

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION

- - - - -x  
IN THE MATTER OF: :  
CONSENT MARKETS, TARIFFS AND RATES - ELECTRIC :  
CONSENT MARKETS, TARIFFS AND RATES - GAS :  
CONSENT ENERGY PROJECTS - MISCELLANEOUS :  
CONSENT ENERGY PROJECTS - CERTIFICATES :  
DISCUSSION ITEMS :  
STRUCK ITEMS :  
- - - - -x

978TH COMMISSION MEETING

OPEN SESSION

Commission Meeting Room  
Federal Energy Regulatory  
Commission  
888 First Street, N.E.  
Washington, D.C.

Thursday, February 16, 2012

10:08 a.m.

1 APPEARANCES:

2 COMMISSIONERS PRESENT:

3 CHAIRMAN JON WELLINGHOFF (Presiding)

4 COMMISSIONER JOHN R. NORRIS

5 COMMISSIONER PHILIP MOELLER

6 COMMISSIONER CHERYL A. LaFLEUR

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

## 1 PROCEEDINGS

2 (10:08 a.m.)

3 CHAIRMAN WELLINGHOFF: Good morning  
4 everyone. This is the time and place that's been  
5 noticed for the open meeting of the Federal Energy  
6 Regulatory Commission to consider matters that are  
7 duly posted in accordance with the Government in the  
8 Sunshine Act. Would you all please join me for the  
9 Pledge of Allegiance.

10 (WHEREUPON, The Pledge of Allegiance was recited.)

11 Well, since our January 19th open meeting, we  
12 have once again issued 64 notationals, which is up a  
13 little bit from our last month, 57.

14 We've got a few announcements this morning.  
15 First, I want to recognize our contingent from Mini  
16 Sync. I appreciate you all coming in today. We do  
17 recognize and understand your issues and appreciate  
18 you coming in and putting a face to those issues. I  
19 think that's a very important thing, so thank you  
20 all for being here. I appreciate it.

21 I'm also, today, pleased to announce the  
22 reorganization of the Office of Enforcement that is  
23 designed to strengthen the Commission's ability to  
24 monitor, detect, prevent, and prosecute manipulation  
25 and wrongdoing within the energy markets, subject to

1 the Commission's jurisdiction. Specifically, a new  
2 division will be created within the Office of  
3 Enforcement that will focus on developing  
4 surveillance tools and analysis, and analyzing data  
5 transactions to detect manipulation, anticompetitive  
6 behavior and other anomalous activities in the  
7 energy markets. This new division will be called  
8 the Division of Analytics and Surveillance, or as  
9 everything in FERC has to have shorthand, DAS. DAS  
10 is an outgrowth of ongoing work that was initially  
11 developed and cultivated within the Division of  
12 Energy Market Oversight, or DEMO. I want to thank  
13 Jerry Pedersen, who is the Director of DEMO, for his  
14 leadership in developing the Commission surveillance  
15 and analytic capabilities. In fact, it's directly  
16 due to the dedication and good work of Jerry and his  
17 staff that we now have reached the point where a  
18 separate stand-alone division dedicated to market  
19 surveillance and transactional analysis is possible.  
20 I'm happy to report that Jerry will remain the  
21 Director of DEMO, which will continue to perform its  
22 critical market oversight function.

23 I'm also pleased to announce that Lee Ann  
24 Watson will serve as the Director of the new  
25 Division of Analytics and Surveillance. Lee Ann

1 brings a wealth of talent and experience to the  
2 Division of Analytics. She served as Deputy  
3 Director of the Division of Investigations, and her  
4 work in that office will assist in integrating the  
5 surveillance and analytics work, with that being  
6 done by DAS, with the work of DEMO and the  
7 investigative work performed by the Division of  
8 Investigations. So, I'm very proud that we're  
9 creating this new division within the office.

10 Second, I'm also pleased to announce - - in  
11 fact, I was talking to some of the folks from Mini  
12 Sync about this before the meeting - - that late  
13 last month the Commission issued its first  
14 hydrokinetic pilot project license to Verdant Power,  
15 LLC, for its proposed 1,050 kilowatt Roosevelt  
16 Island Tidal Energy project. The 10 year pilot  
17 license authorizes the deployment and operation of  
18 hydrokinetic turbine units in New York City's East  
19 River. Commission Staff developed the hydrokinetic  
20 pilot project licensing process in order to meet the  
21 needs of entities such as Verdant, who are  
22 interested in testing new hydropower technologies  
23 while minimizing the risk of adverse environmental  
24 impacts.

