would be a good thing as well.

For decades, states have cooperated in the pipeline approval process by responsibly acting on the requirements in Section 401 of the Clean Water Act. But over the last 10 years, certain states seem to have abused this authority to meet political end goals outside the intent of the law. Do you think state's recent misuse of Section 401 has undermined the Natural Gas Act?

*Mr. Danly. Yes. And, in fact, the Natural Gas Act was specifically amended to give the condemnation authority

to the certificate holder because decades and decades ago states began refusing to use their condemnation power for projects that they were opposed to, and so to create a coherent statutory universal scheme for the country, it was amended. Section 401, though, is only one of the two keys to this. The other is NEPA reform. And in the absence of reforming both of those, we still have a lot of potential litigation risk to all the Section 7s ahead -- in front of us.

*Mr. Armstrong. Well, a lot of ink has been spilled all across the country about the increase in the debt ceiling last week, but one of the positive notes I think coming through that has been some of that -- the initial stages to NEPA reform. And by the way, that is going to help all energy infrastructure projects, not just gas, not just coal. But, one, agency permitting shot clocks and time limits are going to be a really huge issue.

I am going to end with just one of these things, and this is kind of a statement from somebody who -- you talk about power outages in Texas causing loss of life. I live

in a different part of the country. Power outages in January in North Dakota are going to signifi-- I mean, would be absolutely catastrophic. And FERC needs to make sure RTOs like MISO are significantly more accurate in their forecasts.

MISO's load forecast for 2023 to 2024 is 92,000 megawatts. MISO's load during the Winter Storm Elliott in December of 2022 was 104,000 megawatts. And the low load forecast equal less resources to needed -- needed to meet power needs and ridiculously low payments for capacity because it is not needed. Meaning my traditional -- or my baseload power sources in places like North Dakota are not rewarded for providing power to the system when it is needed, and it disincentives baseload units because they are not rewarded for providing the power when they have to.

And at the very least, this is going to force early retirements, all of this because we are not requiring RTOs to be more realistic in how much power they need. And just yesterday somebody really smart told me that you can provide renewable power for 360 out of 365 days a year, but you

better have dispatchable power for the other five days. And until we figure that out, the least we could do from FERC is make sure that these estimates are actually rewarding the people providing baseload power because the financial disincentive is going to be catastrophic to places like my home State of North Dakota.

And with that, I yield back.

*Mr. Duncan. The gentleman yields back. I now go to Mr. Pfluger from Texas.

*Mr. Pfluger. Thank you, Mr. Chairman. I appreciate the witnesses for being here.

I am very concerned about the regulatory environment that we have in this country as it relates to what my colleagues have been talking about, which is the ability to produce that reliable power when we need it.

After the Supreme Court ruled in West Virginia v. The EPA, the EPA began issuing rulemaking on May 11, 2023, that would limit greenhouse gas emissions for fossil fuel-fired power plants including both new and existing gas-fired plants and from existing coal-fired plants as part of the

Clean Air Act. And the U.S. EIA explained that of all the utility scale, electricity last year, 39.8 percent was generated by natural gas, 19-and-a-half by coal, 21.5 by renewables, unreliables, and the EPA's proposal would directly basically attack 59.3 percent of the electricity generation.

So when Secretary Granholm was in front of this committee, I asked her the question, where is this power going to come from and how much will it take if we do the EV plan that the administration is proposing, and she said it will double. The electricity demand will double.

So, Commission Danly, when you think about this, how will the EPA's Clean Power Plan 2.0 impact FERC's mission to deliver affordable and reliable energy to consumers across the country?

*Mr. Danly. Anything that raises the cost of providing dispatchable power in our jurisdictional markets, the RTOs and ISOs, anything that raises the cost of those generators is going to drive them into early retirement as long as those markets are -- have their prices skewed by subsidies

and do not compensate the preexisting generation to keep them economically viable.

*Mr. Pfluger. Are we -- has anybody done the math on this if we do this EV plan by 2032 or whatever the latest year is?

*Mr. Danly. I have every confidence that somebody has done the math. FERC's role, of course, is simply to ensure --

*Mr. Pfluger. Sure.

*Mr. Danly. -- that the rates for power and interstate commerce are just and reasonable. We can establish compensation mechanisms, but until we actually insulate our markets from the effects of subsidies and we compensate correctly to ensure solvency, we are going to see more premature retirements and we are going to see the reliability of the system jeopardized.

