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United States of America

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FEDERAL ENERGY REGULATORY COMMISSION

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4

1020th Commission Meeting

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Thursday, October 15th, 2015

7

Commission Hearing Room

8

888 First Street, N.E.

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Washington, D.C. 20426

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11 The Commission met in open session at 10:01 a.m. when

12 were present:

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NORMAN C. BAY, Chairman

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TONY CLARK, Commissioner

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CHERYL A. LaFLEUR, Commissioner

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PHILIP D. MOELLER, Commissioner

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COLETTE D. HONORABLE, Commissioner

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1 FERC STAFF:

2 KIMBERLY D. BOSE, Secretary

3 JOE McCLELLAND, OEIS

4 MIKE BARDEE, OER

5 JAMIE SIMLER, OEMR

6 ANN MILES, OEP

7 MAX MINZNER, OGC

8 ARNOLD QUINN, OEPI

9 LARRY PARKINSON, OE

10

11 PRESENTERS:

12 E-1 Greg Basheda, OEMR

13 Accompanied by Debra Irwin, Carol Johnson, Jamie

14 Chabinsky, and Randy Johanning

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16 E-3 Virginia Castro, OEMR

17 Accompanied by Debra Irwin, Joseph Cholka, Stephanie

18 Schmidt, Randy Johanning, and Jamie Chabinsky

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20 A-1 Alyssa Asonye, OED

21 Shabnam Tehrani, OED

22

23 A-3 Owen Reynolds, OE

24 Dillon Kolkmann, OE

25 Accompanied by Eric Primosch and Patricia Schaub

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

2 (10:01 a.m.)

3 SECRETARY BOSE: The purpose of the Federal
4 Energy Regulatory Commission's open meeting is for the
5 Commission to consider the matters that have been duly
6 posted in accordance with the Government and the
7 Sunshine. Members of the public are invited to observe,
8 which includes attending, listening, and taking notes,
9 but does not include participating in the meeting or
10 addressing the Commission. Actions that purposefully
11 interfere or attempt to interfere with the commencement
12 or conducting of the meeting or inhibit the audience's
13 ability to observe or listen to the meeting, including
14 attempts by audience members to address the Commission
15 while the meeting is in progress, are not permitted.
16 Any persons engaging in such behavior will be asked to
17 leave³ the building. Anyone who refuses to leave
18 voluntarily will be escorted from the building.
19 Additionally, documents presented to the Chairman,
20 Commissioners, or staff during the meeting will not
21 become part of the official record of any Commission
22 proceeding, nor will they require further action by the
23 Commission.

24 If you wish to comment on an ongoing
25 proceeding before the Commission, please visit our

1 website for more information. Thank you for your
2 cooperation.

3 CHAIRMAN BAY: Good morning everybody. This
4 is the time and place that has been noticed in 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 and the Sunshine Act.
8 Please join us in the pledge of allegiance.

9 (The pledge of allegiance commences.)

10 Since the September 17th meeting the
11 Commission has had a very busy month. We've issued 64
12 additional orders.

13 Colleagues, do you any other opening
14 statements or announcements?

15 COMMISSIONER MOELLER: Thank you,
16 Mr. Chairman. I have some guests today; I'd like to
17 introduce my family. My wife Elizabeth, I have Wilson,
18 Phillip, Caroline, my sister Anne Marie, and our house
19 manager Nadine Adam. Thank you, Mr. Chairman.

20 CHAIRMAN BAY: Thank you.

21 Cheryl?

22 COMMISSIONER LaFLEUR: Welcome, wonderful to
23 have you here. I'd like to take a moment to note
24 something important that happened since our last open
25 meeting. It does relate to one of the cases on agenda

1 E-4, but I'm not going to talk about the case. On
2 October 1 the integrated system officially joined the
3 Southwest Power Pool. It's the backbone of the whole
4 electric transmission system across seven states in the
5 Upper Great Plains including Basin Heartland and the
6 Upper Great Plains region of the western area power
7 administration. And it's particularly significant that
8 it represents the first time a federal power marketing
9 administration has joined an RTO. So congratulations to
10 SPP and all of its new members. Thank you.

11 CHAIRMAN BAY: Thank you, Cheryl.
12 Tony?

13 COMMISSIONER CLARK: Thank you. Good
14 morning and welcome to Phil's family as well. I'm glad
15 that Commissioner LaFleur brought up the SPP integration
16 that just took place. I happened to return from North
17 Dakota just this past week, I was at a conference and
18 was pleased to recognize the folks who have been working
19 so hard on that. Any marketplace integration is an
20 undertaking, with in the case of SPP it doubles the size
21 of the geographic footprint of that ISO. So thanks to
22 all of those working so hard on that particular issue.
23 Again, thanks, good morning, welcome.

24 CHAIRMAN BAY: Thank you, Tony.
25 Colette?

1 proceed.

2 SECRETARY BOSE: Thank you, Mr. Chairman.
3 Good morning. Good morning, Commissioners. Since the
4 issuance of the Sunshine Act on October 8th, 2015, item
5 E-26 has been struck from his morning's agenda. The
6 consent agenda is as follows: Electric items: E-2,
7 E-4, E-5, E-8, E-9, E-11, E-12, E-13, E-14, E.15, E-16,
8 E-17, E-18, E-19, E-20, E-21, E-22, E-23, E-24, E-25,
9 and E-27. Miscellaneous items: M-1. Gas items: G-1,
10 G-2, G-3, G-4, G-5, and G-6. Hydro items: H-1, H-2,
11 H-3, and H-4. Certificate items: C-1, C-2, C-3, and
12 C-4. As required by law, Commissioner Honorable is not
13 participating in consent items E-2, E-4, E-13, E-16,
14 E-19, E-20, E-21 and E-22. As to E-27, Commissioner
15 Moeller is dissenting in part with a separate statement.

16 We're now ready to take a vote from this
17 morning's agenda. We are now ready to take a vote on
18 this morning's consent agenda. The vote begins with
19 Commissioner Honorable.

20 COMMISSIONER HONORABLE: Thank you, madam
21 secretary. Noting my recusal on items E-2, E-4, E-16,
22 E-19, E-20, E-21, and E-22, I vote aye.

