

P R O C E E D I N G S

(10:46 a.m.)

CHAIRMAN WELLINGHOFF: Good morning, everyone.

This is the time and place that has been noticed for the open meeting of the Federal Energy Regulatory Commission to consider matters that have been duly posted in accordance with the Government in Sunshine Act. Please all join me for the Pledge of Allegiance.

(Everyone recites the Pledge of Allegiance.)

CHAIRMAN WELLINGHOFF: I apologize. I'm losing my body mike here. Let me get it secured. Well since the last open meeting in July, we have actually had 114 Notation Orders, 71 more than the July meeting. So we were busy in August; we didn't just take August off.

I have one more announcement, and I think there may be a couple of others from some of the other Commissioners, but later this morning we will be hearing more about the electrical and natural gas outages that occurred in February as a result of the prolonged cold spell in Texas and New Mexico, but first I would like to highlight our response to the outage that occurred last week that affected Southern California and parts of Arizona and Northern New Mexico.

Last week we announced that our Agency and NERC are initiating a joint inquiry into the September 8th power

1 outage that left 2.7 million customers of Southern
2 California, parts of Arizona, and Northern New Mexico
3 without electricity. The focus of the inquiry will be the
4 cause of the outages.

5 As I mentioned last week, this inquiry is an
6 effective way for this Commission to protect customers and
7 ensure the reliability of the bulk power system. The
8 inquiry into this outage, like the inquiry into the February
9 outage that we will hear about later, will assist regulators
10 and the industry to ensure that outages remain rare and
11 isolated events.

12 So with that, does anybody have any other things?
13 Phil?

14 COMMISSIONER MOELLER: Thank you, Mr. Chairman.

15 Given the high-profile nature of this event, I
16 did want to ask Mr. McClelland a few questions about it.

17 CHAIRMAN WELLINGHOFF: Sure.

18 COMMISSIONER MOELLER: The first being, do you
19 know if any of the assets that were involved in that
20 blackout were considered critical cyber assets under the
21 NERC Standards?

22 MR. McCLELLAND: I would say, considering the
23 breadth and the reach of this outage, I think it is
24 reasonable to assume that the cyber facilities attached to
25 the elements involved would be designated as "critical." So

1 on that basis, Staff has asked that question but it is still
2 too early to tell. We are still receiving information. So
3 we don't have those designations at present.

4 COMMISSIONER MOELLER: Okay. I know it is early,
5 but are you getting all the cooperation you need from the
6 entities involved?

7 MR. McCLELLAND: Yes. The people we have talked
8 with on a preliminary basis have been very cooperative and
9 very forthcoming. More extensive interviews start next
10 week, on Monday, and we expect that cooperation to continue.

11 COMMISSIONER MOELLER: When do you expect the
12 report to be available?

13 MR. McCLELLAND: Again, it's very early in the
14 process so we don't have all of the circumstances, but we
15 are going to move as quickly as we can. To the Chairman's
16 comments, we will be moving as quickly as we can so that we
17 can get those lessons learned out to industry so that they
18 can take action to prevent similar occurrences in the
19 future.

20 COMMISSIONER MOELLER: Good. Well that's the
21 balance. You want to do a comprehensive report. But if you
22 find out things early that need to be shared, I hope you
23 will do that. Thank you.

24 CHAIRMAN WELLINGHOFF: Thank you, Commissioner
25 Moeller. Did you have anything else?

1 COMMISSIONER MOELLER: I just had one other
2 announcement.

3 CHAIRMAN WELLINGHOFF: Go ahead.

4 COMMISSIONER MOELLER: At this hour downtown the
5 National Petroleum Council is releasing its report on the
6 prudent development of North American oil and gas resources
7 going out to 2030 with a look to 2050. For about the last
8 couple of years, I have served on the Coordinating
9 Subcommittee of that effort.

10 It is extremely extensive. We probably had 550
11 individuals contributing time to it. It is a comprehensive
12 report. There are a number of recommendations in there that
13 do affect FERC, and certainly do affect the industries we
14 regulate, and I would implore people to take a good look at
15 it. I think it is an excellent report. It has a great
16 discussion about how we will be looking at these resources
17 in this country, or on this Continent, in the future.

