



1 Discussion and/or Presentations:

2 National Anthem: AUDREY RINEHART

3 Duke Ellington School of the Arts

4 A-3 FERC Retrospective

5 PRESENTERS:

6 THE HONORABLE BETSY MOLER

7 THE HONORABLE JAMES HOECKER

8 THE HONORABLE CURT H BERT, JR.

9 THE HONORABLE JOSEPH KELLIHER

10 BY VIDEO:

11 THE HONORABLE CHARLES CURTIS

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25 COURT REPORTER: Jane W. Beach, Ace-Federal Reporters, Inc.

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## P R O C E E D I N G S

(10:03 a.m.)

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3           ACTING CHAIRWOMAN LaFLEUR: Good morning. This  
4 is the time and place that has been noticed for the open  
5 meeting of the Federal Energy Regulatory Commission to  
6 consider the matters that have been duly posted in  
7 accordance with the Government in the Sunshine Act.

8           I am very happy to be here and to have you all  
9 here at what I believe is a special meeting: the  
10 Commission's 1000th open meeting.

11           We have a number of special guests today, most of  
12 whom will be introduced later, but I would like to call up  
13 one right now, Ms. Audrey Rinehart, who will sing our  
14 National Anthem. Audrey is a senior at the Duke Ellington  
15 School of the Arts, a public high school here in Washington,  
16 D.C.

17           Please rise.

18           (National Anthem is sung by Audrey Rinehart.)

19           (Applause.)

20           ACTING CHAIRWOMAN LaFLEUR: Wow. Thank you so  
21 much, Audrey. Audrey will be going off to some lucky  
22 college next year to continue her vocal studies, but maybe  
23 we will have to keep her here to do that at every meeting.

24           (Laughter.)

25           ACTING CHAIRWOMAN LaFLEUR: I want to thank  
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1                   Edward Gingold, who runs FERC's Combined Federal  
2 Campaign ,  
3 for bringing Audrey to us today. Duke Ellington School is  
4 one of the organizations that participates in the Combined  
5 Federal Campaign, to which FERC employees have had a long  
6 record of generosity, thanks in no small part to Edward.

7                   Since the November 21st open meeting, we have  
8 issued 70 Notational Orders, along with all the Orders on  
9 the agenda today. That's quite a few. And I'd like to  
10 thank everyone who worked on them, including my colleagues.

11                  A number of those 70 Orders related to Entergy's  
12 integration into the Midcontinent ISO, which was completed  
13 at midnight last night. I know some of my colleagues will  
14 want to speak about this important event, so I will simply  
15 congratulate MISO and its 10 new Transmission Owners--  
16 including Entergy, CLECO, and The Lafayette Utilities  
17 System.

18                  I would also like to thank the Entergy Regional  
19 State Committee and the MISO stakeholders for their long  
20 efforts to make this happen. And last but not least, the  
21 FERC staff who worked on the 30 FERC Orders, both Commission  
22 voted and delegated, required to effectuate last night's  
23 integration.

24                  Before turning to my colleagues, I would like to  
25 mention two other things. I want to commend to everyone's  
26 attention FERC's Quarterly Gas Electric Update, which was  
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1                   posted on the Commission's website this morning,  
2     done by  
3     folks in Jamie's office. It's very comprehensive, covering  
4     actually the very considerable efforts that are going on  
5     across the country and here at the Commission, and I  
6     certainly thank the staff for their good work on the report  
7     and recommend it to you.

8                   Secondly, I want to congratulate FERC's Office of  
9     General Counsel, represented here at the table by Acting  
10    General Counsel David Morenoff--who is looking very  
11    squeamish right now--

12                   (Laughter.)

13                   ACTING CHAIRWOMAN LaFLEUR: --for being ranked #4  
14    out of more than 300 federal agency departments, based on  
15    the 2013 Survey of Best Places to Work in Government.  
16    Overall, FERC was ranked 6th among mid-sized federal  
17    agencies, and #1 in work-life balance.

18                   Finally, I'd like to recognize my husband, Bill  
19    Kuncik, who is sitting in the front row right next to  
20    Janine, and I hope he didn't hear that part about "work-life  
21    balance."

22                   (Laughter.)

23                   ACTING CHAIRWOMAN LaFLEUR: Colleagues, opening  
24    statements?

25                   COMMISSIONER MOELLER: Well thank you, Madam  
26    Chair, and welcome, Bill, and everyone else.

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1           The first news is of course congratulating MISO  
2           for the successful integration of the Southern Region last  
3           night. A lot of work over the years has gone into that, a  
4           very positive development. Things are going smoothly so  
5           far, and so we send heartfelt congratulations to the entire  
6           MISO footprint for a successful launch of the integration of  
7           the Southern part of the system.

8           Secondly, I also want to note the Quarterly  
9           Report on Gas Electric Coordination that you mentioned. We  
10          are making a lot progress throughout the country, but we  
11          have to keep that momentum going.

12          Going back to the earlier point, I do want to  
13          reference my concurrence in E-25, which relates to a  
14          complaint by Northern Indiana Public Service Company. That  
15          challenge is related to congestion being caused in their  
16          region because of a lack of transmission connecting another  
17          region. It's an issue we just need to focus on, even though  
18          we've said that we're going to address the issue as part of  
19          Order 1000 compliance. It's something I hope that we can  
20          continue to stay focused on, because there is a lot of money  
21          at stake for consumers, and if we can relieve that  
22          congestion there will be savings all around.

23          Congratulations on chairing the 1000th meeting,  
24          Madam Chair.

25          ACTING CHAIRWOMAN LaFLEUR: Commissioner Norris?

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1                   COMMISSIONER NORRIS: Thank you. Welcome to all  
2 the special guests and former Chairs. It's great to have  
3 you here. Congratulations also to MISO, and Entergy.  
4 There's no way I can comprehend the hours and amount of  
5 detail that have gone into this effort over the past few  
6 years. So I'm sure they were having more than a holiday  
7 celebration at MISO today, and they deserve one. But  
8 congratulations to everybody who was a part of that. I know  
9 it's a major achievement. So great news. Great news for  
10 hopefully consumers and customers in the entire region, from  
11 reliability and a cost standpoint. That's great.

12                   And to the 1000th meeting, I'm not suggesting we  
13 have weekly meetings again.

14                   (Laughter.)

15                   COMMISSIONER NORRIS: Which it's hard to do the  
16 math. How did we get to 1000 meetings? But ya'll met more  
17 frequently. But it would be nice if we had a little bit  
18 more discussion at future meetings. So, thank you.

19                   ACTING CHAIRWOMAN LaFLEUR: Commissioner Clark?

20                   COMMISSIONER CLARK: Thank you, Madam Chairman.  
21 I have to tell you all, the view from this seat is amazing,  
22 Jeff.

23                   (Laughter.)

24                   COMMISSIONER CLARK: You don't know how bad it is  
25 from that. The sight lines are great.

26

1 (Laughter.)

2 COMMISSIONER CLARK: Madam Chairman,  
3 congratulations to you on chairing your first monthly  
4 meeting. And thank you all for being here.