23 SECRETARY BOSE: Commissioner Clark.

24 COMMISSIONER CLARK: Aye.

25 SECRETARY BOSE: Commissioner LaFleur.

1 COMMISSIONER LaFLEUR: I vote aye.

2 SECRETARY BOSE: Commissioner Moeller.

3 COMMISSIONER MOELLER: Noting my partial
4 dissent in E-27, I vote aye.

5 SECRETARY BOSE: And Chairman Bay.

6 CHAIRMAN BAY: I vote aye.

7 SECRETARY BOSE: The first item for
8 discussion and presentation this morning is item E-1
9 concerning a draft final rule on refinements to policies
10 market-based rates for wholesale sales of electric
11 energy, capacity, and ancillary services by public
12 utilities. There will be a presentation by Greg Basheda
13 from the Office of Energy Market Regulation. He is
14 accompanied by Debra Irwin from the Office of Energy
15 Market Regulation, Carol Johnson and Jamie Chabinsky
16 from the Office of General Counsel, and Randy Johanning
17 from the Office of Electric Reliability.

18 MR. BASHEDA: Good morning, Chairman Bay and
19 Commissioners.

20 E-1 is a draft final rule pertaining to the
21 Commission's requirements for market-based rate
22 authorization for wholesale sales of electric energy,
23 capacity, and ancillary services by public utilities.
24 Through this draft final rule, the Commission adopts, in
25 many respects, the proposals in the June 19th, 2014,

1 notice of proposed rule making they are intended to
2 clarify and streamline certain aspects of its electric
3 market-based rate program.

4 With regard to issues of process and
5 reporting, the draft Final Rule clarifies that, in lieu
6 of submitting indicative screens as part of their
7 horizontal market power analysis, sellers may explain
8 and provide information demonstrating that all of their
9 generation capacity in the relevant geographic market,
10 including first-tier markets, is fully committed. In
11 addition it adopts a 100 megawatt change in status
12 threshold for reporting new affiliations to align with
13 the existing 100 megawatt threshold for reporting net
14 increases in the generation capacity, as proposed in the
15 NOPR. The draft Final Rule adopts the changes in the
16 asset appendix the sellers must submit with most
17 market-based rate filings, and also that the asset
18 appendix be submitted in an electronic format that can
19 be searched, sorted, and otherwise accessed using
20 electronic tools.

21 The draft Final Rule reduces burden by
22 adopting the NOPR proposal to eliminate the requirement
23 that the market-based rate sellers file quarterly land
24 acquisition reports and provide information on sites for
25 generation capacity development in market-based rate

1 application and updated market power analyses.

2 The draft Final Rule adopts the NOPR
3 proposal to require a seller filing on initial
4 application for market-based rate authority, an updated
5 market power analysis, or a notice of change in the
6 status reporting new affiliations to include a corporate
7 organizational chart. However, the chart only needs to
8 include seller's affiliates as defined in Section
9 35.36(a)(9) of the Commission's regulations rather than
10 all upstream owners, energy subsidiaries and energy
11 affiliates as was originally proposed in the NOPR. The
12 draft Final Rule requires that the horizontal market
13 power screens and simultaneous transmission import limit
14 submittals be filed in workable electronic spreadsheets.
15 Shortly after the Final Rule is issued, spreadsheets for
16 the standard screen format, asset appendix, and the SIL
17 submittals 1 and 2 will be available on the Commission's
18 website.

19 The draft Final Rule also provides important
20 clarifications with respect to the manner in which the
21 market power analysis is undertaken. For example, the
22 draft Final Rule adopts the NOPR proposal to require
23 market-based rate sellers to report in their screens and
24 asset appendices all of their long-term firm purchases
25 of capacity and/or energy that have been associated with

1 long-term firm transmission reservation. This will
2 provide a more accurate measure of a seller's generation
3 resources. It also adopts most of the NOPR's
4 clarifications with regard to simultaneous transmission
5 import limit studies and provides additional
6 clarifications in response to comments, and adopts
7 several of NOPR's proposals that concern defining the
8 default relevant geographic market for an independent
9 power producer located in a generation-only balancing
10 authority area as the balancer authority areas of each
11 transmission provider to it which the independent power
12 producer's generation only balancing authority area is
13 directly interconnected.

14 While the draft Final Rule adopts many of
15 the proposals in the NOPR, it does not adopt the NOPR
16 proposal to relieve market-based rate sellers in
17 regional transmission organizations and independent
18 system operator markets of the obligation to submit the
19 indicative screens. Rather, the draft Final Rule
20 proposal is to transfer on this aspect of the NOPR to a
21 newly established administrative docket for possible
22 consideration in the future as the Commission may deem
23 appropriate. As such, the draft Final Rule continues
24 the Commission's current practice of requiring the
25 sellers in regional transmission organization and

1 independent system operator markets submit the screens
2 when submitting initial market-based rate applications
3 and updated market power analyses.

4 Finally, in contrast to the NOPR proposal,
5 the draft Final Rule determines that behind-the-meter
6 generation need not be accounted for in the indicative
7 screens and the asset appendices and will not count
8 towards the 100 megawatt change in status threshold or
9 the 500 megawatt Category 1 seller threshold.

10

11 CHAIRMAN BAY: Thank you, Greg. And thank
12 you to all of your colleagues at the Office of Energy
13 Market Regulation, the Office of General Counsel, and
14 the Office of Electric Reliability. We've worked on
15 Order 16. I know a lot of staff time went into the
16 review of the Commission's market-based rate program.
17 And we very much appreciate your efforts. The
18 market-based rate program is a key element of the
19 Commission's effort to use the power in competitive
20 markets to produce just and reasonable rates for
21 consumers. It's been eight years since the Commission
22 codified its market-based rate, all Orders 6 and 7. And
23 today's order is a culmination of that review of that
24 policy based on our experience with an eye towards
25 identifying processes that can be streamlined in

1 lessening administrative burdens where appropriate. In
2 my view, such an exercise is a hallmark of the
3 Government, and for that reason I'm pleased to support
4 today's order.

5 Colleagues?

6 COMMISSIONER MOELLER: Thank you,
7 Mr. Chairman. No questions for the team. But I want to
8 thank them for all the work they've put in. After we've
9 done something, to find out how affective it's been,
10 make changes, perhaps defer some additional discussion
11 on perhaps later on more changes, that is good
12 government. And I applaud the Commission for moving
13 forward today.

14 CHAIRMAN BAY: Thank you, Phil.

15 Cheryl?

16 COMMISSIONER LaFLEUR: Thank you. I have no
17 questions either. I also would like to thank the team
18 for their work over many months on this very extensive
19 final rule. I think it's a good example of the work we
20 do to learn from our experience and to make our
21 practices better, streamlining them in some ways and
22 also requiring more information where needed. And I
23 hope it will help in the evaluation of NBR applications
24 going forward. Thank you.