18 CHAIRMAN WELLINGHOFF: I think Commissioner Stein
19 from California is on that Commission?

20 COMMISSIONER MOELLER: Yes, as well as Oklahoma
21 Commissioner Bob Anthony.

22 CHAIRMAN WELLINGHOFF: Okay. Good. Very good.
23 All right, thank you, Commissioner Moeller. Commissioner
24 Norris?

25 COMMISSIONER NORRIS: Thank you, Mr. Chairman.

1 I just have a couple of announcements this
2 morning. I want to introduce folks to my new assistant,
3 Laura Vendetta, who is behind me here. Laura has joined our
4 office just recently. She hails from New Jersey, a graduate
5 of Rutgers University, and I just want to make sure that
6 Governor Christie and Chairman Solomon know they have good
7 representation on the 11th floor, now.

8 (Laughter.)

9 CHAIRMAN WELLINGHOFF: Good.

10 COMMISSIONER NORRIS: Welcome, Laura. I'll
11 probably live to regret that statement.

12 (Laughter.)

13 COMMISSIONER NORRIS: And secondly, since our
14 last meeting one of the members of my staff has achieved a
15 significant accomplishment. Aileen Roder competed in and
16 completed the Lake Placid Ironman. So we now have an
17 Ironwoman in our office. And since she has proved her
18 endurance factor, we will put her in charge of transmission
19 from here on out.

20 (Laughter.)

21 CHAIRMAN WELLINGHOFF: Terrific.

22 (Applause.)

23 CHAIRMAN WELLINGHOFF: I think you have
24 sufficiently embarrassed Aileen. That's good.

25 (Laughter.)

1 CHAIRMAN WELLINGHOFF: Does anybody else have any
2 other announcements?

3 (No response.)

4 CHAIRMAN WELLINGHOFF: All right. If not, then,
5 Madam Secretary, we'll go to the Consent Agenda.

6 SECRETARY BOSE: Good morning, Mr. Chairman.
7 Good morning Commissioners. And before we begin, I would
8 like to ask the audience to please turn off your electronic
9 devices as they will cause interference with the microphones
10 up here. Thank you.

11 Since the issuance of the Sunshine Act Notice on
12 September 8th, 2011, no items have been struck from this
13 morning's agenda. And your Consent Agenda for this morning
14 is as follows:

15 Electric Items: E-1, E-3, E-4, E-5, E-6, E-7,
16 E-8, E-9, E-10, E-11, E-12, E-13, E-14, E-15, E-16, and
17 E-17.

18 Gas Items: G-1.

19 Hydro Items: H-1, H-2, and H-3.

20 Certificate Items: C-1 and C-2.

21 We will now take a vote on this morning's Consent
22 Agenda Items, beginning with Commissioner LaFleur.

23 COMMISSIONER LaFLEUR: Thank you, Kimberly. I
24 vote aye.

25 SECRETARY BOSE: Commissioner Norris.

1 COMMISSIONER NORRIS: Aye.

2 SECRETARY BOSE: Commissioner Moeller.

3 COMMISSIONER MOELLER:

4 SECRETARY BOSE: Commissioner Spitzer.

5 COMMISSIONER SPITZER: Votes aye.

6 SECRETARY BOSE: And Chairman Wellinghoff.

7 CHAIRMAN WELLINGHOFF: I vote aye.

8 Madam Secretary, if we could now go to the
9 Discussion Agenda, please.

10 SECRETARY BOSE: The presentation and discussion
11 items for this morning is Item A-4. We are just having one
12 item this morning. It is concerning a Report on The Outage
13 and Curtailments During The Southwest Cold Weather Event of
14 February 1 through the 5th, 2011. There will be a Power
15 Point presentation on this item.

16 The presentation will be given by Loye Hull,
17 coming to the table from the Office of Electric Reliability,
18 and Thomas Pinkston from the Office of Enforcement. They
19 are accompanied by Jim Meade, Kathryn Kuhlen, and Heather
20 Polzin from the Office of Enforcement.

21 MR. HULL: Mr. Chairman, Commissioners, I am
22 pleased to present a summary of the Report on the Outages
23 and Curtailments During the Southwest Cold Weather Event of
24 February 1-5, 2011, that was published on August the 16th,
25 2011.