25 We, thus far, have issued 100 preliminary

1       permits to study the feasibility of developing  
2       specific projects like this. With the issuance of  
3       the Verdant license, we have shown that the pilot  
4       process allows developers to explore new renewable  
5       technologies without sacrificing environmental  
6       protection.

7               Given the rising interest in hydrokinetic  
8       development, the Verdant license for this innovative  
9       technology represents a major step in the efforts to  
10      help our country meet its renewable energy goals.

11             With that, colleagues, any announcements,  
12      anyone? Cheryl, yes. Go ahead.

13             MR. MOELLER: John, I just want to echo  
14      the interest in the Verdant project. Of course,  
15      we've been trying to promote hydrokinetics for a  
16      while. It's a good visit if you get a chance to get  
17      to Roosevelt Island, partly because of what you  
18      don't see, in that the turbines are all underwater.  
19      There is a shed nearby for the controls. But we're  
20      hoping this will be successful, the first of many to  
21      come.

22             CHAIRMAN WELLINGHOFF: Great, thank you,  
23      Phil. Cheryl.

24             MS. LAFLEUR: Yeah, I had that experience,  
25      taking the train by Roosevelt Island with my

1 husband. And I told him there was a hydrokinetic  
2 project there.

3 And he said, "Well, I don't think so, Cheryl.  
4 That's the East River of Manhattan."

5 And I said, "I'm a FERC commissioner. I think  
6 I know where the hydro's are."

7 (Laughter.)

8 So, it does not look like a hydro-project when  
9 you go by it.

10 CHAIRMAN WELLINGHOFF: It's under there,  
11 yes.

12 MS. LAFLEUR: But I wanted to announce a  
13 change in the advisory team of my office. Ruta  
14 Skucas has made the decision to return to the Office  
15 of General Counsel, where she is working in Richard  
16 Howe's group. Rich Howe was my first advisor and  
17 has been with me ever since I joined the Commission,  
18 and she made terrific contributions to our office,  
19 particularly in the area of natural gas and PJM  
20 matters. And I wish her happiness and success in  
21 her new role.

22 I'm also happy to announce that Lisa Luftig,  
23 who will stand, I'm sure, if I stare at her-

24 (Laughter.)

25 has joined our team as legal advisor. Lisa has

1       been with FERC since 2009, in the Office of General  
2       Counsel. She was previously with Latham and Watkins  
3       and Dickstein, Shapiro, where she did both gas and  
4       electric matters.

5               Lisa hails from Syracuse, New York, but I  
6       checked her out. She is neither a Giants nor a  
7       Yankees fan, so she checked out. She's just a  
8       Syracuse Orangemen fan, and that's okay. She's a  
9       graduate of Syracuse Law School and Barnard College,  
10      and earlier in her career, she worked in the energy  
11      industry at Navigant Consulting.

12              Lisa will be handling natural gas and oil  
13      matters as well as Midwest ISO and SPP electric  
14      matters, and as we say, other duties as assigned.  
15      So, thank you.

16              CHAIRMAN WELLINGHOFF: Anybody else,  
17      announcements? If not, then if we could go to our  
18      consent agenda. Madam Secretary, please.

19              SECRETARY: Before we begin, Mr. Chairman,  
20      I would just like to remind the audience to turn off  
21      all of your cellular devices, as they do interrupt  
22      with our microphones, thank you.

23              Good morning, Mr. Chairman; good morning,  
24      Commissioners. Since the issuance of the Sunshine  
25      Act Notice on February 9th, 2012, items E4 and E9

1 have been struck from this morning's agenda. In  
2 your consent agenda is as follows: Electric items;  
3 E2, E3, E5, E6, E7, E8, E10, E11 and E12; Gas items;  
4 G2 and G3; Hydro items; H1 and H2.

5 As to E5, Chairman Wellinghoff is not  
6 participating. As to E7, Commissioner Moeller is  
7 dissenting with a separate statement. We will now  
8 take a vote on this morning's agenda, beginning with  
9 Commissioner LaFleur.

10 MS. LAFLEUR: Thank you, Kimberly. I vote  
11 aye.

12 SECRETARY: Commissioner Norris?

13 MR. NORRIS: Aye.

14 SECRETARY: Commissioner Moeller?

15 MR. MOELLER: Noting my dissent in E7, I  
16 vote aye.

17 SECRETARY: And Chairman Wellinghoff?

18 CHAIRMAN WELLINGHOFF: Noting my  
19 nonparticipation in E5, I vote aye. Move on to the  
20 discussion agenda please, Madam Secretary.