25 CHAIRMAN BAY: Thank you, Cheryl.

1 Tony?

2 COMMISSIONER CLARK: I can assure members of
3 the public that indicative streams are not quite as
4 exciting as they sound.

5 (Laughter)

6 COMMISSIONER CLARK: This update, as my
7 colleagues have indicated, is a deep dive and this is an
8 extensive order and it took a lot of legwork on behalf
9 of the Commission. So thanks for all the work that
10 staff did.

11 CHAIRMAN BAY: Thank you, Tony.

12 Colette?

13 COMMISSIONER HONORABLE: Thank you, Mr.
14 Chairman. I echo the comments of my colleagues, and I
15 appreciate your work. It took a lot of cooperation and
16 collaboration to pull that together in a way that would
17 support the ongoing work in the industry. Over 2,000
18 public utilities have been granted market-based rate
19 authority. After demonstrated that they or their
20 affiliates either lack or adequately mitigated market
21 power. And I mention that because the number 2,000
22 really is a testament to how far we've come with this
23 effort and how robust the markets have become.

24 I also wanted to mention that this Final
25 Rule is a good example of how our rule-making process

1 works at FERC, and that a common period is a significant
2 one. Here we issue the notice of proposed rulemaking,
3 we wanted to hear whether this proposal was a good or
4 bad idea. And for instance, based on the feedback that
5 we received, the Final Rule adopts some of the NOPR
6 proposal yet doesn't adopt others. And I mention this
7 because some of our earlier rulemaking, it is a good
8 process at work. For instance, the final rules did not
9 adopt the NOPR proposal to not require sellers in the
10 RTL market system indicative to it.

11 Thank you for your feedback, to all of the
12 stakeholders on that point. And also we are
13 streamlining this work as we do better when we know
14 better. So thank you for your work, and I'd like to
15 thank all of the stakeholders as well.

16 CHAIRMAN BAY: Thank you, Colette.

17 Madam secretary?

18 SECRETARY BOSE: We will now take a vote on
19 E-1.

20 Commissioner LaFleur.

21 COMMISSIONER LaFLEUR: Aye.

22 SECRETARY BOSE: Commissioner Moeller.

23 COMMISSIONER MOELLER: Aye.

24 SECRETARY BOSE: And Chairman Bay.

25 CHAIRMAN BAY: Aye.

1 SECRETARY BOSE: The next presentation and
2 discussion item this morning is E-3, a draft order
3 concerning the Public Service Company of New Mexico and
4 Docket No. ER10-2302-005. There will be a presentation
5 by Virginia Castro from the Office of Energy Market
6 Regulation. She is accompanied by Debra Irwin and
7 Joseph Cholka the from the Office of Energy Market
8 Regulation, Stephanie Schmidt from the Office of
9 Electric Reliability, along with Randy Johanning from
10 the Office of Electric Reliability, and Jamie Chabinksy
11 from the Office of the General Counsel.

12 MS. CASTRO: Good morning, Chairman Bay and
13 Commissioners.

14 E-3 is a draft order involving a notice of
15 change in status filed by the Public Service Company of
16 New Mexico, PNM, to report a transaction in which it
17 purchased the interests in the Delta Person, Limited
18 Partnership, the owner of a 132 megawatt gas-fired
19 generating facility located in the PNM balancing
20 authority area. PNM also seeks to reinstate its
21 market-based rate authorization in the PNM balancing
22 authority area because PNM states that the market
23 characteristics in the PNM balancing authority area have
24 changed since PNM relinquished its market-based rate
25 authority in 2010. In support of its request, PNM

1 submits an updated market power analysis, which includes
2 indicative market power screens, a delivered price test,
3 or DPT analysis, and a simultaneous transmission import
4 limit or SIL study.

5 The draft order accepts the notice of change
6 in status filed by PNM, and rejects, without prejudice,
7 PNM's request for market-based authority in the PNM
8 balancing authority area. The draft order also rejects,
9 without prejudice, the SIL values submitted by the PNM
10 for the PNM balance authority area.

11 The draft order also reminds market-based
12 rate sellers the type of information and analysis that
13 is useful and appropriate for the Commission's
14 consideration of the DPT. The draft order provides
15 important information, not only to PNM, but also to
16 industry, with respect to several issues that arose in
17 review of the DPT analysis and those studies prepared by
18 PNM. Those studies are used as a basis to calculate
19 import capability to serve balancing authority load when
20 performing market power analyses, including both
21 indicative market power screens and DPT analyses. The
22 issues identified in the draft order have been seen in a
23 number of other market-based rate filings. Thus, the
24 clarification in E-3 is intended to promote industry
25 compliance with the Commission's regulations and

1 policies in an effort to more timely process
2 market-based rate filings.

3 Although the Commission has provided
4 guidance on how to conduct a DPT analysis in previous
5 orders and generic rulemaking proceedings, it is also
6 addressed in the Commission's regulations, the draft
7 order attempts to gather this previous guidance into one
8 order and provide further clarification to the industry.
9 In an effort to assist industry in preparing field
10 studies and DPT analyses in the future, that contends to
11 update the market-rate based portion of the Commission's
12 website to outline the findings in the draft order and
13 provide responses to frequently asked questions on the
14 preparation of SIL studies and DPT analyses. If filers
15 have further questions, they can request pre-filing
16 conferences with staff prior to submitting these
17 studies, as staff is available to provide information on
18 how these studies should be prepared.

19 This concludes our presentation. Staff
20 would be happy to address any questions you may have.
21 Thank you.

22 CHAIRMAN BAY: Thank you, Virginia. And my
23 thanks to the team for your work in this matter.
24 Today's order provides additional guidance and
25 clarification to industry which should help reduce any

1 uncertainty when it has to do the analysis in analyzing
2 market-based rate applications. I also appreciate the
3 fact that staff is putting up a lot of this information
4 on this website's, I think that will be very helpful.
5 So thank you for your good work on this order.

6 Colleagues?

7 COMMISSIONER MOELLER: Just quick thanks to
8 the team. Obviously these last two items go together
9 and are submitted within. I appreciate the work you
10 did.

11 CHAIRMAN BAY: Cheryl?

12 COMMISSIONER LaFLEUR: I'd also like to the
13 thank the team. I think, as with the NBR order we just
14 discussed, this is an example of the Commission staff
15 learning from experience to find ways to make our
16 processes better. I just want to observe that, although
17 this case happens to involve Public Service of New
18 Mexico, the order points out that a myriad of other
19 companies have submitted applications with exactly the
20 same issues. So we just happened, the PNM was just the
21 lucky person we chose to use their order as the vehicle
22 to deliver this guidance.

