

COMMISSIONER TONY CLARK
HOUSE ENERGY & POWER SUBCOMMITTEE DEC. 5 TESTIMONY

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

In my opinion, and Mr. Chairman this is something you referenced, the biggest story in energy today is the revolution that is taking place in shale gas and shale oil. Probably the biggest story in decades.

This flood of domestic gas has really upended utility planning models and market fundamentals. Gas at the sustained prices that we are seeing now today is dramatically impacting where utilities are putting their money in the build out of the grid.

As an example, in 1990 coal was responsible for about 53% of the electricity that was produced with natural gas producing just 13%. EIA is projecting that by 2040, 35% of electricity will come from coal and 30% from natural gas. But I would note, however, that predicting these sorts of things is highly speculative. We know that there is some pending rulemakings by the EPA and depending upon how those come out it could have a dramatic impact on how these futures play out.

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

The Commission is heavily engaged in the work of assessing these fuel mix changes and responding to the regional implications of it. For example, FERC has undergone significant efforts with regard to the implications of gas/electricity interdependency – that Commission Moeller mentioned – as more electricity generators simultaneously turn toward natural gas as a fuel source.

This effort is important nationwide, but it is particularly crucial for a region like New England where a number of factors, including geography and state-level policy choices, have created an electricity delivery network that is very dependent on a constrained supply of natural gas.

The analysis takes on a different shade in other regions of the country. For example in my home region of the Midwest, coal has traditionally been the primary source of electricity. But today, a combination of affordable shale gas and impending EPA regulations is creating a situation where there are increasing concerns about reserve margins and supply adequacy, as Commission

Moeller noted, especially as we get into that 2015-2016 timeframe. That's something we are paying close attention to, and I know the Committee is as well.

Nonetheless, under any scenario, it is clear that gas will play a much bigger role in the future than it has in the past.

As you might expect the shale revolution, in both liquids and natural gas production, is having a tremendous impact on the work of FERC itself. As the Committee is aware, the FERC has broad oversight of both economic and siting regulation of the natural gas pipeline industry. In recent years the Commission has seen a shift in this type of work as industry responds to the burgeoning shale plays.

Shale gas basins have seen significant pipeline investment. Shale basin pipeline projects that are either in service or in some part of the permitting process at FERC total now over 3,400 miles of pipe, delivering over 31,000 MMcf/day of capacity, with a total investment of over \$18 billion.

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

Presently, the FERC has 13 proposed LNG export terminals and three LNG import terminals in some phase of the permitting process and, as you'd expect, these are major investments and the reviews are quite extensive. Given the influx of natural gas siting work, I believe the FERC must continually assess our staffing levels and priorities to ensure that we task enough resources to process these projects in a timely and thorough manner.

In addition, while the FERC has no control over other federal agencies that inform our siting process, I would encourage them to help us by also doing what they can to be timely in their assessment work.

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