5 Congratulations to MISO, as well. I would just  
6 second the sentiment of my colleagues. Thanks.

7 ACTING CHAIRWOMAN LaFLEUR: Madam Secretary, I  
8 think we're ready for the Consent Agenda.

9 SECRETARY BOSE: Good morning, Madam Chairman,  
10 and good morning Commissioners.

11 Since the issuance of the Sunshine Act notice on  
12 December 12th, 2013, Item E-23 has been struck from this  
13 morning's agenda. Your Consent Agenda is as follows:

14 Electric Items: E-1, E-2, E-3, E-4, E-6, E-7,  
15 E-8, E-9, E-10, E-12, E-13, E-14, E-15, E-16, E-17, E-18,  
16 E-19, E-20, E-22, E-24, E-25, E-27, E-28, E-29, E-30, E-31,  
17 and E-32.

18 Gas Items: G-1, G-2, and G-3.

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

20 Certificate Items: C-1, C-2, and C-3.

21 As to E-25, Commissioner Moeller is concurring  
22 with a separate statement. We will now take a vote on this  
23 morning's Consent Agenda. The vote begins with Commissioner  
24 Clark.

25 COMMISSIONER CLARK: I vote yes.

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1                   SECRETARY BOSE: Commissioner Norris.

2                   COMMISSIONER NORRIS: Aye.

3                   SECRETARY BOSE: Commissioner Moeller.

4                   COMMISSIONER MOELLER: Noting my concurrence in  
5 E-25, I vote aye.

6                   SECRETARY BOSE: And Chairman LaFleur.

7                   ACTING CHAIRWOMAN LaFLEUR: I vote aye.

8                   Madam Secretary, if we could please move on to  
9 the Discussion Agenda.

10                  SECRETARY BOSE: A-3 is the Discussion and  
11 Presentation Item for this morning. It is entitled "The  
12 FERC Retrospective."

13                  ACTING CHAIRWOMAN LaFLEUR: Well thank you, Madam  
14 Secretary. This of course is what we're devoting our time  
15 to this morning. The Federal Energy Regulatory Commission  
16 was formed in 1977 when Congress enacted the Department of  
17 Energy Organization Act which reorganized the Federal Power  
18 Commission and expanded its responsibilities to better  
19 address the Nation's energy challenges.

20                  I had an e-mail this morning from Kurt Moffett,  
21 who was actually the first Chairman's assistant when it  
22 became the Federal Energy Regulatory Commission, and he told  
23 me that on October 1, 1977, they met at 11:59 to take down  
24 the Federal Power Commission Seal and then gaveled FERC into  
25 being at 12:01 to hang up the FERC Seal, which Chairman  
26

1                   Curtis had personally designed.

2                   All of the five original Commissioners were  
3 there: Chairman Charles Curtis, Vice Chair Don Smith, and  
4 Commissioners Georgiana Sheldon, George Hall, and Matthew  
5 Holden. And it seems a little more dramatic, but  
6 nonetheless we're happy to reflect back on it.

7                   There are 34 FERC employees who have been with  
8 the Commission since its formation. A number of those  
9 employees are here today, and they include our Chief Judge  
10 Curtis Wagner who was an administrative law judge with the  
11 FPC, and has been Chief Judge at FERC since 1978.

12                  Thank you all for your many years of service to  
13 the Commission. It is quite an outstanding record, and I  
14 would like to ask the original FERC employees to stand and  
15 be recognized.

16                  (Employees stand and are applauded.)

17                  ACTING CHAIRWOMAN LaFLEUR: Thank you.

18                  Of course we're also every lucky today to have a  
19 number of the former leaders of the FERC, and I'd like to  
20 ask them to join us at the dais.

21                  (Pause.)

22                  We are so thrilled that you're here. These are  
23 FERC celebrities, so I will skip the long bios.

24                  (Laughter.)

25                  ACTING CHAIRWOMAN LaFLEUR: But first we have  
26

1                   Chair Betsy Moler, who served at the Commission  
2                   from 1988 to  
3                   1997, and Chaired it from 1993 to 1997, during the time when  
4                   FERC implemented the Energy Policy Act of 1992. Under her  
5                   leadership, FERC enacted the landmark Open Access  
6                   Transmission reforms of Orders 888 and 889. And speaking of  
7                   888, she also moved us to this building.

8                   Also, sitting next to Betsy is Chairman Jim  
9                   Hoecker who was appointed by President Clinton in 1993, and  
10                  served until 2001. He was Chair from 1997 to 2001, and  
11                  under his Chairmanship the Commission enacted Order No.  
12                  2000, which set forth the structure of the Regional  
13                  Transmission Organizations--somewhat timely today.

14                 Next is Chairman Curt H bert. Chairman H bert  
15                 served at the Commission from 1997 to 2001, and was Chairman  
16                 in 2001. He led efforts to promote electric and natural gas  
17                 competition, and led the initial response to the Western  
18                 energy crisis of 2000.

19                 And finally, Chairman Joe Kelliher, who served at  
20                 the Commission from 2003 to 2009, and as Chairman from 2005  
21                 to 2009. Under his leadership, the Commission implemented  
22                 the Energy Policy Act of 2005, which really greatly expanded  
23                 our authority and responsibility, including a lot of the  
24                 work we do today on reliability, enforcement, and LNG  
25                 export, and other matters.

26                 Although he couldn't be with us today, FERC's  
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1                   first Chairman, Charles Curtis, filmed a video  
2 message for  
3 today's meeting. He was a Commissioner on the Federal Power  
4 Commission and formed and led the Commission, this  
5 Commission, from its formation on October 1, 1977, until  
6 1981.

7                   (Transcription of the Video follows:)

8                   MR. CURTIS (By Video): First of all, I want to  
9 say thank you for allowing me to join in the proceedings of  
10 the 1000th meeting of the Federal Energy Regulatory  
11 Commission. As the first Chairman of this Commission,  
12 that's kind of a scary number.

13                   But let me start out by saying this Commission  
14 was born in the time of the energy troubles of the '70s. It  
15 inherited a broken agency, the Federal Power Commission, and  
16 its jurisdiction, which had a 15-year backlog of contested  
17 cases, and a not-very-respectable record at the court of  
18 appeals in getting sustained.

19                   It was a mess. To that mess was added the  
20 Interstate Commerce--the jurisdiction from the Interstate  
21 Commerce Commission for oil pipelines, and also the new laws  
22 that were the Public Utility Regulatory Policies Act, and  
23 eventually the amendments to the Natural Gas Act, which were  
24 both very challenging to administer. So we were busy.

25                   Our meetings in the first four years, which I was  
26 Chair, were--averaged 8 hours a day for 2 days every week.

27

1                   And as you might imagine, as busy as the  
2 Commission was, the  
3 staff was even busier, both preparing and then defending the  
4 actions of the Commission.

5                   I am very pleased to note that in the ensuing  
6 years, through the very hard work and conscientious  
7 dedication of the staff of this Agency, and the success of  
8 successor members of this Commission, its reputation both in  
9 the appellate courts and in the Congress has radically  
10 improved. It is now considered one of the premiere  
11 professional agencies of our government, and that is a  
12 tremendous legacy that I am very privileged to have a part  
13 of.

14                   So congratulations on the 1000th meeting of this  
15 Commission, and best wishes for the future. Thank you.