23 (Laughter)

24 COMMISSIONER LaFLEUR: And I hope that the
25 guidance will be helpful to applicants to make their

1 application processes smoother and faster in the future.

2 Thank you.

3 CHAIRMAN BAY: Thank you, Cheryl.

4 Tony?

5 COMMISSIONER CLARK: Thanks, Mr. Chairman.

6 And thanks for putting this item on the agenda for
7 discussion. Because the point Cheryl just made was
8 exactly the point that I was going to make. PNM can
9 thank us for free advertising.

10 (Laughter)

11 COMMISSIONER CLARK: We've given them to
12 date. But it's really more than PNM. This is a number
13 of issues that staff indicated that have been noted in
14 the applications we have received. So this is more
15 about setting a guidepost for other stakeholders in the
16 industry as well, so that in the future some of the
17 applications that we received will have more
18 standardized information in the order that we're looking
19 for. So thank you.

20 CHAIRMAN BAY: Thank you, Tony.

21 Colette?

22 COMMISSIONER HONORABLE: Thank you,
23 Mr. Chairman. I, too, am supporting this order because
24 of the broader message. Thank you, Cheryl and Tony, for
25 the point that you mention. Our intention isn't

1 certainly to single out PNM. And I also appreciate the
2 point you've made, Ms. Castro, regarding using the
3 pre-filing process; it's an important way to resolve
4 issues ahead of the filing. That's a broader message
5 for everyone, as well as our effort to clarify how to
6 reduce the amount that should be conducted. Kudos to
7 you for also making sure that this information is on the
8 website. In the future I would also support providing
9 this guidance in a separate administrative docket or
10 otherwise to make sure we are informing the masses about
11 it versus through a particular utilities docket. But
12 this happened to be the right time for the
13 clarification. Thank you for the team.

14 CHAIRMAN BAY: Thank you, Colette.

15 Madam secretary?

16 SECRETARY BOSE: We will now take a vote on
17 E-3. The vote begins with Commissioner Honorable.

18 COMMISSIONER HONORABLE: Aye.

19 SECRETARY BOSE: Commissioner Clark.

20 COMMISSIONER CLARK: Aye.

21 SECRETARY BOSE: Commissioner LaFleur.

22 COMMISSIONER LaFLEUR: Aye.

23 SECRETARY BOSE: Commissioner Moeller.

24 COMMISSIONER MOELLER: Aye.

25 SECRETARY BOSE: And Chairman Bay.

1 CHAIRMAN BAY: Aye.

2 SECRETARY BOSE: The next presentation is
3 discussion item this morning is on item A-1 concerning
4 the 2015 Federal Employee Viewpoint Survey Results.
5 There will be a PowerPoint presentation on this item.
6 The presentation will be made by Alyssa Asonya and
7 Shabnam Tehrani from the Office of the Executive
8 Director.

9 MS. ASONYA: Good morning, Mr. Chairman and
10 Commissioners. Thank you for the opportunity to present
11 the Commission's 2015 Federal Employee Viewpoint Survey
12 Results. Today Shabnam and I will be presenting an
13 overview of the Employee Viewpoint Survey, the
14 Commission's survey results, and the rankings when
15 compared to other federal agencies.

16 The Federal Employee Viewpoint
17 Survey measures the job satisfaction of federal
18 employees. It is administered every year by the Office
19 of Personnel Management. Permanent federal employees at
20 every agency have an opportunity to provide voluntary
21 and anonymous responses. Once the survey period ends,
22 the Office of Personnel Management compiles the
23 information and issues agency-specific results to every
24 federal agency. The results, broken down by agency,
25 office, and division level, are a powerful tool for

1 employees wanting to share their perspectives on work
2 experiences, office culture, and agency leadership. In
3 turn, agency leaders are empowered to further analyze
4 the results, recognize areas of strength, and initiate a
5 plan to improve the agency as a whole. I will now turn
6 the presentation over to Shabnam, who will provide you
7 with some Commission-specific data.

8 MS. TEHRANI: In 2015, 996 Commission
9 employees completed the survey for a participation rate
10 of 73 percent, the highest response rate at the
11 Commission since the survey has been administered. As
12 you can see on the graph, the participation rate has
13 increased by 20 percent since 2012. The survey
14 participants include full-time and part-time permanent
15 employees at Commission headquarters and regional
16 offices.

17 Compared to last year's results, the
18 Commission's scores in 89 percent of the questions went
19 up. Specifically, 63 of the 71 questions on the survey
20 had an increase in positive scores. The question with
21 the largest positive increase related to the confidence
22 employees have in the survey results being used to
23 improve workplace.

24 OPMI uses the survey results to rank federal
25 agencies. For the measure of employee engagement, the

1 Commission is ranked number 4 out of the 37 large
2 agencies in the government. Employee engagement is
3 defined as employees' sense of purpose, their level of
4 dedication to the work, and their commitment to the
5 organization and its mission. It is measured using the
6 scores of 15 questions from the survey regarding
7 employees' views on leaders, supervisors, and intrinsic
8 work experiences. The Commission's score in the
9 employee engagement measure is 76 percent, which is a 2
10 percent increase from last year and a 6 percent increase
11 from 2012. Compared to the government-wide results, the
12 Commission's score is higher than 12 percent.

13 For the measure of global satisfaction, the
14 Commission is ranked third among large federal agencies.
15 Global satisfaction is measured by four questions
16 relating to employees' overall satisfaction with their
17 job, organization, and pay and when they recommend the
18 organization as a good place to work. The Commission's
19 score on the global satisfaction measure is 74 percent,
20 a 3 percent increase from 2014 and a 6 percent increase
21 from 2012. Compared to the government-wide results, the
22 Commission's score is higher than 14 percent. In
23 addition to the OPMI analysis, the partnership for
24 public service also publishes a separate ranking based
25 on the survey results. This is called the "Best places

1 to work in a federal government" index. In 2014, the
2 Commission ranked number 5 in this index. However, the
3 2015 rankings have not yet been released.

4 Five questions from the survey that
5 highlight the Commission's strengths are the following:
6 Employees' views on supervisors treating them with
7 respect and talking to them about their performance;
8 their views on the quality of work within their units;
9 supervisors' support for work/life balance; and whether
10 employees believe their work is important.