21 SECRETARY: Certainly. The presentation  
22 and discussion item for this morning is G1,  
23 concerning a draft notice of proposed rulemaking on  
24 the Standards for Business Practices for Interstate  
25 Natural Gas Pipelines. There will be a presentation

1 by Adam Bednarczyk, from the Office of Energy Market  
2 Regulation. He is accompanied by Tony Dobbins, from  
3 the Office of Energy Policy and Innovation, and Gary  
4 Cohen, from the Office of the General Counsel.

5 MR. BEDNARCZYK: Good morning. G1 is a  
6 draft notice of proposed rulemaking that seeks  
7 comment on whether the Commission should  
8 incorporate, by reference, into its regulations  
9 Version 2.0 of the Business Practice Standards for  
10 Natural Gas Pipelines. These standards were  
11 developed by the North American Energy Standards  
12 Board, also known as NAESB.

13 The Version 2.0 standards include standards to  
14 support gas-electric interdependency, standards for  
15 waste heat information and several maintenance  
16 revisions designed to more efficiently process  
17 capacity release and wholesale natural gas  
18 transactions.

19 The draft notice of proposed rulemaking  
20 proposes to not adopt two new business practice  
21 standards relating to the posting of operationally  
22 available and unsubscribed capacity. These  
23 standards appear to conflict with some of the  
24 requirements in the Commission's regulations  
25 regarding the posting of pipeline capacity

1 information.

2           The standards to support gas-electric  
3 interdependency further define the roles and  
4 responsibilities of natural gas pipelines, electric  
5 reliability coordinators and power plant gas  
6 coordinators under the Gas/Electric Operational  
7 Communications Standards adopted in Order Number  
8 698. In addition, these standards provide public  
9 utilities and other shippers clear identification of  
10 changes in pipeline system conditions by creating 15  
11 new notice types posted on the pipeline's website  
12 and disseminated through e-mail.

13           The new notice types inform shippers and  
14 interested parties of intra-day bumps, operational  
15 flow orders and other critical notices. The use of  
16 these new additional notice categories will enable  
17 shippers to more quickly identify changes in  
18 pipeline conditions, by enabling them to filter  
19 pipeline notices more efficiently.

20           The revised standards also specify the location  
21 where waste heat feasibility information is to be  
22 posted on the pipeline's website. These standards  
23 were developed to facilitate the Commission's  
24 strategic plan objective of evaluating the  
25 feasibility of installing waste heat recovery

1 systems as a way to promote the efficient design and  
2 operation of natural gas facilities.

3 Finally, to increase transparency, the draft  
4 notice of proposed rulemaking proposes to modify the  
5 compliance filing requirements. The Commission will  
6 provide a sample tariff language for the proposed  
7 compliance filing, showing the preferred format and  
8 style for these filings. Sample tariff language  
9 will be posted on the new section of the  
10 Commission's website as well as the eLibrary  
11 website.

12 12

13 CHAIRMAN WELLINGHOFF: Thank you, Adam,  
14 Gary and Tony. I appreciate it. I don't have any  
15 questions, just two comments.

16 The first is this proposed rule making is, in  
17 part, addresses the electric-gas coordination issues  
18 in the context of NAESB standards, and I'd like to  
19 take the opportunity out, this opportunity out to  
20 point out that gas-electric coordination issues have  
21 been something I've been interested in. I know  
22 Commissioner LaFleur has as well.

23 Also, they have been subject of a discussion at  
24 the recent NARUC meetings that Mr. Norris lead, and  
25 also, Commissioner Moeller has requested comments on

1       this issue. So, all of us have been very interested  
2       in this. So in my direction, yesterday the Office  
3       of Secretary issued a notice, established Docket  
4       Number 801212 as a place for the public to file  
5       comments and issues posed by gas-electric  
6       coordination. I know that all my colleagues are  
7       very interested in this issue, and that we look  
8       forward to submissions from the public and  
9       interested parties on the issue there.

10               Second, I do want to indicate that I am quite  
11       interested in a portion of this NOPR that relates to  
12       the posting of information on waste heat recovery in  
13       gas systems. And that's, of course, something that  
14       I have been interested in since I came to this  
15       commission: improving the efficiency of these  
16       systems and reducing the amount of energy use by  
17       them, by improving their efficiency. So, I'm  
18       looking forward to getting comments on the NOPR and  
19       moving forward with it. Mr. Moeller?

20               MR. MOELLER: Chairman, you've definitely  
21       raised the issue of waste heat to all of our  
22       interest, and you've done it quite effectively. So,  
23       I didn't really think I'd be dealing a lot with  
24       waste heat, but I guess we are now.