1 I am Loye Hill with the Office of Electric
2 Reliability. This was a true multi-office effort with
3 members of nearly every office on the team, including the
4 Office of General Counsel, Office of Energy Projects, Office
5 of Administrative Litigation, Office of Energy Market
6 Regulation, Office of Energy Policy and Innovation, and
7 Office of External Affairs.

8 I would also like to ask the members of those
9 offices, as well as additional members of OER and OE that
10 participated in the Task Force, to stand and be recognized.

11 (The identified people stand.)

12 (Applause.)

13 MR. HULL: On February 14th, 2011, the Commission
14 ordered an Inquiry in Case AD-11-9-000, into the causes of
15 widespread electricity outages and gas curtailments in the
16 Southwest. Approximately 4.4 million electric customers in
17 ERCOT and WECC were affected, while over 50,000 gas
18 customers had their service curtailed in New Mexico,
19 Arizona, and Texas.

20 The Commission ordered staff to identify the
21 causes and "appropriate actions for preventing a
22 recurrence." The Commission established a staff task force
23 and ordered it to report its findings and recommendations
24 "as soon as practicable."

25 Commission Staff and NERC cooperated from the

1 beginning , and in May the Commission formally announced
2 that FERC and NERC would issue a joint report. The task
3 force completed the inquiry and the Commission published the
4 joint report with NERC in six months.

5 The task force obtained approximately 54
6 gigabytes of data, issued over 200 data requests, conducted
7 numerous site visits and meetings to gather information from
8 gas and electric entities, conducted numerous outreach
9 meetings with the gas and electric industries, and in
10 addition to NERC coordinated with Regional Entities and
11 state legislative and regulatory bodies. We thank NERC for
12 its cooperation and contribution to the work of the task
13 force.

14 The task force concluded that temperatures were
15 considerably lower than normal, representing the longest
16 sustained cold spell in 25 years, along with steady winds,
17 were the primary causes of the widespread electricity
18 outages.

19 The white areas on the graphic show those areas
20 where the mean temperature was at least 15 degrees colder
21 than the normal on February 2nd, the day when the outages
22 peaked. For example, Albuquerque hit almost 40 degrees
23 below normal. Such cold weather was not unprecedented in
24 the Southwest. ERCOT experienced a very similar event in
25 1989 when it also shed firm load, but the lessons learned

1 from that event were not used to prevent outages during the
2 2011 event.

3 From February 1st to the 5th, over 250 electric
4 generating units in ERCOT, WECC, and SPP experienced
5 outages. By number of units, 52 percent were directly
6 weather-related, while another 15 percent were indirectly
7 related to the weather, either due to gas supply problems or
8 attempts to switch from gas to alternate fuels.

9 During the same 5-day period, approximately 1.2
10 million megawatt hours of electric generation was
11 unavailable. On a megawatt hour basis, 67 percent of the
12 outages were directly weather related, while an additional
13 12 percent were indirectly related, again due to gas supply
14 problems and fuel switching.

15 The single largest problem causing electric
16 outages was frozen sensing lines, followed by frozen
17 equipment, water lines, and valves. Wind turbines
18 experienced outages due to blade icing and low temperature
19 limits.

20 These outages could have been minimized if
21 generators had proactively executed critical winterization
22 procedures such as inspecting and maintaining heat tracing
23 and thermal insulation, and installing wind breaks and
24 enclosures to protect equipment and lines that were
25 vulnerable to freezing.

1 This event emphasized the lack of any Reliability
2 Standard that directly requires generators to develop,
3 maintain, and implement plans to winterize their units.
4 NERC has agreed to submit a Standard Authorization Request
5 to begin the process of developing such a standard. Prompt
6 action could allow a Standard to be in place before the
7 winter of 2012.

8 The balancing authorities could have been better
9 prepared for this event by, among other things, requiring
10 accurate information about temperature design limits from
11 generators, not allowing planned outages when requested when
12 extreme weather is expected, raising reserve levels when
13 extreme weather is expected, and having procedures that
14 would allow them to order some units to warm up--and be
15 compensated--before extreme weather hits.

16 We found that balancing authorities and reserve
17 sharing groups need to review their distribution of reserves
18 to ensure that they are usable and deliverable during
19 contingencies, and taking into account such factors as
20 transmission constraints, other demands on reserve sharing
21 resources, and the possibility that more than one reserve
22 sharing group might experience simultaneous emergencies.