11 MS. ASONYA: In terms of next steps, all
12 Commission employees will receive the agency-wide
13 results in the next few days. In addition, the results
14 will be posted on the Commission's website, FERC.gov,
15 for the public to view. The Office of the Executive
16 Director will be partnering with each office to discuss
17 the office and division level survey results and develop
18 an action plan to further improve the workplace in areas
19 identified as strengths, as well as areas identified as
20 challenges. We are encouraged by the interest and
21 enthusiasm of senior leadership and look forward to
22 working with each office soon. Thank you for your time.
23 We are open to any questions or comments you may have.

24

25 CHAIRMAN BAY: Thank you Alyssa and Shabnam

1 for the presentation. First, let me thank staff for the
2 great work that you do. We're so lucky here at the
3 Commission to have staff that are so engaged and
4 satisfied with their work. You do important work and we
5 appreciate what you do. Staff is truly the greatest
6 resource at the Commission. Let me also thank senior
7 staff for the leadership you provide in your offices.
8 FERC is very talented [sic] to have board of talented,
9 dedicated office directors that we have. These results
10 I think also reflect on my colleagues on the Commission
11 and a culture that they've helped develop, one that
12 prizes excellence, respect, professionalism, and
13 collegiality. In particular my predecessors John
14 Wellinghoff and Cheryl LaFord serve the credit for
15 FERC's steady upward climb. When you look at that
16 upward trajectory, it's so striking to see the way in
17 which FERC continues to do better. In other agencies
18 there's a different story.

19 Finally, let me make this one plug for FERC:
20 If anyone out there is interested in coming to one of
21 the best agencies in the government.

22 (Laughter)

23 CHAIRMAN BAY: If you have a friend that may
24 be interested in coming to the best agencies in
25 Government, please consider applying to FERC. You'll

1 have great colleagues, you'll do interesting and
2 important work where you can truly make a difference.
3 You can find job listings for FERC at www.FERC.com.

4 (Laughter)

5 CHAIRMAN BAY: Thank you.

6 Phil?

7 COMMISSIONER MOELLER: Thank you, Mr.
8 Chairman. I'm glad you called this item. I
9 congratulate you and your predecessors and your staff
10 for the results. As members of my team know, I asked
11 them on evaluation time to focus on the positive things
12 that they do, focus on the areas where they've improved,
13 and then focus also on areas that continue to need
14 improvement. And in that light of very positive
15 results, are there any other areas where you can
16 generally say that the Commission can still improve?

17 MS. ASONYA: Yes, based on the survey
18 results, two areas are creativity and innovation and
19 pay. However, pay is an area that has been identified
20 as a challenge across the Government consistently with
21 the survey results.

22 (Laughter)

23 MS. ASONYA: In fact, FERC ranks amongst the
24 top ten agencies in regards to employee satisfaction in
25 this case. Nevertheless, it is government wide. The

1 report that will be issued on the website, the Chairman
2 just sited FERC.gov, will include additional details
3 regarding our strengths and areas for improvement.

4 COMMISSIONER MOELLER: Thank you for your
5 answer and the presentation.

6 COMMISSIONER LaFLEUR: Thank you, Alyssa and
7 Shabnam for sharing those very gratifying results. One
8 of my very best days at the Commissioner is when I
9 accompanied David Warnoff and Anton Porter and watched
10 them be recognized for the Partnership for Public
11 Service for our survey results last year. We are so
12 lucky to have the wonderful team of employees we do at
13 FERC. I truly would like to thank the office leaders
14 for the specific, targeted work they did responding to
15 the surveys in past years to help us grow. And I want
16 to single out the Office of Energy Project, which was
17 the first one to put together an employee team to really
18 learn, I think it was 2013 survey. And I'd also like to
19 recognize Anton who coordinates all the offices in that
20 interest.

21 Since the question of the greatest
22 improvement was whether employees thought we used this
23 survey to make this a better place to work, I guess it's
24 incumbent on us to use the survey to make this a better
25 place to work.

1 (Laughter)

2 COMMISSIONER LaFLEUR: I do want to point
3 out that it will be challenging. I think to sustain all
4 these wonderful results as we go through the building
5 modernization over the next several years, so that's on
6 all of us as leaders to make that process work. Thank
7 you.

8 CHAIRMAN BAY: Thank you, Cheryl.
9 Tony?

10 COMMISSIONER CLARK: Thank you,
11 Mr. Chairman. From the day that I've walked in the
12 door, I've been so impressed by the dedication and
13 professionalism of the staff here. It's nice to see
14 affirmation of what's happening at the Commission, and
15 hopefully we can all keep up the good work. I would
16 also say thank you, Mr. Chairman, for putting this on
17 the agenda because it reminds me that I haven't done my
18 performance evaluations yet.

19 (Laughter)

20 COMMISSIONER CLARK: For my own staff, and I
21 know they've been anxiously awaiting that feedback.

22 CHAIRMAN BAY: Thank you, Tony.
23 Colette?

24 COMMISSIONER HONORABLE: Thank you, Mr.
25 Chairman. Thank you for the presentation. It is a

1 wonderful story to hear from more of our employees here
2 and colleagues here, and to learn that they are equally
3 enjoying this, as much as I am as the newest
4 Commissioner. People always ask me, "Do you like what
5 you do?" And I say, "I knew that I would like it but I
6 actually love it." And I love coming to this place and
7 working alongside such incredibly talented and
8 experienced individuals. It's amazing the work that is
9 carried out here. It's challenging, every day is
10 something new and different. But we also serve others
11 and we carry out important work. Thank you for
12 highlighting this effort. And also our executive
13 director Anton Porter, thank you for also working with
14 the spirit of excellence each and every day. Thank you.

15 CHAIRMAN BAY: Thank you, Colette.

16 Madam secretary.

17 SECRETARY BOSE: Thank you. The next
18 presentation is discussion item, the last this morning,
19 is A-3 concerning the 2015-2016 Winter Energy Market
20 Assessment. There will be a presentation by Owen
21 Reynolds and Dillon Kolkmann. They're accompanied by
22 Eric Primosch and Patricia Schaub from the Office of
23 Enforcement. There will be a PowerPoint presentation on
24 this item.