16                   ACTING CHAIRWOMAN LaFLEUR: Well that certainly  
17 set us off right. Sometimes those of us in the energy world  
18 are frequently guilty of saying, in just about every speech  
19 we make, that we're living in a time of unprecedented  
20 change. There's so much transformation. There are so many  
21 challenges. We say this all the time.

22                   But in fact the history of the last 36 years, as  
23 Chairman Curtis just kicked off, was filled with major  
24 changes and challenges that were very major when we were  
25 going through them. And I thought, in putting everything  
26 we're working on today into perspective, it is very helpful  
27

1                   to hear about the work of our predecessors.

2                   So we have asked each of the former Chairmen to  
3 say a few words, beginning with my friend Chair Moler.

4                   MS. MOLER: Well thank you very much, Madam  
5 Chairman. It is a privilege to be back at the Commission.  
6 It feels good to be at this table. I'd prefer that seat,  
7 but...

8                   (Laughter.)

9                   MS. MOLER: I have extraordinarily fond memories  
10 of having served on this Commission, and consider it to have  
11 been one of the highest privileges of my life. And I know  
12 that my friends and colleagues, both current and past, share  
13 that view.

14                   I do remember working on the Department of Energy  
15 Organization Act when I was a Hill staffer. I'm not  
16 commenting on age or anything like that, but it was a big  
17 deal at the time and have been privileged to watch the work  
18 of the Commission for many, many years.

19                   Charlie was a demon on long meetings. We were in  
20 sort of mid-range when I was here, but, man, you guys really  
21 cleaned up your act since then.

22                   (Laughter.)

23                   MS. MOLER: Heaven forbid I talk about substance,  
24 but it's an affliction. I remember coming to the  
25 Commission, the Commission was--and I see many friends and  
26

1                   former colleagues in the room who could tell  
2 stories  
3 probably as well as I can about this, but I've got the mike,  
4 so--when I came here, the Commission was implementing Order  
5 636, Open Access on the gas side. There was no Open Access  
6 on the electric side.

7                   There was limited competition among generators.  
8 Cost-based power prices that were in trouble legally. There  
9 were no RTOs or ISOs. Limited, tight power pools.  
10 Wholesale sales required individual transactional approval  
11 by this Commission. That was a lot of work.

12                   The Internet was not a part of this world. The  
13 incumbent utilities owned and governed the wires, fiercely,  
14 I might add. And there was no transmission--Federal  
15 Transmission Siting Ceremony.

16                   Now we have robust Open Access both on the  
17 electric and the gas side, robust competition among  
18 generators on the electric side and the gas side, producers.  
19 Competitive power prices in both sectors.

20                   RTOs and ISOs serve most of the U.S. population,  
21 so seams persist. And with the Entergy integration, which  
22 is a great thing--I have friends who have worked on it for  
23 years and years--that world is expanding.

24                   FERC provides blanket authority for commercial  
25 transactions. It's an Internet-based commercial world. It  
26 couldn't survive without it. Have mandatory reliability

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1 standards. And with mandatory authority that  
2 this  
3 Commission lacked. So there was no way for the Commission  
4 to serve as a cop on the beat at the time. And there's  
5 unfortunately ineffective federal transmission siting  
6 authority.

7 So we've made a lot of progress in both the gas  
8 and electric world, and the hydro world is still a very  
9 intricate, unique, special place that has its own  
10 challenges. I won't say more, but it's a very challenging  
11 place.

12 So there's lots of work to do. So I feel certain  
13 this Commission will remain in business. I'm proud to have  
14 been a part of it for a very important time in my life, and  
15 I congratulate those of you who are still here, including  
16 particularly the staff.

17 ACTING CHAIRWOMAN LaFLEUR: Thank you, Chairman  
18 Hoecker.

19 MR. HOECKER: Thank you, Madam Chairman.  
20 Congratulations, and congratulations to you all because  
21 you're working at a wonderful Agency and doing a great job.

22 I do want to get one thing out of the way. I  
23 respectfully dissent from E-1.

24 (Laughter.)

25 MR. HOECKER: I don't know what it is, but I've  
26 been dying to do that for 13 years.

27

1 (Laughter.)

2 MR. HOECKER: Like Betsy, I am very honored to  
3 have served as Chair of this wonderful Agency, with its  
4 sprawling responsibilities, and an Agency that is well  
5 regarded as a great place to work, as a nonpartisan  
6 decisionmaker, as an Agency that brings a lot of technical  
7 expertise to bear on its decisions. And it's wonderful to  
8 be back in the bosom of the lodge today for a brief time.

9 One of the staff people at the door said to me,  
10 "Didn't you used to be Jim Hoecker?"

11 (Laughter.)

12 MR. HOECKER: Well, I still am. I'm a little  
13 grayer, but a lot of these gray hairs were attributable to  
14 sitting around this table, actually.

15 I think Betsy's reflections are very appropriate.  
16 The role of this Agency has evolved, even as its statutory  
17 basis has remained fundamentally the same--which is, to  
18 protect consumers.

19 When I was on staff--and I should mention that  
20 that too was a great honor, because when I worked with the  
21 oil and gas litigation staff--I see Gary, and Rick Kelly  
22 here, about to retire; I think they're pretty much the last  
23 of my old trial attorneys--but I was also extremely pleased  
24 to get in and kind of get my hands dirty down in the hearing  
25 room.

26

1           Those days, we were generally a traditional  
2     ratemaker, a pretty traditional regulatory agency that  
3     wasn't very different than a lot of state agencies.

4           Today, our responsibilities, or FERC's  
5     responsibilities, are so much more intricate, because we  
6     helped to create markets in natural gas, in electric power,  
7     create new institutions to manage those important markets,  
8     and have had to take on the role of a market overseer and a  
9     rule enforcer.

10           We didn't have a Norman Bay when I was chairman,  
11     and I think this Agency looks somewhat more like the SEC  
12     these days than, than it did when I was on staff, certainly,  
13     and even when I was Chair.

14           That is an important, an important change to  
15     grasp. And I think going forward FERC will be much more  
16     capable of managing crises, of understanding markets in real  
17     time, and ensuring that the important consumer protection  
18     role that you all have is carried out in a very, very  
19     scientific and eloquent way so that we can avoid crises  
20     rather than simply manage them.

21           It has been a--it has been wonderful being on the  
22     Commission. It's been wonderful watching it from the  
23     outside, and I wish you all the very, very best.

24           ACTING CHAIRWOMAN LaFLEUR: Well thank you, so  
25     much. We'll hear from Louisiana, Chairman H bert.

26

1                   MR. H BERT: Thank you. It's certainly a  
2 pleasure to be here with all of you. And I want to thank  
3 you for the accent ague on my name.

4                   (Laughter.)

5                   MR. H BERT: I know that only a French Chairman  
6 would do something like that, so I appreciate that.

7                   (Laughter.)

8                   MR. H BERT: It's good to have the French back.  
9 But, really, it is great to be here. I commend the  
10 Commission just for everything that it started as and  
11 everything it has become.

12                   Obviously when I was in the Chairman's seat we  
13 were in a very difficult time here. The Commission was seen  
14 through a different prism, where generally this Commission  
15 has the states pushing back saying we really don't want you  
16 in our business; we do it best; and often them do. It was a  
17 different time. They wanted help.