23 Tom?

24 MR. PINKSTON: Thank you, Loye.

25 The impact of this cold weather event on natural

1 gas supplies to the region was unprecedented. Over 50,000
2 customers in the Southwest lost gas service--30,000 in New
3 Mexico, 20,000 in Arizona, and close to 900 in the City of
4 El Paso, Texas.

5 Because it takes much longer to restore gas
6 service than it does electric service, some of these
7 customers were without natural gas for days, or even as long
8 as a week.

9 The task force's inquiry into the causes of the
10 gas outages began with the local utility companies and the
11 interstate and intrastate pipelines that service the region,
12 but also extended to gas processing plants and production
13 companies. Although we were unable to contact all of the
14 processors and producers in the area, we reached out to a
15 broad cross section of those sectors, representing
16 approximately 40 percent of the gas production in the area.

17 The data and information we obtained from the
18 industry confirmed that the primary cause of the gas outages
19 was the extreme, prolonged cold weather which resulted in
20 widespread freeze-offs at wellheads, gathering systems, and
21 processing plants, reducing the flow of gas in the Texas and
22 New Mexico production basins by approximately 20 percent, a
23 much greater extent than has occurred in the past.

24 The prolonged cold caused production shortfalls
25 in the San Juan and Permian Basins--the main supply areas

1 for the local gas utilities that eventually curtailed
2 service to customers in New Mexico, Arizona, and Texas.

3 Wellhead freeze-offs normally occur several times
4 a winter in the san Juan Basin but are not common in the
5 Permian Basin, which is the supply source that utilities in
6 the Southwest region typically rely upon when cold weather
7 threatens production in the San Juan Basin.

8 We also learned that in parts of Texas icy road
9 conditions contributed to the production losses, as crews
10 were unable to access production sites for necessary
11 maintenance, repairs, and disposal of produced water.

12 In addition, the rolling blackouts and other
13 electrical outages in Texas and New Mexico contributed to
14 the cold weather problems faced by gas producers,
15 processors, and storage facilities which depend on electric
16 pumps and compressors to keep gas flowing.

17 However, the pipeline companies which tend to use
18 larger, gas-fired compressors and which typically have back-
19 up generation and compression, were not significantly
20 affected by electric outages.

21 As you can see from this chart, the effect on
22 production was comparable to that of a major hurricane.
23 From February the 1st to the 5th, production losses in the
24 Southwest totaled almost 15 billion cubic feet of gas.

25 The extreme cold weather also created an

1 unprecedented demand for gas, which further strained the
2 ability of the utilities and pipelines to maintain
3 sufficient operating pressures.

4 Although producers in the New Mexico and Texas
5 production areas routinely implement some winterization
6 measures, these measures were generally inadequate in light
7 of the extreme prolonged cold that occurred.

8 The pipelines and gas utilities prepared for cold
9 weather by increasing their line pack--the amount of gas
10 stored in their pipeline and distribution systems--to
11 maximum levels. As freeze-offs interrupted gas deliveries
12 while demand was increasing, significantly more gas was
13 taken out of pipelines than was put in, causing line pack
14 and pipeline operating pressures to decline drastically.

15 This chart shows the rapid fall of line pack on
16 El Paso Natural Gas, one of the major interstate pipelines
17 that serve New Mexico and Arizona. The numbers refer to key
18 events.

19 For instance, number one was a notice of Strained
20 Operating Conditions and numbers 7 and 8 were pressure
21 falling below 600 psi and a low-pressure force majeure.

22 In the course of two days, the system pressures
23 declined from a high line pack condition to below the
24 minimum pressures required for normal operation. These low
25 delivery pressures on the El Paso System, resulting from

1 supply failures, were a major factor in the retail outages
2 that occurred in Arizona and southern New Mexico on February
3 the 3rd.

4 We also found that some of the local distribution
5 systems were simply unable to deliver the unprecedented
6 volume of gas demanded by residential customers during the
7 cold snap.

8 However, as a general matter, the pipeline
9 network--both interstate and intrastate--showed good
10 flexibility in adjusting flows to meet demand and compensate
11 for supply shortfalls. We found no evidence that interstate
12 or intrastate pipeline design, system limitations, or
13 equipment failures contributed significantly to the gas
14 outages.