*Mr. Pfluger. Yeah. It is a national security issue. We have the resources here, and we need to use these.

Commissioner Phillips -- Chairman Phillips, I want to switch to some issues with our LNG export terminals and I

want to ask you, are you aware of the additional recommendations that FERC staff have placed and are placing on the LNG export facilities?

*Mr. Phillips. I'm sorry, could you repeat the question?

*Mr. Pfluger. Yeah. Are you aware of the additional recommendations that FERC and the staff has placed on LNG export facilities?

*Mr. Phillips. We have actually, since I have taken over in January, I have instructed staff to actually streamline our processes regarding LNG. Based upon recommendations from our staff, we have chosen to institute EAs as opposed to EISs, where appropriate. This is not a categorical decision but this is done on a case by case basis.

*Mr. Pfluger. I would like to work with you on this because currently there are seven LNG export terminals in the lower 48 that went through a multi-year review by FERC before receiving their authorizations to construct and operate. And it is my understanding that while these

facilities have been in operation that FERC staff over the past several years have recommended changes and modifications to the facilities even after they have been reviewed and fully approved. That is my concern right now.

So if you are saying that you have streamlined this process, we need these facilities to be up and running in order to get that product to market, and that -- and we are having complaints that that is actually not happening.

*Mr. Phillips. I understand your frustration. I would love to work with your staff to get --

*Mr. Pfluger. We need to follow-up on that. Lastly, in February of 2022, FERC issued two draft policy statements that I believe overstepped the agency's permitting authority. A certification of new interstate natural gas facilities and consideration of greenhouse gas emissions and natural gas infrastructure project reviews.

My question, Chairman Phillips, is that I know that these were issued under your predecessor, Chairman Glick, but these policies hang over industry's head and are a deterrent to investment in reliable baseload energy

production. Can you provide me an update as to the status of these policy statements?

*Mr. Phillips. Absolutely. They are now draft policy statements. We are using the 1999 gas policy statement right now to move forward projects. It is working. I think there are opportunities for us to improve the legal durability of our decisions.

We are one of the most litigated agencies in all of government, so where we can improve what we do, I think we should try to do that. I am working with my colleagues. We continue to negotiate. I want a bipartisan policy statement to come out. Something that can live beyond this composition of the Commission and it can give expectations to utilities as well as communities and every stakeholder that we have in our process.

*Mr. Pfluger. Chairman, my time is expired. We would love to have bipartisanship on this issue, but we have to get to the point where we could build things in this country and we can have sustainable, reliable, affordable energy, and we need your help doing it instead of stopping projects

that are on their way to being built.

Chairman, I yield back.

*Mr. Duncan. The gentleman yields back. In 1984, Kevin Butler kicked a field goal to -- for Georgia to beat my Clemson Tigers. As time expired, the gentleman from Georgia just beat the clock, and he is recognized for five minutes.

*Mr. Carter. And go Dogs. Thank you, Mr. Chairman, and thank you for having this hearing, and thank all of you for being here. Thank you for the work that you do. It does not go unnoticed. We know it is not an easy job, it is a tough job, but it is a necessary job, and sincerely, we appreciate all of your efforts and your work.

We all understand how abundant and affordable energy, how important it is. And I know that -- I believe all of you agree with that, and I believe all of you work toward that same common goal that we have. And -- but, unfortunately, as we have seen, and particularly over the past few years, that one essential ingredient has been taken for granted, and that is the reliability, and that is

certainly something that we need to make sure that we have.

Many of you pointed it out, in fact, saying there is a looming reliability crisis in our electrical market -- electricity markets. Commissioner Danly said that. And the United States is heading for a very catastrophic situation in terms of reliability. Commissioner Christie said that.

And that is what concerns me is that -- and we talked about this before. It is almost as if it is going to take a catastrophic event in order to get our attention. And I hate to see that happen. I hope that we can do something about it before we witness that catastrophic event, and I think we would be better served -- obviously we would be better served if that did happen.

Chairman Phillips, you said we face unprecedent challenges through reliability of our Nation's electric system, and I couldn't agree more. But I have to say that these issues are different across the country. Now I live in Southeast Georgia, in the Southeastern United States. Georgia has been selected as the best state to do business in for I think nine straight years now.

And one of the reasons for that is because we have reliable affordable energy. If we didn't have that businesses wouldn't be coming to the State of Georgia. So that is one thing that we are very proud of and certainly that we have worked hard on.