18                   They wanted the Commission in. They wanted the  
19 Commission to enforce. They wanted the Commission to enact.  
20 They certainly wanted the Commission to do more.

21                   I guess I think the thing I was proudest of at  
22 that time is that the Commission did not fold. The  
23 Commission did not say we are going to do things, quite  
24 frankly, we don't have statutory or rule authority to do.  
25 And put in a soft cap that was related to fuel. And anyone  
26

1                   in this business knows that fuel is 70 percent  
2 of the mix  
3 when it comes into deciding what that charge is.

4                   So it was magical. It brought down the rates the  
5 exact hour that it was put into effect. It was a great job  
6 by the staff. It was a great job by the Commission. It  
7 worked out extremely well.

8                   I would also say, I really enjoyed working on  
9 some of the things Jim and I worked together on, and that  
10 was the RTOs and the ISOs. And to hear Betsy talk about,  
11 you know, how many ISOs, how many RTOs we have today, what's  
12 going on, to think we did it all without a mandate, to think  
13 that we got them there by incenting them, by trying to prove  
14 out that ground of conduct, and it's working extremely  
15 well.

16                  Now I'm a little selfish in that regard, having  
17 worked with Entergy for 10 years, a decade there, and then  
18 MISO as a client. I'm very proud of what's happened there,  
19 and I think that's great. And I think you're going to see  
20 greater things when it comes to transmission in the United  
21 States, and kind of throughout what we've tried to do here  
22 and what you were doing here.

23                  And what you do here is important. I want you to  
24 know that. I want you to believe that. It's a great time  
25 of the season when we can all be a little festive and we can  
26 celebrate what we've done throughout the year, but these

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1                   1000 meetings, and starting with Charlie Curtis,  
2       what a  
3       remarkable man. And to hear him come out and kind of set  
4       the framework of the genesis of this Commission and how it  
5       all started out was I think wonderful.

6                   But you're going to continue to see this  
7       Commission pulled at by states. Congress is going to get in  
8       your business every now and then. That's not easy. It's  
9       difficult. But I commend you to move on. And I want you to  
10      know that your dissents matter. Your concurrences matter.  
11     They are read. I oftentime learn more from a dissent or a  
12     concurrence than I learn from the Order itself. And I know  
13     that sounds very odd, but I think--and when we sit in the  
14     chairman's chair it's a little difficult sometimes to hear  
15     these people pulling and pushing on us. But some of my  
16     favorite times--I was talking about this a little while  
17     ago--was having staffers who would push against me. And I  
18     mean in their very foundation not believe what I was saying,  
19     and push against me. And I loved that. I thought that made  
20     for better rulemaking. I thought it made for better orders.  
21     And I commend the staff to continue to do that.

22                  You have a brilliant staff here. I think it's  
23     unmatched by any Agency in the United States, for certain.  
24     They are professional. They love what they do. They care  
25     about what they do.

26                  So understand that and continue to move forward.

27

1                   And I'll close by saying this: This Commission  
2 was actually  
3 set up historically to protect consumers, not in a myopic  
4 sense but in the large sense, protecting consumers.  
5 Reasonable. Just and reasonable. I mean those are terms  
6 that we live by here.

7                   As this Agency acquires more authority, I just  
8 think it's important that we reflect on that and we  
9 understand our actions and what that can mean ultimately to  
10 the consumer. Enforcement actions done well can protect the  
11 consumers. Enforcement actions not done well, punitive in  
12 nature maybe when they shouldn't be, can actually move  
13 things in the wrong direction and cost the consumer.

14                   When we take jurisdiction from the states, and  
15 the states have been looking behind holding companies and  
16 kind of looking at the entire structure and understanding  
17 how ROEs are affected, then maybe this Commission should be  
18 doing the same thing.

19                   And again, I commend you for your hard work. I'm  
20 glad we have the group of professionals up here that we do,  
21 and I look forward to continuing this career with the FERC.  
22 Thank you, and God Bless You.

23                   ACTING CHAIRWOMAN LaFLEUR: Thank you so much.  
24 Chairman Kelliher?

25                   MR. KELLIHER: Chairman LaFleur, I have to wonder  
26 what somebody tuning into ferc.gov is thinking.

27

1 (Laughter.)

2 MR. KELLIHER: You know, they probably think it's  
3 some kind of FERC Christmas Carol and we're the Ghosts of  
4 Christmas Past, or something.

5 (Laughter.)

6 MR. KELLIHER: Or Fantasy FERC, or something.

7 (Laughter.)

8 MR. KELLIHER: But I was going to talk about my  
9 time, and a bit about Pat's time, because I think there's a  
10 lot of continuity over our two chairmanships, and Pat was my  
11 chairman. But, really, kind of the defining, to me the  
12 defining events of the 2000s started off with the California  
13 Western Power Crisis, and then the August 2003 Blackout.  
14 And then the Energy Policy Act of '05. So to me those are  
15 the three big things that certainly were important during my  
16 chairmanship.

17 The 2001 Blackout was--it permanently affected  
18 FERC in a couple of ways. One, it brought FERC into the  
19 public eye. Right before the California crisis, FERC was--  
20 FERC was very well known among the energy cognoscenti, but  
21 invisible to the rest of the country. It was well known by  
22 the Energy Committees, but the average Congressman probably  
23 didn't know what FERC was and, you know, I think The New  
24 York Times probably didn't know what FERC was, but the  
25 California crisis pulled FERC into the public eye. And it  
26

1                   probably every won't retreat to the relative  
2           obscurity that  
3           it used to enjoy, even though The Wall Street Journal still  
4           views FERC as an obscure Agency.

5                   (Laughter.)

6                   MR. KELLIHER: I don't know why. I don't think  
7           the rest of the country does. But it presented tremendous  
8           political challenges to the Agency. The criticism was  
9           fierce. It probably was the most political pressure the  
10          Agency has ever been under and, at a fundamental level, very  
11          unfair. Because the central criticism was FERC wasn't using  
12          its manipulation authority--which it didn't have. And FERC  
13          wasn't imposing penalties--notwithstanding the fact that it  
14          didn't have penalty authority.

15                   Now Congress at some point, a couple of years  
16          into it, realized that FERC didn't have these tools that it  
17          thought FERC should be using aggressively, but gave them to  
18          FERC in the 2005 Act. So I think we ended up at a good  
19          place, even though the criticism was unfair.

20                   But FERC handled the criticism well. The worst  
21          thing, I think as Curt alluded, the worst thing to do would  
22          have been to do something popular, notwithstanding whether  
23          you have legal authority, and notwithstanding merit. But  
24          FERC didn't do that. And I think that is sort of  
25          characteristic of the Agency. So I want to credit the  
26          Chairman, the Commission that was there at the time, for  
27

1 standing up under that pressure.

2 But also created during this political  
3 challenges, well not just political challenges, policy  
4 challenges, what tools did FERC have, regulatory challenges,  
5 that combined with the blackout gave FERC the greatest grant  
6 of legal authority during the New Deal, in the Energy Policy  
7 Act of '05.

8 I have to say, I have a soft spot in my heart for  
9 the August 2003 blackout because it broke my nomination  
10 loose and finally got me confirmed.