25 MR. REYNOLDS: Good morning, Mr. Chairman

1 and Commissioners. This is the Office of Enforcement's
2 2015-16 Winter Energy Market Assessment. The winter
3 assessment is staff's opportunity to share our thoughts
4 and market expectations for the upcoming winter season.
5 Natural gas and electric spot and futures prices are
6 lower than last year, consistent with expectations that
7 energy markets are well positioned to manage potential
8 challenges this winter. The U.S. natural gas market is
9 well supplied, with ample production and storage.
10 Record-breaking production continues despite lower rig
11 counts, increased exports, and the collapse of oil
12 prices. New natural gas pipeline expansions and
13 projects to reverse flows on some pipelines will also
14 provide more transportation capacity from producing to
15 market areas this winter, though no capacity additions
16 have been made in New England. Winter weather forecasts
17 indicate cooler than normal temperatures in the South,
18 moderate weather in the Midwest, Pacific Northwest, and
19 Northeast, and uncertain temperatures in the
20 Mid-Continent and Mid-Atlantic. Temperate conditions in
21 the Midwest and Northeast should help depress total
22 residential and commercial natural gas demand during the
23 winter, although LNG exports and industrial facilities
24 could add to the total demand as operations begin.
25 Electricity prices also increasingly track natural gas

1 markets as gas-fired generation increases. In addition,
2 increased integration of renewables can cause price
3 volatility, particularly in the Western markets.

4 Spot and futures prices generally reflect
5 market expectations for a relatively well-supplied
6 winter. Spot natural gas prices traded in a tight range
7 and remained relatively low throughout the summer. At
8 times, prices in New York and New England traded under
9 \$2 MMBtu, well below the U.S. benchmark at Henry Hub.
10 In addition, futures prices for this winter are trading
11 several dollars less than last year. The cost to hedge
12 natural gas in Northeast market areas is around \$10
13 MMBtu. In New England traders seem to be factoring in
14 the likelihood of the LNG cargoes mitigating price
15 spikes in the region. Consequently Algonquin futures
16 are trading at half the price of last year. Elsewhere,
17 natural gas futures prices in Southern California and at
18 the Henry Hub are more than one dollar per MMBtu below
19 the last year's prices. Power futures prices have
20 followed natural gas futures downward, reflecting the
21 growing reliance of power generation on natural gas.
22 Traders are likely recognizing the ample supply of
23 natural gas expected for the coming winter as well as
24 the expanded natural gas pipeline delivery system.

25 As always, weather is one of the primary

1 some least predictable drivers for natural gas and
2 electricity markets. A strengthening El Nino in the
3 tropical pacific could bring warmer-than-normal weather
4 to most northern states and relatively wet and stormy
5 weather to the southern half of the U.S. NOAA's
6 three-month outlook for December 2015 through February
7 2016 is consistent with this pattern. It shows a higher
8 probability of warm weather in the Northeast, Midwest,
9 and Pacific Northwest, and colder weather in the Gulf
10 and Southeast. NOAA predicts an equal chance for cold
11 or warm weather in the Mid-Atlantic, Mid-Continent, and
12 Southwest. Based on NOAA data, some analysts project
13 this winter to be 7 percent warmer than last year and 3
14 percent warmer than the 30-year average. Most
15 commercial forecasting services also expect the U.S. to
16 have a warmer-than-usual winter, with some projecting
17 the highest probability for warm weather in December.

18 Storage inventories began this year's
19 injection season below the five-year average. However,
20 storage refilled quickly throughout the spring and
21 summer, as strong production growth outpaced demand. As
22 a result, natural gas inventories may reach 4 TcF by the
23 end of the injection season, which would be a record
24 level. Inventories are robust in all regions, and we
25 expect the EIA producing region to set a new all-time

1 high by the end of the month, while the East and the
2 West regions should be near previous records. In
3 addition, Canadian storage is approaching the five-year
4 average, and imports can quickly respond to meet high
5 winter demand in the U.S. This graphic shows potential
6 withdrawal rates based on two historic scenarios from
7 the past five years. The red dotted line shows storage
8 inventory withdrawals based on the cold weather events
9 of winter 2013-14, and indicates that similar
10 withdrawals this winter would still leave storage within
11 the five-year range. The green dotted line shows the
12 lowest withdrawal rates in the last five years, similar
13 to winter of 2011-12, indicating that the storage could
14 remain above the five-year range. Finally
15 deliverability, scarcity, and record price spikes during
16 the 2013-14 cold weather events have largely been
17 addressed for other heating and electric generating
18 fuels, indicating strong market preparation for the
19 upcoming winter season. Propane storage at the whole
20 sale level is filled far above the five-year range.
21 Coal stock piles and deliveries are also at or above
22 normal due to improved rail deliveries, as well as
23 capital improvements to railroad tracks and locomotives.
24 This graphic shows U.S. monthly
25 natural gas demand by sector from September 2013 and

1 forecasted demand through April 2016. It shows that
2 peak demand during the previous two winters was similar
3 and unusually high. Given average weather and demand
4 patterns, total natural gas demand should be lower than
5 the previous two winters. Warmer-than-usual
6 temperatures in the Midwest and Northeast should further
7 mitigate peak demand from the residential and commercial
8 sectors. In New England, 34 BcF of liquefied natural
9 gas imports from Everett and Canaport helped moderate
10 natural gas price spikes in the region last winter.
11 With global LNG prices currently below \$8 per MMBtu, we
12 expect that New England will be able to attract LNG
13 cargoes again this winter. We do not expect the
14 predicted cold weather in the South to significantly
15 increase demand. Power burn continues to rise as coal
16 plants retire and natural gas becomes more price
17 competitive for electric generators. During April and
18 July of 2015, monthly natural gas power burn surpassed
19 coal-fired generation for the first time at the national
20 level. As the graphic shows, power burn peaked this
21 past summer, but should level out through the coming
22 winter. Industrial natural gas demand could also
23 increase by 500 MMcfd by year's end because of new
24 industrial facilities. Internationally, natural gas
25 imports from Canada will continue to meet peak U.S.

1 winter demand. However, ISO New England has expressed
2 concerns over operational issues at the Deep Panuke
3 offshore facility. In contrast, pipeline capacity and
4 exports to Mexico have increased, though because Mexican
5 demand is largely summer peaking, the new infrastructure
6 is not expected to add upward price pressure during the
7 winter months. In addition, we understand that Cheniere
8 Energy expects its LNG export facility at Sabine Pass,
9 Louisiana to begin full operation at 750 MMcfd of
10 contracted exports towards winter's end. We will
11 monitor these developments closely to see if the added
12 facilities have a market impact.