25               This is a nice small step though from what we

1       are discussing today of a much larger issue, and  
2       it's been brewing for several years. I had the  
3       chance to be on the National Petroleum Council Study  
4       the last couple of years, where we focused on a  
5       variety of issues, but one of the most relevant to  
6       us is the growing interdependency of the natural gas  
7       and the electric markets. We had an all day meeting  
8       in Portland, Oregon on January 25th, where we had a  
9       regional perspective given on a near miss that the  
10      Northwest had about two years ago, where a failure,  
11      largely weather-related, with the main storage field  
12      in the Northwest almost resulted in some problems to  
13      the electric system.

14             I think there's a lot of regional cooperation  
15      that is being undertaken there and hopefully,  
16      successfully so. At that meeting, thanks to Norman  
17      Bay, Heather Polson, from our staff, presented,  
18      along with a colleague from NERC, the report of the  
19      Southwest outage that we released last August. And  
20      it's still an excellent read for anyone, not only in  
21      terms of the events that occurred in the Southwest  
22      and the interplay between the two industries. It's  
23      also a good primer on the electric and gas systems  
24      for those people who are perhaps new to the  
25      industry.

1           One of the takeaways was that, that area of the  
2 country, particularly Texas, had, had several of  
3 these events over the last 25 years, going back to  
4 1983. Probably, the worst example was 1989. And as  
5 it was discussed, great reports were written about  
6 the event with all kinds of recommendations, but  
7 unfortunately, the reports went on the shelf, and  
8 the recommendations were not implemented. Of course  
9 in that report, we had a range of about 34  
10 recommendations. Most of which were going to state  
11 commissions and state legislatures, but they also  
12 raised issues of national prominence. And those  
13 involved not only problems on the electric side  
14 affecting the gas side, but problems on the gas side  
15 affecting the electric side. And I think we've got  
16 a commitment that we're not going to let this report  
17 gather dust on the shelf. Through your direction,  
18 Mr. Chairman, we're going to make sure that the  
19 recommendations have some kind of follow-up, so  
20 that they are actually in the process of being  
21 implemented. And that, of course, I think is good  
22 government, to be following up on that.

23           So to me, we have a range of issues that have  
24 been developing, and we kind of dodged a bullet this  
25 winter because it's been such a warm winter, at

1 least on the East Coast. We have short-term issues  
2 that I hope can be addressed before next heating  
3 season, that relate perhaps to the communication  
4 protocols between the two agencies. And then, we  
5 have a number of long-range issues. What role  
6 should this Commission have? How much should we  
7 defer to NAESB or NERC in terms of setting  
8 standards? And then, we have that big issue, very  
9 sensitive, of about coordinating the gas day and the  
10 electric day, in terms of trading. That was kind of  
11 the genesis of some of the questions that were  
12 referred to in the docket number you gave this  
13 morning, that comments are due at the end of March.

14 I think it's a multiyear effort we will be  
15 undertaking. But given the very clear trend we have  
16 of using more gas to generate electricity in this  
17 country, these issues are only going to get more  
18 difficult and more challenging unless we address  
19 them. And I appreciate very much your willingness  
20 to give it a docket number, and I look forward to  
21 all of us having a good, thorough discussion on both  
22 short-term and long-term solutions to minimize the  
23 potential of disruptions going forward, given that  
24 health and safety really is involved when,  
25 typically, these outages occur at either peak cold

1 times or peak hot times. Thank you, Mr. Chairman.

2 CHAIRMAN WELLINGHOFF: Thank you,  
3 Commissioner Moeller. Commissioner LaFleur?  
4 Commissioner Norris?

5 MR. NORRIS: Yes, thank you. Thanks to  
6 the team for your work on this issue. As the  
7 Chairman, Phil, we all are recognizing the critical  
8 importance of working through this. This is the  
9 start, I think, of a journey for a few years here,  
10 as we work through this.

11 Frankly, the electric generation sector is  
12 becoming the largest consumer of natural gas. So,  
13 it's an issue where we are going to have to deal  
14 with them, and I'm glad we're starting with this  
15 order today, with the notice and the questions that  
16 Commissioner Moeller has submitted.

17 I also want to thank Julie Simon and the team  
18 at Policy Innovation that put together the stress  
19 test and simulation that we did at the NARUC  
20 collaborative a little over a week ago, which I  
21 think was very successful. We did a stress test, a  
22 serious cold snap and some other outages to really  
23 bring to the attention of the state commissioners  
24 the set of issues that we are going to be dealing  
25 with. I think it revealed a lot of the problems

1 that we have to grapple with, with coordination,  
2 with economic regulation. Make sure there is  
3 adequate compensation for building the pipeline  
4 capacity that we need to address these issues.