11 (Laughter.)

12 MR. KELLIHER: So I'm probably the only one who  
13 has this kind of nostalgic attitude toward the blackout.

14 (Laughter.)

15 MR. KELLIHER: But Betsy alluded to her working  
16 on the Reorganization Act. I worked a little bit on the  
17 Energy Policy Act of 2005 in the late '90s, and some of my  
18 handiwork actually got into the Act.

19 I remember once meeting with staff on a pretty  
20 obscure, but I think well drafted, provision--

21 (Laughter.)

22 MR. KELLIHER: --about, you know, how should we  
23 implement this? What does it mean? I said, well, it means  
24 this. And they said: Well, with respect, Mr. Chairman,  
25 there's no legislative history, and why do you think that?

26

1                   I said, because I wrote that in '99, and I knew  
2 what I meant when I wrote it.

3                   (Laughter.)

4                   MR. KELLIHER: But that's not always the  
5 best--doesn't produce the best outcome. So the Energy  
6 Policy Act of '05, if you think the beginning of the decade  
7 there were questions of public confidence in the Agency,  
8 fierce criticism, was the Agency losing public confidence, I  
9 think the '05 Act shows, no, the reverse is true.

10                   You don't give grants of authority to an Agency  
11 that you don't have confidence in. So I think the '05 Act  
12 showed that Congress and the President had confidence in  
13 FERC and were giving us tremendous authority. So it must be  
14 seen as a vote of confidence.

15                   I think FERC also gets high marks for very  
16 efficiently implementing the new authority, and doing it in  
17 a really serious way. Not just trying to do it fast, but  
18 doing it thoughtfully and doing it in a way that will last  
19 over time. And I think in a manner that contrasts with say  
20 the CFPC's implementation of the Dodd-Frank Rules that I  
21 think is different than FERC's implementation of the '05  
22 Act.

23                   But the Act also gave FERC new missions.  
24 Historically FERC's initial mission was infrastructure.  
25 Under the 1920 Water Power Commission it's job was to

26

1                   license hydro projects as fast as it possibly  
2 could. And it  
3 did that really well, until the '86 Act.

4                   So the initial mission was infrastructure. The  
5 Industry Regulatory Commission was added in the '30s. FERC  
6 did that really well. The safety mission isn't very widely  
7 recognized, but there's a dam safety mission from the '60s  
8 that FERC really does extremely well and helps state  
9 programs.

10                  So the '05 Act gave FERC two new missions: an  
11 enforcement mission. Because before then FERC has had an  
12 enforcement program, but it was sort of like Barney Fife  
13 without the bullet. You know, without civil penalty  
14 authority it's hard to really say that you're an enforcement  
15 agency. But I think the way FERC has deployed that  
16 authority is impressive.

17                  But I do want to, sticking with my Christmas  
18 Carol analogy, I want to invoke the season and ask for a  
19 little bit more Christmas Spirit on the enforcement mission.  
20 You know, FERC always said firm but fair is the  
21 characteristic of enforcement, but I sort of feel like I'm  
22 Jacob Marley's Ghost with chains, admitting that it was  
23 really more firm than fair.

24                  (Laughter.)

25                  MR. KELLIHER: And I would ask you to do a better  
26 job than me, and place as much emphasis on fairness and

27

1                   firmness in helping good companies comply. That  
2 would be my  
3 last Christmas Carol analogy.

4                   (Laughter.)

5                   MR. KELLIHER: But I think in both areas, the  
6 Commission has quickly deployed the enforcement mission in a  
7 way that's really impressive. If you just look at the  
8 relatively short period of time, how much shorter the  
9 enforcement program is.

10                  Reliability regulation has been rougher, in part  
11 because the structure is unique. I think reliability  
12 regulation has come a long way, but it still has a long way  
13 to go, particularly in enforcement.

14                  Competition policy. One of the constants is  
15 competition policy. I want to credit Betsy and Jim, because  
16 the Gas Restructuring--competition policy in the gas side  
17 has been an unqualified, incredible success. And not  
18 remarked upon enough.

19                  Electric power restructuring has been a success,  
20 but I think gas restructuring--gas competition policy has  
21 just been a tremendous success, an unqualified success.

22                  The California crisis posed a potential threat to  
23 competition policy, but I think in the end it was recognized  
24 that the failure there was a failure of regulatory policy,  
25 really state regulatory policy in California more than  
26 competition policy. It's remarkable that in the '05 Act

27

1                   there actually was never an attempt, an  
2 amendment, a vote on  
3 stopping FERC from authorizing market-based rates. That  
4 would have been the most direct attack on competition policy  
5 at least on the power side, and it never came up.

6                   One constant, historically going back before the  
7 2000s, has been Congress working closely with FERC. So a  
8 lot of major energy policies like Open Access Policy on the  
9 power side involved an interplay between Congress and FERC.  
10 That interplay hasn't happened as much recently because  
11 Congress has sort of left the playing field. It's not  
12 because FERC isn't a willing partner, but Congress has sort  
13 of left the playing field and hasn't been in a position to  
14 legislate on energy.

15                  I hope it gets back on the playing field and  
16 resumes a partnership with FERC. The bipartisan nature of  
17 FERC, the fact that we serve different Presidents of  
18 different political parties but we're not seeing remarkably  
19 different things is very important and a great source of  
20 strength to FERC. Because it means policy is more long-  
21 standing, more permanent, if you don't have straight party-  
22 line votes on everything.

23                  That's--people who follow FERC think well of  
24 course that's the nature of FERC, but if you follow the SEC,  
25 the CFPC, FCC, other agencies, party-line voting is very  
26 common in those other agencies. I think that makes the

27

1                   policy there perhaps more ephemeral, more  
2 subject to '93  
3 terms, but at FERC you don't really see that.

4                   I think that is a great source of strength. That  
5 has been a constant. The federal-state relationship is  
6 important. I think the Commission recognizes that.

7                   I think one lesson of the California Western  
8 Power Crisis is when the state and federal governments are  
9 at war with each other, they work at cross-purposes, they  
10 both fail.

11                  One constant has been the superb performance of  
12 the FERC staff. Really in every respect, implementing the  
13 new law, reacting to the California Western Power Crisis,  
14 implementing entirely new missions, the staff's performance  
15 has been superb. I used to compare them to the Praetorian  
16 Guard, except they didn't have the annoying habit of  
17 occasionally murdering their leadership--

18                  (Laughter.)

19                  MR. KELLIHER: --and replacing them. So, but I  
20 think in the end as the 2000s end, I think it is clear FERC  
21 has public confidence; that the question from the beginning  
22 of the decade has been answered robustly. The Agency has  
23 implemented these new missions incredibly well. The state  
24 of FERC is very sound today, and I really look forward to  
25 watching what you do in the future.

26                  Thank you.

27

1                   ACTING CHAIRWOMAN LaFLEUR: Well thank you all so  
2 much for those thoughts. I want to turn it to my colleagues  
3 for questions, observations, further discussion.