13 CHAIRMAN BAY: Thanks, Owen.

14 MR. KOLKMANN: At the last Commission
15 meeting, most RTO's generally expressed confidence in
16 their abilities to achieve reliable leader operation.
17 However, the New York ISO and the ISO New England, we're
18 more cautious. To ensure reliability, a number of
19 efforts have occurred and are ongoing. Categories of
20 effort include: Seasonal reliability assessments;
21 gas-electric coordination; neutralization testing; and
22 improved situational awareness. RTO has continued their
23 efforts to integrate gas-electric coordination. Fuel
24 inventory service have also become the norm, allowing
25 RTO's to better realize, incorporate, and prepare for

1 potential fuel shortages before the winter begins.
2 Seasonal modeling assessments and winterization testing
3 is also common. Seasonal assessments often form the
4 baseline for winter preparedness efforts. These
5 assessments remain ongoing and have identified and
6 observed in excess of targets. At the individual
7 generator level, RTO's are working in plants running
8 workshops and target secret facilities to ensure
9 readiness for cold temperatures. RTO's have also
10 increased situational awareness in understanding of
11 natural gas market fundamentals.

12 Perhaps highlighting natural gas pipelines
13 that overlay electric transmission maps exist in many
14 RTO's, including the New York ISO, ISO New England and
15 SPP. These maps help system operators plan for fuel
16 restrictions on their system when making dispatch
17 decisions. More generally, RTO's, in particular CAISO,
18 have learned about more about national gas system
19 outages and the domino effect on the electric grid.

20 Demand in winter months differs from other
21 seasons, not only in the amount of demand but also in
22 the pattern during the day. MISO, SPP, ISO New England,
23 and CAISO, for example, experience two ramps during the
24 winter month: One in the morning and one in the evening
25 as customers turn on their lights. The evening ramp is

1 especially normal during the holiday period. These
2 large changes in load can present challenges to power
3 operators. In California, significant amounts of solar
4 generation has compounded this effect. Utility scale
5 solar capacity has grown to 6,912 megawatts as CAISO
6 added 598 megawatts so far in 2015, and behind the meter
7 solar has raised an estimated 3,000 megawatts. This is
8 a particular challenge in the winter when the sun sets
9 well before the evening peak load.

10 The winter three-hour ramp requirements
11 climbed to a maximum of 9,131 megawatts in the winter
12 2014-15 from 6,247 in 2011-2012. And this winter could
13 be the highest ever on the CAISO system. This ramp
14 requires other generators to be online and available as
15 needed. The removal of generation remains sensitive to
16 markets prices and is not dispatchable in CAISO.
17 Together, the need for gas-fired generation and the lack
18 of renewable generation increases the likelihood of
19 price volatility in possible over- or under-generation
20 conditions. This increased power ramp creates a natural
21 gas bracket in the power plant pulling natural gas from
22 pipelines to fuel their output. In the winter 2013-14
23 CAISO and Southern California Gas encountered a problem
24 serving generator natural gas demand. At least in part,
25 because SoCal Gas lacked adequate tools to deal with low

1 pressure situations. SoCal filed with the California
2 Public Utilities Commission for a low-operational flow
3 order program similar to that in the Northern part of
4 the State. The CPU granted this request, but is unclear
5 whether the OFO will be affected this winter. CAISO and
6 SoCal Gas discovered further areas for coordination this
7 past summer.

8 Maintenance on SoCal's system, combined with
9 the record natural gas generation dispatch in the L.A.
10 Basin, lead SoCal to notify CAISO that it could not
11 serve all the power plant demand. CAISO's dispatch
12 resulted from significantly lower import and cloud cover
13 that reduced solar output. Overcast conditions, which
14 are common in the winter months, can reduce solar output
15 and can increase the amount of natural gas required by
16 generators, as well as add to operational uncertainty.
17 In early September the Commission approved a three-year
18 extension of ISO New England inter-reliability program.
19 The program is designed to prevent over-reliance on
20 natural gas-fired generators, as well as to implement
21 other proactive measures during the winter months. The
22 three-year term is intended as a bridge until the
23 initiation of pay-for-performance capacity market. Once
24 pay-for-performance has been implemented, ISO New
25 England believes that the winter reliability program

1 will no longer be needed.

2 These pie charts show how much the ISO has
3 relied on full and oil-fired power plants in the winter.
4 They contributed 6 percent of all of the energy produced
5 last year in New England, but when demand peaks and when
6 natural gas-fired generators cannot fuel, they are
7 crucial for reliability. During last winter's extreme
8 weather, they contributed 24 percent of energy in
9 January and 18 percent in February. The winter
10 reliability program provides incentives for three types
11 of resources: Oil and dual fuel generators to increase
12 oil inventories; LNG to augment natural gas-fired
13 generators' pipeline gas; and demand response. The
14 program includes compensation for up to ten days of oil
15 supply per generator, 6 BcF of LNG, and 100 megawatts of
16 demand response.

17 Additionally, last year six units
18 representing about 1,700 megawatts decided to take
19 advantage of incentives for generators to add dual-fuel
20 capability. Over the past two winters the program cost
21 approximately 75 and 46 million respectively. It is
22 forecasted to cost between 36 and 66 million each year
23 going forward, depending on factors such as the amount
24 of unused oil at the end of the winter, actual fuel
25 prices, and the number of hours when demand response is

1 called.

2 In addition to the winter reliability
3 program, the ISO has initiated several other measures
4 over the past year to increase operator flexibility and
5 provide incentives to market participants to enhance
6 reliability. Additionally, the reserve constraint
7 compounding factor levels were increased to better
8 reflect scarcity and prevent precipitation during
9 shortage conditions. Even with these initiatives,
10 however, ISO New England reports that the loss of any
11 major non-gas unit are significant disruptions in gas
12 supply and pipeline capability will create major
13 challenges for ISO operations.

14 Southwest Power Pool out of the Western area
15 power administration in Billings, Montana, the base is
16 electric power cooperative in Bismarck, North Dakota,
17 and the Heartland in Madison, South Dakota.

18 Collectively known as the Integrated System of
19 Operations at the October 1. This is the first time a
20 federal power marketing party has joined the RTO. The
21 integrated system added more than 500 megawatts of peak
22 demand and 950 miles of transmission infrastructure,
23 expanding SPP by 14 states. The integrated system will
24 increase SPP's generating capacity by about 10 percent.

25 And the energy integrates With the Southern

1 part of CAISO's system, expanding the market into the
2 Southwest. RTO's have made other changes that should
3 improve market performance this winter. For example,
4 ISO New England increased its total operating reserve
5 requirement from 1,965 megawatts to 2,620 megawatts, and
6 will implement enhanced reserved shortage curves on
7 November 1. Furthermore, MISO and SPP have established
8 market-to-market coordination protocols to improve
9 market efficiency across their sales.