15 Additional gas storage in New Mexico and Arizona
16 could have prevented many of the outages that occurred by
17 making additional supply available during the periods of
18 peak demand. Additional gas storage capacity in the
19 downstream market areas closer to demand centers might have
20 prevented most of the outages that occurred by making
21 additional supply available in a more timely manner during
22 peak demand periods.

23 We found that specific measures can and should be
24 taken to improve the reliability of natural gas supply to
25 consumers during extreme cold weather events. Because our

1 recommendations involve sectors of the industry that are
2 currently not subject to the Commission's jurisdiction, they
3 are directed to state regulators, legislators, and industry
4 participants.

5 Our recommendations are as follows:

6 Lawmakers in Texas and New Mexico should work
7 with state regulators and members of the gas industry to
8 determine whether minimum uniform standards for the
9 winterization of natural gas production and processing
10 facilities could be adopted to improve the reliability of
11 supply during extreme cold weather events.

12 State utility commissions should work with local
13 gas utilities to determine whether curtailment plans are up
14 to date and can be implemented as efficiently as possible,
15 and whether local distribution systems can be improved to
16 help preserve gas supply when shortages develop.

17 State regulators, balancing authorities,
18 electricity generators, and local gas and electric
19 utilities should work together to determine whether and
20 under what circumstances residential gas customers should
21 receive priority over electrical generating plants during a
22 gas supply emergency.

23 Gas-fired generators consume large amounts of
24 natural gas and in some instances curtailing supply to
25 generators could avoid outages affecting large numbers of

1 residential customers.

2 While the cold weather that struck the Southwest
3 in early February was unusually severe and long lasting, we
4 believe many of the outages suffered by residents of Texas,
5 New Mexico, and Arizona could have been prevented. And it
6 is our hope that state and regional authorities and the
7 energy industry will carefully consider our recommendations
8 and work together to implement them.

9 This concludes our presentation, and we would be
10 happy to answer any questions.

11 CHAIRMAN WELLINGHOFF: Thank you. And I want to
12 thank the team for their hard work on this report. It was
13 really a very essential document.

14 I also want to thank NERC for their work and
15 contribution to the Report.

16 This Report offered an opportunity for many
17 offices of the Commission to work together, and I would
18 especially like to point out the participation of the Office
19 of Administrative Litigation which doesn't often to work
20 side by side with other program offices here at the
21 Commission. We appreciate their contribution to this
22 report.

23 I also want to highlight the team's efforts to
24 produce a report only six months after the inquiry was
25 initiated. This is a major undertaking, and we greatly

1 appreciate it. I know it was a tough deadline to meet, and
2 I appreciate you making the deadline.

3 So with that, colleagues? Are there any
4 questions or comments? Phil, go ahead.

5 COMMISSIONER MOELLER: Well I also commend the
6 team. This is an extraordinary effort, and NERC as well. I
7 think it is a great product. And, if possible, I think
8 having some outreach to NARUC, perhaps the National
9 Conference of State Legislatures, would benefit them and us
10 in terms of showcasing what was looked at.

11 I think you kind of alluded to this, but the
12 reality was we kind of had an electric problem affecting the
13 gas side, and a gas problem affecting the electric side.
14 And if you have any comments to elaborate on that, it might
15 be insightful.

16 MR. PINKSTON: The electric problem affecting the
17 gas side, we found primarily in the Permian Basin and the
18 Ft. Worth Basin, where roughly 25 percent based on our
19 survey of producers, 25 percent of the supply outages were
20 due to electric blackouts and curtailments.

21 While gas affecting electric was--about 12
22 percent of the derates in ERCOT were due to gas pressure or
23 quality problems.

24 COMMISSIONER MOELLER: On the first chart you
25 had, I think it was 52 percent was weather related, and

1 then--or directly weather related, and then 12 percent non--
2 weather related, but not directly related. And then the
3 chart shows the other issues. But that is still a pretty
4 big chunk. That leaves 33 percent or so.

5 What are your thoughts on those other outages?

6 MS. POLZIN: To some extent there's a percentage
7 of mechanical outages, and that kind of thing, human error,
8 that you always see as a percentage of unplanned outages.
9 I'm trying to think what some of the other categories there
10 were. But certainly without the weather related outages, we
11 would not have had the load loss, which was our primary
12 focus.