4                   COMMISSIONER MOELLER: Well thank you, Madam  
5 Chair. It is great to have you back. Thank you for coming.  
6 I think back on memory lane as to how I've worked with all  
7 of you in the past, from Chairman Moler when you were Deputy  
8 Secretary of DOE and we would visit often. Chairman  
9 Kelliher and I go way back to our Hill days together. Joe  
10 was on the House side. I was on the Senate. Sitting  
11 through Chairman H bert's initial confirmation hearing, I  
12 remember that day very well in the Senate back in '97 as I  
13 recall, maybe '98, working with Chairman Hoecker after the  
14 incredible challenges that you had to deal with that Joe  
15 alluded to related to the West Coast.

16                   Your successes--first of all, your public  
17 service. We can relate to that. Thank you for that. It's  
18 a sacrifice. It's also rewarding, but it's hard work with  
19 those sacrifices.

20                   Your careers have all been full of great  
21 successes. I want to twist it a little bit, and in the sake  
22 of how we can learn and how future Commissions can learn, I  
23 want you to reflect on the one you missed. Your biggest  
24 regret. What did you do that you wish you had--what did you  
25 not do that you wish you had? Or what did you do that you  
26

1                               wish you hadn't?

2                               (Laughter.)

3                               MR. HOECKER:   You first.

4                               (Laughter.)

5                               MS. MOLER:    I'm not going to tell my biggest  
6                               regret.

7                               (Laughter.)

8                               MS. MOLER:    Nice try, Commissioner.  I think the  
9                               thing that would have had an even more dramatic impact on  
10                              the electric side had we done it would have been trying to  
11                              take competition all the way to residential retail.

12                             It was tempting at the time.  I didn't have the  
13                             votes.  So you learn to count in that job.  I also know that  
14                             all hell would have broken loose had we tried to do so.  You  
15                             can ask Pat Wood about that, with Standard Market Design.

16                             So I'm glad that we did what we did and have it  
17                             affirmed by the Supreme Court in 888.  I think it was a  
18                             positive foundation for this Agency.  And so, you know,  
19                             incremental good is a good thing, even though the perfect  
20                             could be the enemy of the good.  But that would be the one  
21                             thing.

22                             I'll just stop there.

23                             (Laughter.)

24                             MS. MOLER:    Maybe more later.

25                             (Laughter.)

26

1                   MR. HOECKER: You're looking at me. Well, I  
2                   thought Joe's observations about FERC standing up to the  
3                   crisis in California was a very balanced observation.

4                   We had a real crisis on our hands, and part of it  
5                   was of our own making because we created markets that  
6                   evolved so quickly we didn't understand them very well. And  
7                   as much as we might lay some of the responsibility, or maybe  
8                   most of it, at the feet of market rules that were devised  
9                   without--without our complicity, we fully understood that  
10                  new markets and competition was going to need oversight.

11                  And we moved in that direction, you know,  
12                  starting I think with Betsy, and maybe ratcheting up a bit  
13                  when I was chair. And we had market oversight office come  
14                  out of FERC first, and so forth. But when California hit,  
15                  and particularly the Enron aspects of that episode, we were  
16                  somewhat flummoxed.

17                  And so the message is, you know, make sure you  
18                  take full account of the consequences of your actions, you  
19                  know, before they reach their logical outcomes.

20                  I wish we had a deeper understanding of the  
21                  market as it was evolving. As it turned out, we--my  
22                  understanding is that FERC does, these days, operate based  
23                  on market algorithms that are incredibly sophisticated both  
24                  in an enforcement mechanism that gives you all a real-time  
25                  understanding of what's happening.

26

1                   That is tremendously important. I don't think  
2                   that--I don't think you can change history, and certainly  
3                   the Enron thing is a gigantic, unfortunate anomaly. But  
4                   there are still--there are still predators out there. There  
5                   are still folks who are undermining the rules of the market,  
6                   and I am pleased at least based on my observations from the  
7                   outside to say that the FERC is now prepared to deal with  
8                   those consequences.

9                   MR. H BERT: I would echo a little bit on the,  
10                  you know, Enron and Western Crisis. I think, you know, that  
11                  was a very difficult time. Should we have done things  
12                  differently? Could we have done them differently? We found  
13                  ourselves in a very difficult position.

14                 I guess if I had to change anything, and if I  
15                 could have, I would have wanted people to view the  
16                 Commission a little differently. I think there was a lot of  
17                 angst at that time, especially in Congress with the Members  
18                 over in the West, and I wish we could have changed that  
19                 tide. But there just did not seem to be a way to do it. So  
20                 if I had any regret, I think that would be my regret--  
21                 although I'm not sure we could have affected it. Because at  
22                 the end of the day, and I know in this business we do our  
23                 decisional risk analysis, and we look at everything, but at  
24                 the end of the day, a decision is really only about two  
25                 things, right? It's about facts and point of view.

26

1                   And I'll say this about that: You know, as a  
2 young lawyer, my point of view about the FERC was one thing.  
3 And then when I became a state commissioner and chairman, my  
4 view there--it changed my view a little bit. My point of  
5 view changed.

6                   When I came here to the FERC after coming to the  
7 state, and not believing the FERC should really ever get in  
8 our business, my point of view changed at the FERC.

9                   Going to a Fortune 500 utility for a decade and  
10 focusing in on a P&L for a decade, my point of view  
11 changed.

12                   So having said that, now I'm really confused with  
13 those four different points of view.

14                   (Laughter.)

15                   MR. H BERT: But, but it is all about point of  
16 view. And for me to look back at a decision I made in the  
17 setting that it was made in and rethink it, I mean I go back  
18 now--I guess one of the greatest things about being a  
19 Commissioner at the FERC, and certainly being a chairman, is  
20 people will publish almost anything you write. Not because  
21 of any intelligence you may have, but because of what you  
22 have in front of your name. And I've looked back at some of  
23 it and it's remarkable that it was every published.

24                   (Laughter.)

25                   MR. H BERT: But it's really interesting as we  
26

1                   sit here in this setting in which we make  
2                   certain decisions.

3                   New facts come on line. New information comes on line. And  
4                   I'll say, boy, I wish. But we shouldn't do that. Again, I  
5                   commend the Agency and everything they've done, and for the  
6                   most part it's all been right--not always timely, but always  
7                   right.

8                   MR. KELLIHER: I've got to give you two.

9                   Okay, one is transition cost allocation. This is  
10                  on the record, so I guess I can say it. And that was one.  
11                  There was some consideration on should we act on cost  
12                  allocation by rulemaking, and in retrospect I--a rulemaking  
13                  kind of takes two forms. One, it's like Order 888 to me is  
14                  an ideal rulemaking. It's something standard. Write your  
15                  name in on top. File it in 30 days. As long as you get the  
16                  substance right, that's a great way to go.

17                  And I thought if something like that, limited to  
18                  the existing RTOs, that was standard might have been a  
19                  really good approach. Pulling it outside the RTOs, I don't  
20                  see how you could do that.

21                  But we thought about it, and then the question  
22                  was: Well, which existing model should we pick, or use as  
23                  the variant? And they hadn't been in place quite long  
24                  enough for us to have confidence that this was better than  
25                  that. But I guess in retrospect if we had had more wisdom  
26                  on is there a good model, acting by rulemaking, something

27

1                   standard that you would have in place  
2 immediately versus a  
3 series of compliance filings, you all might have benefitted  
4 from an Order 1000 currently.

