

Chairman Wellinghoff Interview with Bloomberg News
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Mark Crumpton, Bloomberg News: The U.S. power grid needs up to \$130 billion in investments over the next decade just to maintain reliability; that's according to the Energy Department. Joining us now to discuss that is the Federal Energy Regulatory Commission's (FERC) Chairman, Jon Wellinghoff. He joins us from Washington. Mr. Wellinghoff, welcome to Bloomberg News.

FERC Chairman Jon Wellinghoff: Good afternoon. Thank you.

Crumpton: Sir, that's a lot of money. Are you going to be able to raise it?

Chairman Wellinghoff: Well, the money will be raised primarily by private capital, but it's money that will be well-invested. It's a matter of looking at the return on investment, and, for that money, what we'll be able to do is integrate more renewable energy into the grid, more variable energy like wind energy and solar.

Crumpton: Right.

Chairman Wellinghoff: And by doing that, we'll be able to stabilize our energy costs because those resources, of course, do not have variable fuel costs like natural gas and coal and even nuclear. So, as a result, it will help us stabilize our energy costs overall, so it will be an investment well-spent.

Crumpton: Mr. Wellinghoff, as you're no doubt aware, the stimulus package, offering about \$6 billion in loan guarantees for grid projects and research, is that enough?

Chairman Wellinghoff: Well, it's a beginning. I would say it's seed money to start the deployment of certain pilot technologies that ultimately then can be scaled up substantially, and there will be more investment. But that money then will start the flow of private investment into the sector that I think will start to return substantial sums to those private investors.

Crumpton: Well, does FERC need more authority to help in the planning stages of this?

Chairman Wellinghoff: Well, we do because we need to ensure that the markets are structured in a way that we can fairly integrate into the grid such things as dispatchable energy conservation and other systems that will help us better integrate things like renewable resources. So, we're looking to work with Congress, and Congress has a number of bills that are under consideration that would give us expanded planning, siting and cost-allocation authority. And if we can do that, we can then certainly get the transmission upgrades put in place that are necessary for these new investments.

Crumpton: And Mr. Wellinghoff if you would mind please sir, we're going to take a commercial break but we'd like to keep you through the break. More with Jon Wellinghoff

coming up. And Chief Economist at JP Morgan Bruce Kasman will join us. He says the U.S. economy is going to make a huge comeback in the third quarter. That's coming up when Bloomberg News continues. Stay with us.

[BREAK]

Crumpton: We're back with Jon Wellinghoff, Chairman of the Federal Energy Regulatory Commission, joining us from Washington. Sir, thanks for staying through the break.

Chairman Wellinghoff: You're welcome.

Crumpton: Before we went to commercial, we were talking about the expanded authority that you said your agency needs; that authority to help plan and maintain energy grid projects and investments for the future. What authority do you need most? Would it be eminent domain?

Chairman Wellinghoff: Actually, I think what we really need most is some expanded cost-allocation authority. Because we're talking about these investments, the investments have to be spread over many consumers, and so we currently have a degree of cost-allocation authority but to have Congress specifically indicate that we could spread costs, for example, over the entire Eastern Interconnect, would be useful in being able to build the type of system that we may need to either deliver Midwest wind to the East Coast or even offshore Atlantic wind to load centers on the East Coast and ensure that the reliability of those systems is sufficient to adequately deliver that wind and spread the costs over those ratepayers who are going to benefit from those types of systems.

Crumpton: Will any transmission lines be delayed if you don't get the expanded authority?

Chairman Wellinghoff: Well, certainly I think it will be much more difficult to ultimately get the financing to make those lines viable, so there could be delays, yes.

Crumpton: Sir, talk to me about supporting Congress for what's called federal siting [sic] authority. What is that?

Chairman Wellinghoff: Well, basically that relates to siting the lines and right now that authority is very limited with respect to FERC's overall authority only as it relates to the National Interest Corridors which is a piece of legislation that was enacted in 2005. Those are designated by the Department of Energy. There are bills in Congress that are proposing to expand that that would relate to the development of renewable energy lines either in the western part of the country or the eastern part of the country.

Crumpton: Right.

Chairman Wellinghoff: And are high-voltage lines that would help deliver large amounts of renewables that we have in remote locations that could be delivered to our load centers on the East and West Coast.

Crumpton: And my apologies, would that be federal siting authority?

Chairman Wellinghoff: Correct.

Crumpton: [laughter]

Chairman Wellinghoff: Federal siting authority

Crumpton: Thanks for going along with that and not correcting me on the air. That's federal siting and not federal sitting.

Chairman Wellinghoff: That's correct.

Crumpton: As you know, the U.S. now gets about 3% of its electricity from wind.

Chairman Wellinghoff: Yes.

Crumpton: At what point is that going to be a problem without some new transmission lines?

Chairman Wellinghoff: Well, actually, we really don't know. But FERC is, in fact, undertaking a study to determine that as to what are the limits with respect to reliability given the fact that wind is a variable resource, and we expect to have that study done some time the first quarter of next year, and that study will help inform us not only what are the limits, but hopefully what are the strategies we can use to extend and increase those limits so we can bring in more wind energy into our system to reduce our overall carbon footprint and to meet the national and state policies of renewable energy standards that are currently in place in the states and that are being considered by the Congress as well.

Crumpton: Jon Wellinghoff, the Chairman of the Federal Energy Regulatory Commission, joining us from Washington. Mr. Wellinghoff, thanks.