13 COMMISSIONER MOELLER: All right. The final
14 question is: The system down there, at least the electric
15 side, was essentially designed because it gets very hot.
16 And so you can see that there would be a lack of insulation
17 because you are relying on air cooling for some of those
18 components.

19 Is there a down side to the winterization effort
20 that would perhaps affect the efficiency of the system?

21 MR. HULL: No, I don't think so. When you're
22 looking at the sensing lines and things like that, it would
23 be insulated and heat-traced. And during the summers they
24 would be turned off. You know, they wouldn't be put in
25 service. As compared to northern stations which are usually

1 enclosed, totally enclosed, you have heaters and things.
2 But we weren't recommending that they do that.

3 COMMISSIONER MOELLER: Okay. Again, I commend
4 the team for an excellent product. Thank you, Mr. Chairman.

5 CHAIRMAN WELLINGHOFF: Thank you, Phil. Cheryl?

6 COMMISSIONER LaFLEUR: Thank you, Mr. Chairman.

7 I also want to thank the team, all the offices at
8 FERC, and the folks at NERC for really a terrific Report.
9 It was almost like a primer on how electricity and gas work,
10 beyond what I found on this.

11 I thought one of the most significant things you
12 said was that something similar to this happened in 1989 and
13 the lessons weren't learned. And all of your good work
14 really went into documenting the lessons this time, so
15 hopefully they will be learned. And I know you only touched
16 on a few of your recommendations, but there are pages of
17 them.

18 I strongly support Phil's idea of reaching out to
19 NARUC or state legislators, because I think these lessons,
20 although felt in Texas and New Mexico and Arizona, could
21 really apply across the South, and indeed beyond the South
22 in gas/electric communication and so forth. So I really
23 would think that would be a great idea.

24 My question is just on the structure of the
25 effort. I think on this one we started with a FERC inquiry,

1 and then a few months in kind of combined it with the NERC
2 inquiry. And I was encouraged that last week we started
3 with the joint inquiry right up front.

4 I am interested in your thoughts about how it
5 changed when you combined it; how you thought the joint
6 inquiry worked--either advantages of doing it that way, or
7 challenges so that we should be mindful of as we set these
8 things up in the future.

9 MS. POLZIN: Well, Commissioner LaFleur, one
10 thing I wanted to make clear is that, although the
11 Commission formally issued an Order in May, we were
12 cooperating with NERC from the very beginning.

13 We did site visits very, very early on on the
14 electric side to over 20 generators, and to ERCOT, and to
15 2BA control stations. And NERC was present with us at all
16 of those site visits, as well as a representative from the
17 Regional entity. So we were coordinating from them from the
18 very beginning on that, as well as on data gather and
19 sharing data back and forth. We were doing that from the
20 very beginning.

21 In May, we agreed to formally write the report
22 together because they had their parallel EA process going,
23 and we were working towards our Report, and we agreed to
24 combine those efforts. But we did have a high level of
25 cooperation from the very beginning. And we are hoping to

1 continue in that same mode on this new inquiry.

2 COMMISSIONER LaFLEUR: Thank you very much,
3 Heather. I am just mindful, after one of the NERC meetings
4 I had lunch with a whole bunch of the folks from the North
5 American Generator Forum who were on the receiving end of
6 the inquiry, and I'm just mindful that I know they were
7 getting the NERC/NERC inquiry, the Regional Entity, the
8 states, and anything we can do to simplify I think is great.

9 Thank you.

10 MS. POLZIN: Sure. And one thing we did try to
11 do, although maybe not at the first level, but we often did
12 tell many of the entities that they could give us production
13 that they had given to another entity first and then we
14 would see if we needed anything else. And we certainly
15 would be happy to repeat that.

16 COMMISSIONER LaFLEUR: Thank you.

17 CHAIRMAN WELLINGHOFF: Thank you, Commissioner
18 LaFleur. Marc?

19 COMMISSIONER SPITZER: Thank you, Mr. Chairman.

20 I had dealings, being from the Southwest, with
21 some of those folks and they commented to me that the
22 investigation and your involvement was a positive, and
23 they've appreciated it and enjoyed the opportunity to work
24 with you, including the operators and the state regulators.
25 And Federal Government involvement isn't always met with

1 such effusive praise, and that is a testament to your
2 ability not only to do a good job but to work and be mindful
3 of the local sensitivities and work cooperatively. I
4 appreciate that, and I am sure all of the regulators and
5 stakeholders in the Southwest appreciate that as well.