5                   And then the second is seams. That was one  
6 where, gosh, at one point we were going to 206, two RTOs  
7 because of seams issues, and I was--we both said, you know,  
8 we're really close. You know, in three months we're going  
9 to have worked this all out. And I think this was 2006 or  
10 something.

11                   (Laughter.)

12                   MR. KELLIHER: And I've actually never seen that  
13 settlement be submitted. So that's something. It's messy.  
14 It's hard. It's sort of resource intensive. But I wish I  
15 had added on seams, at least in that case. But not just  
16 probably in those two RTOs. And I commend you to think  
17 about doing that and don't be seduced like I was.

18                   COMMISSIONER MOELLER: Well thank you all. I  
19 know it was a difficult question, but I respect all of you  
20 immensely and appreciate what you did so that this Agency  
21 can continue under the leadership of Chairman LaFleur.

22                   ACTING CHAIRWOMAN LaFLEUR: Thank you. John?

23                   COMMISSIONER NORRIS: Well thanks. Phil kind of  
24 stepped all over my comments. I was just going to commend  
25 you on continuing the long tradition of always getting it  
26 right at FERC. But you burst that bubble by admitting there

27

1                   may have been some things you'd have done  
2 differently.

3                   Let me ask you this. We'll go in the opposite  
4 direction. And Chairman H bert, following up on your  
5 comments, I do think we are largely here to protect  
6 consumers. And that if we push for a more efficient energy  
7 system, we benefit consumers and the American economy in  
8 general.

9                   So you all took part in some transformative  
10 rulemaking in 888, 890, 2000, and we've been through them  
11 here with you so far. So put yourself in this seat today.  
12 What's the next cutting-edge thing that FERC should be doing  
13 to push us to that more efficient economy--energy system?

14                   (Laughter.)

15                   COMMISSIONER NORRIS: We can reverse it.

16                   ACTING CHAIRWOMAN LaFLEUR: Good question. Do  
17 our job.

18                   (Laughter.)

19                   MR. KELLIHER: I'll try, but I don't think my  
20 answer is going to be super impressive.

21                   One thing FERC has always had to adjust to is  
22 technology developments. I'm not a technology person, so I  
23 always feel a little uncomfortable talking about technology.  
24 But without the technology developments, you really couldn't  
25 have had competition in power markets. Right? So  
26 technology made it possible.

27

1           The deployment of renewable energy technologies  
2           has been hugely impressive. I never would have expected the  
3           scale of it in 2000, or the current cost, and the cost  
4           declines.

5           The Commission has--I thought the VERS initiative  
6           was a good one, Jamie, and the Commission of course, not  
7           just Jamie--

8           (Laughter.)

9           MR. KELLIHER: --but it was important to  
10          recognize a lot of your rules--it's almost like a Fourteenth  
11          Amendment kind of issue; a lot of your rules are spatially  
12          neutral, but they discriminate against new technology  
13          sometimes.

14          You're looking now probably at the greatest  
15          deployment of technologies in the electricity business in  
16          the next years than we've ever seen--what with storage, and  
17          distributed generation. It creates interesting and complex  
18          and probably very controversial issues, political issues.

19          You know, is a DG sale really a retail sale? I  
20          don't know how it could be considered that. How does the  
21          Commission allow a retail regulator to set a wholesale rate  
22          equivalent to a retail rate?

23          So you have huge legal issues. DG also I think  
24          raises questions about what is "local distribution"? Right?  
25          If distributions is, well, it's the wires after wholesale  
26

1                   where power flows one way to the retail  
2 customer; if you  
3 have DG at the other end of that wire, and wholesale power  
4 is flowing away from that retail customer, is that still a  
5 distribution facility? Has it become a transmission  
6 facility? Is it a distribution facility where there's more  
7 wholesale transmission occurring over it?

8                   So technology, I think you're looking at more of  
9 that than certainly during my time, or perhaps my  
10 predecessors', and I think it means some kind of good  
11 working arrangement with Congress is going to be important  
12 because you might need to make some changes to current law,  
13 and you might need to be creative in interpreting those good  
14 old 1930s New Deal statutes in light of those deployments.

15                   But good luck to you.

16                   MR. H BERT: It's actually something that I know  
17 that you've talked a little bit about, written about, and  
18 it's kind of getting back to your roots. You talked,  
19 Commissioner Norris, about the consumer and how important it  
20 is to protect the consumer and the decisions you make.

21                   I think as you--as the FERC takes on jurisdiction  
22 of assets they didn't traditionally have jurisdiction over,  
23 if those assets have been regulated in a certain way by  
24 states previously, then I think it's going to be incumbent  
25 upon the FERC due to the protection of the consumer, that  
26 it's required and necessary under the basics for the FERC to  
27

1 do the same.

2 You know, one of the things I think--and I don't  
3 want to put words in anyone's mouths--but it seems that  
4 there's a lot of agreement about probably the most  
5 devastating thing that's happened in the energy business  
6 that's not necessarily the blackouts or things like that,  
7 but the issues with Enron and the West and the financial  
8 engineering behind some of that. And so as you look at ROEs  
9 and look behind the Es and the creative cap structures and  
10 things like that, I do think the FERC is going to have to  
11 get more involved in that than they have traditionally if  
12 they're going to look at those assets.

13 One of the things that we looked at under Order  
14 2000 was creating some type of incentives to change conduct  
15 and create conduct. If that conduct already exists, do you  
16 still give the incentives? And generally I think the answer  
17 would be: No. But if not, then you do.

18 So I think things like that, or reflecting on  
19 that, understanding in this industry if we build things out,  
20 one of the most basic and fundamental important issues to us  
21 is cost of capital. And if those capital markets are going  
22 to be disruptive as we saw in 2000--and you still have that  
23 overhang right now--and if we're going to see that, I think  
24 we have to be very careful as we go forward in decisions  
25 that we make in rates that are paid and how they're  
26

1                   formulated.

2                   MR. HOECKER: Your question is a very interesting  
3 and in some ways troubling one because I do think--I agree  
4 with Joe, this is going to be very driven by technology,  
5 some of which we can't even anticipate at this point.

6                   I won't be altogether self-serving here because  
7 you all know I like transmission a whole bunch--

8                   COMMISSIONER NORRIS: I had to give you the  
9 opportunity, though.

10                  (Laughter.)

11                  MR. HOECKER: I do think--I do think that the  
12 next big thing you're right in the middle of right now, we  
13 have a 30-year history of trying to create workable markets  
14 for energy commodities.

15                  And as Joe observed earlier, the natural gas  
16 market, largely because--or at least in part because--FERC  
17 has such expansive jurisdiction in that area, in the  
18 pipeline area, that the natural gas markets have matured and  
19 operate in an efficient manner, and the electricity industry  
20 which was when I started as a staff attorney, electric  
21 regulation here was an afterthought. Now we are trying to  
22 manage the evolution of electricity markets.

23                  And the end of electric restructuring is nowhere  
24 in sight yet, after two decades or more. I mean, if you  
25 date it back to PURPA it's even longer than that. What  
26

1                   you're doing with Order 1000 is a remarkable and  
2           necessary  
3           undertaking.