5 So, I also want to shout out to NAESB. I know  
6 they've created a recent, board level committee to  
7 identify and assess potential gas harmonization  
8 issues, gas-electric harmonization issues, and their  
9 work on that previously and going forward. Also the  
10 work that INGA has done with NERC, and I know the  
11 RTOs have been engaged in this issue as well. I was  
12 recently at an EBSA meeting in Florida with a  
13 electric generation sector, and this is a high  
14 priority for them to deal with. So, there's great  
15 recognition, I think, emerging across both sectors  
16 of the gas and electric industries and amongst us  
17 and the state commissioners to deal with the  
18 harmonization of gas and electric interdependency.  
19 So, it's going to be, I think, on our plate and  
20 something we are going to be heavily engaged in over  
21 the next couple of years because of the critical  
22 importance of reliability that is impacted by this.  
23 Thanks.

24 CHAIRMAN WELLINGHOFF: Thank you,  
25 Commissioner Norris. Commissioner Lafleur?

1                   MS. LAFLEUR:    Thank you, Mr. Chairman.  
2           I'd also like to thank the team as well as the staff  
3           and volunteers as NAESB for your work on the  
4           proposed rule that we are about to vote out today.  
5           I think the new standards are a helpful first step  
6           in looking at the interdependence of the gas and  
7           electric networks.

8                   As all my colleagues have mentioned, with the  
9           electric industry's increased reliance on natural  
10          gas for generation, we all recognize the heightened  
11          need to address the way the gas and electric markets  
12          and the gas and electric operating networks work  
13          together.  And I really hope that we get a wide  
14          range of comments from people in different parts of  
15          the structure, different market participants, on the  
16          docket that was opened yesterday.

17                   I am going to post a longer statement on my  
18          website, but there is at least five areas that I  
19          really invite and ask people to comment on:

20                   One, as is presaged by today's rule-making,  
21          the coordination and communication between the gas  
22          and electric industry during weather situations.

23                   Second is comments on new pipeline or storage  
24          pricing or services that might better meet the need  
25          of electric generation and how we might have to

1        evolve the pricing for the generators. Third is  
2        scheduling protocols, as Phil eluded to. The  
3        fourth are electrical reliability standards, and  
4        whether they should be broadened to look at fuel  
5        supply that electricity is dependent on.

6            And finally, I invite comments on how we can  
7        better improve the Commission's work on  
8        infrastructure, both pipeline and storage that is  
9        needed to support.

10            Our visitors in the front row today certainly  
11        highlight that infrastructure cases are hard and  
12        controversial, but they're also real, and I think  
13        we're going to be seeing a lot of them for a long  
14        time.

15            There has been a lot of discussion in the last  
16        few months of the Southwest outage last February.  
17        But if I can indulge in one war story, I try not to  
18        tell them. Seven years earlier, we went through a  
19        near miss in New England. I compellingly remember  
20        being in the storm room, getting out the load shed  
21        books and mapping all the hospitals for potential  
22        load shedding when an extreme and prolonged cold  
23        weather period lead to competing demands for gas for  
24        the home heating load and for the generation that  
25        New England needed for electricity, as well as

1 electricity to keep the gas flowing.

2 And we averted that, but then, ISO New England  
3 and market participants developed new operating  
4 procedures that were a helpful first step. I link  
5 to them in my statement. New England still has a  
6 long way to go on gas infrastructure, but that was a  
7 good step that was not really followed by anyone  
8 else. So, it's another example of making sure we  
9 learn from things that happen. I think we will be  
10 dealing with this for a long time. Thank you very  
11 much.

12 CHAIRMAN WELLINGHOFF: Thank you,  
13 Commissioner LaFleur, and again, I want to thank the  
14 team for their presentation. Madam Secretary, I  
15 believe we are ready to vote on the G1.

16 SECRETARY: And the vote begins with  
17 Commissioner LaFleur.

18 MS. LAFLEUR: I vote aye.

19 SECRETARY: Commissioner Norris?

20 MR. NORRIS: Aye.

21 SECRETARY: Commissioner Moeller?

22 MR. MOELLER: I vote aye.

23 SECRETARY: And Chairman Wellinghoff?

24 CHAIRMAN WELLINGHOFF: I vote aye. Madam  
25 Secretary, is there anything else on the agenda?

1                   SECRETARY: No, sir.

2                   CHAIRMAN WELLINGHOFF: This meeting is  
3 closed. Thank you.

4                   (WHEREUPON, The proceedings were concluded at 10:32  
5 a.m.)

6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25