

Chairman Cheryl LaFleur
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Chris Newkumet: It can be said that the U.S. Federal Energy Regulatory Commission often finds itself hiding in plain sight. It's a low profile agency with major responsibilities on critical energy issues such as electric reliability, infrastructure development and market manipulation. Dealing with all this has been complicated by unprecedented political wrangling recently over FERC's leadership. At least for now the new Chairman has settled in and has her eyes on a busy agenda. Joining us is FERC Chairman Cheryl LaFleur. Cheryl thanks for coming in.

Chairman Cheryl LaFleur: Well thanks for having me.

Newkumet: As always, there is a lot on the Commission's agenda. Tell me though, what's the one thing that keeps you up at night? What do you worry about?

Chairman LaFleur: Well, what I'm really focused on is how we adapt the nation's competitive energy markets and infrastructure to the big change that we are seeing in the energy economy. We are seeing more electricity made from natural gas, more use of renewables and big environmental changes, big new environmental requirements. And that is going to require some adaptations in our markets.

Newkumet: Understood, but you were an early and active participant in cyber readiness initiatives. Doesn't that worry you? Has that gotten better or has that gotten worse?

Chairman LaFleur: I thought you said what's the one thing that keeps me up at night, how long do we have? (Laughter) Definitely what is happening in the whole reliability and resilience world is that, while we are keeping our eye on the bread and butter issues because they are still there, what's really occupied us is the emerging issues - cybersecurity, planned physical attacks and solar disturbances, geomagnetic disturbances - that can interrupt the grid. Those require a different kind of preparedness and is very much the focus.

Newkumet: We are at that time of the year when everybody is doing their winter outlooks...

Chairman LaFleur: Including FERC.

Newkumet: ...including FERC. I have to ask, has FERC done all it can to make sure that the grid is ready, to make sure that the pipelines are ready for the winter?

Chairman LaFleur: Well, we've had a busy summer, and I think that we are going to be focusing at our October meeting on the winter outlook in more depth than we normally do. I believe we do it every October, but that is going to be a major focus -

what has happened, what is happening. Basically, the lights have to stay on, that's not negotiable. How much it costs to keep the lights on depends on how the markets operate, and that's where a lot of the hard work has gone.

Newkumet: FERC just approved, switching gears here, FERC just approved the Cove Point liquefied natural gas export project, the first on the East Coast I understand. It did so over strenuous objections from Sierra Club and others. It is a reminder that infrastructure development is a huge issue for FERC, for the markets - we are talking about transmission lines, gas pipelines and others. The cradle-to-grave argument that environmental groups and others have offered has resonated. The notion that if you are really going to look at the environmental impact of a project you should look at it from the beginning to the end. What's done to produce the natural gas, to get it to this project. What is done when that fuel is burned. It sounds sensible. What's wrong with that argument?

Chairman LaFleur: Impacts of any fuel are appropriate considerations for our political economy and society to make in deciding where to get energy and what the energy economy should be. The Department of Energy makes the determination whether it is in the public interest to export the gas. What FERC is doing in our consideration is more limited to the permitting of the facilities, and I think we quite correctly follow the National Environmental Policy Act that limits us to the reasonable, foreseeable impacts of that facility. We do not go cradle-to-grave with the molecules. That's not what I believe the NEPA statute entails.

Newkumet: NEPA doesn't let you color outside the lines.

Chairman LaFleur: Well, it would be very difficult to find what the boundaries were if we don't stick to the ones that the law sets.

Newkumet: Speaking of boundaries, you know, there has been a lot of tension over the past few years over just that - jurisdictional boundaries - between FERC and others, including states, the Commodity Futures Trading Commission, the Environmental Protection Agency. Is this the new normal? Is FERC going to be fighting border wars all the time or does Congress need to step in here?

Chairman LaFleur: Well, there is a lot in that question. In terms of FERC and the states, we've always had complementary roles in regulating the electric grid because, by definition, what we regulate and what the state commissions regulate is attached and is part of keeping the lights on. I think where things have changed is we are seeing more of the resources on the customer side of the meter than before. So rather than having the generation here, wire and then here's what the states regulate, they are a bit more intermingled in the markets. And that has led to some tension between FERC and the states over who has responsibility for what. We are a little more in each other's business because of the technological changes on the system. My own view is that we have to stick to our jurisdiction, which is the

wholesale rates, the wholesale markets, the interstate transmission. But within that jurisdiction we can't be afraid to act.

Newkumet: At the risk of wandering into the weeds here a little bit, the Commission somewhat recently changed the way it sets return on equity for power transmission. Why is that important? How is that going to work? What are the real-world impacts that you are hoping to see?

Chairman LaFleur: Well I said at the top of that interview that I think our most important responsibility is assuring that the markets and the infrastructure adjust as they need to to deliver energy to customers. That's what we are here for, keeping the lights on, keeping the gas flowing. There has been lack of clarity for some time about FERC's policy on the return on equity for high voltage transmission lines, and I think we took a major step in June to get out an order to resolve how we are going to determine return on equity.

Newkumet: It sounds like you are trying to more effectively reflect exactly what the costs...

Chairman LaFleur: Our goal is not to be high or low, but to be fair and just and reasonable. And we want to have a system of calculating return on equity that people can plan on and predict so that they will make the investment that they need to make in transmission.

Newkumet: Under an odd deal hammered out during your confirmation, your colleague Norman Bay is scheduled to take up the gavel from you in April. Does that make you a lame duck Chairman?

Chairman LaFleur: Actually, my term as a Commissioner is the longest of any of the sitting Commissioners, until 2019. I know that I'm only going to be Chairman until April. There will be a transition in leadership in April, and I think Norman and I will work to make that as smooth as we can. What is important to us is that it is seamless for the employees at the Commission and the people who rely on the Commission. But I'll go back to having the second best job in Washington, to be a Commissioner on FERC and keep influencing policy that way.

Newkumet: You intend to stay?

Chairman LaFleur: Yes I do.

Newkumet: Cheryl LaFleur from FERC thanks for joining us.

Chairman LaFleur: Thank you.