6 I think it is an excellent report. It obviously
7 strikes close to home, given where I'm from. Commissioner
8 Norris and I were both in and out of Houston. I think I got
9 the last plane, literally, out of Dodge, while Commissioner
10 Norris was coming in. We were somewhat inconvenienced, but
11 our trials and tribulations pale in comparison to those in
12 Arizona and New Mexico who lost service for natural gas in
13 an extraordinarily cold snap that jeopardized their health,
14 welfare, and safety. And that is of course of great
15 concern. And the lessons learned is critical.

16 An interesting facet of this is, I've worked on
17 infrastructure issues for a long time, going back to my
18 tenure in the Arizona State Senate. We had difficulty
19 siting storage in Arizona. There were a couple of
20 locations, one up north in Kingman along the TransWestern
21 line. Then there was a potential project by Luke Air Force
22 Base that never came to fruition. And what you've suggested
23 in the Report, I happen to believe is a fact that additional
24 natural gas storage could have in whole or in part obviated
25 the need for these customers to lose service as a force

1 majeure. And that is something that has been brought up in
2 the State Commissions in New Mexico and in Arizona. And
3 let's apply these lessons learned to try and deal with some
4 of the frankly political hurdles that existed as well as
5 regulatory hurdles.

6 This is a wakeup call of great significance. I
7 also agree with the Report's recommendations on Critical
8 Load Review for Gas Production and Transmission Facilities,
9 of the level of production--protection for the production
10 facilities is beyond our authority. But it is precisely the
11 type of dialogue Commissioner LaFleur talked about with
12 state and local regulators that could reach some consensus
13 as to how we bear the costs. Because obviously there is a
14 cost attendant to all these.

15 Similarly, on the electric side with regard to
16 the winterization. I note with approval the work you've
17 done with NERC and look forward to NERC considering
18 reliability standards to address winterization that again
19 assure we don't have this loss of service. And I think
20 ultimately, although this was an unfortunate circumstance
21 and an unfortunate rise to the level of crisis from what I
22 heard from political leaders in the West, take this to make
23 sure that it doesn't happen again.

24 Mr. Chairman, thank you.

25 CHAIRMAN WELLINGHOFF: Thank you, Commissioner

1 Spitzer. Commissioner Norris?

2 COMMISSIONER NORRIS: Thank you.

3 Let me first agree with you, Commissioner
4 Spitzer, that I think one of the big takeaways from this was
5 the natural gas storage issue, and storage in general and
6 the role it can play in addressing problems like we
7 experienced here.

8 I think going forward storage is--we have our NOI
9 out now too--storage is an issue that can be very helpful
10 going forward on the natural gas side and the electric side
11 as well. So i want to put a exclamation point on that.

12 Thank you all, Staff, FERC Staff, NERC Staff, and
13 all who worked on this. I know it was a lot of hours, and a
14 lot of time away from home. So we appreciate your work on
15 this. It is a great Report, and I think it is a great
16 example of FERC, NERC, and the industry all working together
17 to use extensive resources and minds that we have to figure
18 out what went wrong. And I think the point that's been
19 stressed here this morning is how we learn from this and the
20 communication necessary going forward, and preparation and
21 communication during outages, to make sure we don't have
22 this kind of crisis that was generated by this.

23 And I again just want to say that the reports i
24 got, industry was very open to learning what happened and
25 working to address so this doesn't happen again. So just my

1 hat is off to everybody for their hard work and the open-
2 ness from industry to really make this a worthwhile
3 experience so we don't repeat it again, if it at all can be
4 prevented.

5 Unfortunately we have a new study going on now on
6 California and Arizona. Hopefully we will learn from that,
7 as well. Reliability is a work in progress. It will never
8 end, but hopefully we can reduce instances like this by the
9 work you have done.

10 Thanks.

11 CHAIRMAN WELLINGHOFF: Thank you, John.

12 Again, I want to thank the team. Does anybody
13 else have anything else this morning?

14 (No response.)

15 CHAIRMAN WELLINGHOFF: If not, we're adjourned.

16 Thank you.

17 (Whereupon, at 11:22 a.m., Thursday, September
18 15, 2011, the 973rd Open Meeting of the Federal Energy
19 Regulatory Commissioners was adjourned.)

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