4                   I think it's something that has some obstacles  
5           sitting in front of it. State-federal coordination being  
6           one of the, perhaps the major one. We don't have a national  
7           infrastructure policy, and I think I would call on you to  
8           try and form one, or to help the Secretary develop one, and  
9           to move ahead with this process as quickly as possible.

10                   When we started Open Access for natural gas  
11           pipelines--and I worked on Order 436 back in 1985--it took  
12           us less than a year to get through the whole process,  
13           including a rehearing order.

14                   Order 1000 is seemingly endless in its possible  
15           permutations. You've got some tremendous staff, like Mason  
16           Emnett who I've discussed with a long time about this, and  
17           they are looking at this from every conceivable angle. The  
18           difficult decisions are manifold.

19                   You're going to make mistakes. It's not going to  
20           be perfect. But you've got to get it done, and you've got  
21           to get it done in my lifetime because, you know, I just want  
22           to see this. I want to see these markets happen. And I  
23           think that one of the big priorities here is finding ways to  
24           sync up with state regulation, and state governors, as well  
25           as Capitol Hill, and try to come up with a plan that Order  
26           1000 is the basis of, but not necessarily the whole picture.

27

1           So the next big thing is a workable bulk power  
2 market based on an adequate transmission system. And you  
3 don't have any time to waste on this one because demand is  
4 going to increase 30 percent in the next two or three  
5 decades. The system is aging.

6           I just visited a utility that has transmission  
7 towers that date from the 1920s, and they're just stuck in  
8 the ground. They don't even have foundations. That is not  
9 going to sustain us in the long run.

10           Okay, I'll stop.

11           MS. MOLER: I'm tempted to ask where Jim's been  
12 travelling. But, anyway--

13           (Laughter.)

14           MS. MOLER: On the short term, middle term, and  
15 long term, it's the whole thing of protecting the integrity  
16 of competitive markets. And as long as they're working,  
17 this Commission will thrive as a Commission, and those ya'll  
18 regulate will be doing well and treated fairly.

19           It is very difficult, particularly where you have  
20 Congress and/or the states meddling, dealing with subsidized  
21 resources whether it's through state subsidies, or whether  
22 it's through various kinds of tax credits, and they are just  
23 absolutely pernicious and do lopsided, crazy, wacky things  
24 to competitive markets. And being every-vigilant about that  
25 is a very big deal because it goes to the foundation of what  
26

1                   this Commission is about in both the gas and the  
2     electric  
3     side.

4                   That would be the first thing.

5                   The second thing is the whole technology thing.  
6     You know, I carry around in my purse or my pocket technology  
7     that is more advanced than this Commission had when I came  
8     here. And I can't--I'm not the Steve Jobs or any of the  
9     wacky people in the wonderful world of technology. I'm not  
10    prescient enough or brilliant enough to--not brilliant at  
11    all--to envision what technology change is going to mean.  
12    But it is going to matter.

13                  We have seen, with the disastrous rollout of the  
14    Affordable care Act website, what happens when government  
15    does not do well with technology. And so you need the best  
16    and the brightest, and you have to pay attention to that.

17                  And where that goes, I don't know, but it will  
18    matter a whole lot. And it just rumbles through the entire  
19    system: variability, dispatch, technology changes there,  
20    the gas role changing dramatically with all the resources  
21    and the fracking. I mean, it's just everywhere, and keeping  
22    up with it is a huge challenge.

23                  COMMISSIONER NORRIS: Thank you all, very much.  
24    I knew I'd get thoughtful remarks. That's why I asked it.  
25    And, Curt, I'm not French and I know I mangled your name the  
26    first time through, but I'll get it right from here on.

27

1 (Laughter.)

2 COMMISSIONER NORRIS: Thank you, very much.

3 ACTING CHAIRWOMAN LaFLEUR: Commissioner Clark?

4 COMMISSIONER CLARK: Well I'm going to let you  
5 off easy, because I don't have any questions. But just a  
6 couple of comments.

7 First of all, thanks for being here. This has  
8 really been an intriguing discussion. I feel a little bit  
9 like after watching a really good Charlie Rose interview,  
10 you know, where you're sort of intense. And so I've enjoyed  
11 the discussion a lot.

12 But beyond that, more of just a thank you on a  
13 personal level. I know all of you have availed yourselves  
14 to me, and I'm sure to all of us on the Commission, and  
15 others who have served since you have. It's a small club of  
16 people who have actually sat in these chairs, and it's  
17 rather humbling to think about that.

18 And so there's a small group of people who really  
19 understand some of the technical pressures, and political  
20 pressures, and other pressures that you face in sorting  
21 through some of these decisions. And your willingness, and  
22 that of a lot of other former Commissioners, to give us  
23 advice--not necessarily on any specific issue that's in  
24 front of the Commission, but rather in terms of the history  
25 of the Agency, the institution itself, structuring of staff,  
26

1                   dealing with some of those pressures that I  
2 talked about,  
3 has really been extraordinarily valuable to me and is really  
4 a service to I think anybody who sits in these chairs.

5                   So thanks for that willingness to do that over  
6 the 18 months that I've been here on the Commission. And I  
7 know you'll be willing to offer that sort of advice to  
8 others as they sit in this chair, as will I once I'm done  
9 with my tenure. So thank you for being here.

10                  ACTING CHAIRWOMAN LaFLEUR: Well thank you. As  
11 Tony said, one of the humbling and wonderful parts of being  
12 at FERC is being part of a community and an organization  
13 that's been here for decades. And your service and your  
14 reflections that you shared with us really remind all of us  
15 of that. So I really appreciate your being here.

16                  There were really two themes that I think all of  
17 you harked to. The first was kind of that what we do  
18 matters, the importance to the markets, to the electric and  
19 gas customers, to the communities. A little earlier we had  
20 protesters back in the back of the room. We're sitting here  
21 talking about all the great things we did, and the next  
22 case, the next controversy, is right around the corner.  
23 There's a lot of work to do.

24                  And the second that every single former chair  
25 mentioned was how reliant we are on the FERC staff, and how  
26 wonderful they are.

27

1                   We are privileged to sit in these seats for a  
2 short time, but the FERC staff, some people who have been  
3 here for 36 years, and the ones who have been here shorter,  
4 are who generates all the records, and orders, and policies  
5 that we try to decide on. So thank you, very much. With  
6 that, Madam Secretary, I think you have an announcement?

7                   SECRETARY BOSE: Just one last matter, Madam  
8 Chairman. As we conclude the meeting today, we are going to  
9 ask that all guests clear the room immediately following the  
10 meeting. We are going to have some ceremonial photo session  
11 immediately following the meeting. So we will be asking  
12 folks to clear the room, please. Thank you.

13                   MS. MOLER: May I say one more thing? Thank you  
14 very much, on behalf of the four of us and others who were  
15 unable to come, including Charlie Curtis, whom I consider a  
16 mentor, thank you for this invitation. We really appreciate  
17 it.

18                   ACTING CHAIRWOMAN LaFLEUR: Well thank you for  
19 coming. And I would like to wish everyone a happy and safe  
20 holiday.

21                   (Applause.)

22                   (Whereupon, at 11:12 a.m., Thursday, December 19,  
23 2013, the 1000th meeting of the Federal Energy Regulatory  
24 Commissioners was adjourned.)

25