I want to ask you, Commissioner Clements, you submitted test -- your submitted testimony suggests that conducting studies and holding conferences to try to solve the reliability issues and other concerns in the RTO markets. Are there lessons to be learned that we can learn from the success of markets that are already providing long-term reliable and affordable energy like in Georgia and in the Southeast region?

*Ms. Clements. Thank you, Congressman. As Commissioner Christie has discussed, the regions have different regulatory frameworks. There are lots of lessons to be learned from looking at both the regions that don't have RTO markets and the regions that do. In the regions that do have those markets, I think what we are seeing now and the reason that prices have stayed low in capacity

markets, PJM, is that they are talking about resource adequacy. That is how much steel do we have in the ground.

The troubles we are facing right now in the winters across the country is an energy adequacy problem. The problem is none of these resource types were designed to withstand freezing cold temperatures for eight days at a time, and so they all failed. All types of resources had trouble. So did the production of gas, so did the transport of gas.

So what we have to do is say, okay, how do we evolve these market rules? They are not static. They are not stuck. They are not an end to themselves. What we need to do is evolve them so that on a going forward basis, the markets are sending signals that generators fix these problems, that they produce the kind of resources we need, and that they are will -- they are able to perform in times of shortage such as extreme weather.

*Mr. Carter. Okay. Well, thank you for that. Now I want to shift kind of a little bit here and talk more about natural gas because natural gas is a big part of what we do

in the State of Georgia. We don't generate energy in the State of Georgia, with the exception of, and I am sure my colleague to my -- my delegation colleague mentioned the fact that we just have two nuclear reactors started up in the State of Georgia, which we are very proud of and worked hard on that.

But we don't really generate a lot of electricity so we depend on natural gas and particularly on pipelines, and we don't have enough pipelines, and we all understand that.

Commissioner Christie, you have said that the U.S. is not -- is already not building enough pipelines to transport a sufficient amount of gas to maintain a steady and reliable supply of energy. What is FERC doing to ensure that we have got adequate pipeline capacity to meet demands?

*Mr. Christie. Well, what FERC is doing is when applications are filed with us, of course, we are going to act on those applications. The problem is I think last year or the year before we hit the lowest number of new constructed pipelines in like the last 30, 40 years.

*Mr. Carter. Is there a reason for that? I mean, are

they being denied and they have just not applied?

*Mr. Christie. FERC is approving pipelines in due course as they come into us. I think the numbers dropped, but a lot of the pipelines that FERC approves, they end up being appealed. Every single one is challenged. Every single gas facility, Greenfield pipeline, Brownfield pipeline where you are replacing an existing pipeline with an updated better engineered pipeline, compressor stations.

You name it, they are being challenged in this national legal campaign, which is deliberately trying to drive up the cost of even starting a pipeline or any kind of facility in the hope that, well, if you raise the cost through litigation, eventually they will just go away and stop and no one will invest in them.

And that is what is happening. And we are not getting nearly enough of the capacity we are going to have to have. Gas is the backup fuel of choice. Gas is -- the head of NERC has described gas as the balancing fuel of the future because gas is what has to balance the system when the intermittent resources are not producing. And so you have

to have them together. You can't have wind and solar by themselves. You have to have gas as the balancing fuel to run when they don't. It is just -- you have to be an engineer to figure out that out.

*Mr. Carter. Right.

*Mr. Christie. But we are not building the pipeline capacity to serve those gas generating units that are critically important to balance the system. Again, the system has to be balanced every second of every minute of every hour or every day. You --

*Mr. Carter. Right. And I am way over time.

*Mr. Christie. Okay.

*Mr. Carter. But I appreciate your response. And, again, thank all of you for the work that you do; it does not go unnoticed.

Thank you, Mr. Chairman, I yield back.

*Mr. Duncan. I thank the gentleman. It is not always saving the best for last.

Seeing there are no further members wishing to ask questions, I would like to thank all of our witnesses.

Chairman Phillips, Commissioner Danly, Commissioner Clements, Commissioner Christie, great testimony. Thanks for answering the questions today.

I ask unanimous consent to insert in the record documents included on the staff hearing documents list.

So without objection, that will be it.

[The information follows:]

**********COMMITTEE INSERT**********

*Mr. Duncan. And we will stand adjourned.

[Whereupon, at 1:19 p.m., the subcommittee was adjourned.]