10 This concludes the winter 2015-16 energy
11 market assessment. We're happy to answer any questions
12 you have.

13 CHAIRMAN BAY: Thank you, Dillon, Owen, Pat,
14 and Eric, along with the rest of your colleagues in the
15 Office of Enforcement who worked on this report. This
16 report has been very informative and helpful to us. I
17 don't have any questions or comments regarding this
18 specific report, but I want to let you know how helpful
19 these reports are to the Commission and how they can
20 help us with our situational awareness going into peak
21 times of the year. So thank you.

22 Colleagues?

23 COMMISSIONER MOELLER: Thank you,
24 Mr. Chairman. Thank you for the report, great report.
25 Great work.

1 I have four quick questions, and hopefully
2 I'm not stealing anyone's questions, but if so it's the
3 last time.

4 (Laughter)

5 CHAIRMAN MOELLER: First, generally
6 speaking, to the gas-electric coordination, you have to
7 keep that issue alive. You spoke do it generally. Is
8 there anymore elaboration you want to but on that
9 subject matter?

10 MR. REYNOLDS: Just want to highlight the
11 fact that we've made some pretty important steps in the
12 last couple of years. In the Order 77, we noted some
13 pretty important examples, CAISO providing gas-burn
14 pipelines, that's been very helpful, gas-usage tool.
15 The new memorandum of understanding. It's an ongoing
16 issue. We certainly haven't accomplished everything
17 we'd like to, but important steps have been made.

18 COMMISSIONER MOELLER: Very good. Thank
19 you. Could you elaborate on a little bit more on the
20 negative offers of up to \$150 per megawatt hour? Is
21 that yours?

22 MS. SCHAUB: The negative offers are
23 supposed to help manage situations. And in general,
24 what you want is a market where people increase or
25 decrease their output is not on our dispatches. And at

1 least in California when they did it, the hope was that
2 some of the renewables might happen when that system
3 happens. That hasn't been the case in California.

4 MR. KOLKMANN: I would report similar.

5 COMMISSIONER MOELLER: Relating to PJM,
6 we've had a lot of retirement in the coal fleet. What's
7 your sense going into this winter given those number of
8 retirements?

9 MR. KOLKMANN: Well, as you know PJM was
10 here last Commission meeting, they expressed confidence.
11 So if Mike Kormos is confident, I'm confident I guess is
12 my first answer to that. So that's my number 1 answer
13 to that. We definitely noted some retirements which are
14 occurring, I think he said about 10 gigawatts over the
15 last year. But there have been approximately three
16 coming online, as well as some new transmission projects
17 which will also help. At the end of the day, if Mike's
18 confident, I'm confident we will continue to monitor.

19 COMMISSIONER MOELLER: Thank you. Last
20 question on slide 11 you focused on the fact,
21 particularly in CAISO, a state that has provided to
22 promote renewable energy quite extensively, wind and
23 solar which is intermittent. I think the conclusion of
24 that is that, for those people who strongly support
25 those forms of energy, I certainly support them as well,

1 you need some gas plants to back them up. So you need
2 the gas and you need the pipelines to get them there.
3 Correct?

4 MS. SCHAUB: Yes, that's correct. And
5 that's been an area that CAISO, especially SoCal Gas,
6 have put a lot of attention on it, they've found
7 especially during the ramping periods. The power ramps
8 result in a gas ramping, as gas ramps units on top of
9 it. It's not just the size of the pipeline, it's the
10 amount of gas actually available in the system to be
11 taken out in that short period of time.

12 COMMISSIONER MOELLER: A manageable
13 challenge, but a challenge nonetheless.

14 MS. SCHAUB: Yes.

15 COMMISSIONER MOELLER: Thank you very much.

16 CHAIRMAN BAY: Thank you, Phil.

17 Cheryl?

18 COMMISSIONER LaFLEUR: I would also like to
19 thank the team for the excellent work. I want to drill
20 a little bit down on New England, and I have a couple
21 questions. I was really struck by slide 12 where you
22 showed the high dependence of New England on coal and
23 nuclear during winter peaks. That's somewhat troubling
24 given that virtually all of the coal in New England has
25 announced its retirement, and we just heard about

1 another nuclear plant announcing its retirement this
2 week. And it really highlights the extreme dependence
3 of New England on natural gas generation and on pipeline
4 infrastructure, which we know is limited. You noted in
5 slide 6 that the lack of winter flows from the Deep
6 Panuke offshore would present a challenge. And when ISO
7 New England was here last month, I believed he
8 identified that as the top thing he's worried about this
9 winter. I don't know much about Deep Panuke other than
10 I know how to say the name. Could you expand on it on
11 what's going on there? Do we expect to get deliveries
12 there this winter?

13 MR. REYNOLDS: That's a great question and I
14 have expressed concern about Deep Panuke. It's an
15 offshore facility off of Nova Scotia that brings gas
16 down through one of the Northeast pipelines into the
17 United States. It was designed for 350 MMcfu's of
18 capacity, however it's never produced quite that level.
19 The maximum was just around 300, and it only produced
20 about 200 MMcfu last winter. They have decided to only
21 maintain operations during the winter months and to
22 extend its operable life when prices are most favorable.
23 And winter, over the last couple years, water intrusion
24 and hydrate formation have caused operational issues
25 within the lines that may cause problems in the future.

1 With that said, they do expect operations to continue
2 during the winter, but we're just not sure at what
3 level.

4 COMMISSIONER LaFLEUR: Thanks, Owen. That
5 certainly explains it. I wanted to talk about slide 9 a
6 little bit, that's the one that shows a happy picture of
7 gas prices coming down in a straight line until 2020,
8 consummation to be wished, but of course projections, we
9 all know what Yogi Bear said. And it shows that as of
10 2017 gas prices in the Northeast and the Appalachian
11 productions area will essentially converge. I guess I
12 want to know: Are you assuming new pipeline
13 infrastructure to make that happen? And can you provide
14 more insight on -- you know, the Northeast covers a lot,
15 is New England in that happy picture or do you expect
16 divergence to continue?

17 MR. REYNOLDS: I'll answer the second part
18 first. In general, we are expecting resuming the
19 expectations for capacity additions in our modeling.
20 And a lot of the convergence of prices between the
21 market areas along the Atlantic has been a producing
22 region and the Appalachian basin are based on the
23 inservice states that are projected for main of those
24 pipelines. And in terms of what we're using in our
25 composite, yes, we're using several market points along

1 the Atlantic coast. And at Algonquin presence in the
2 City Gate area is the high end of that composite and
3 does continue to be the high end of our composite. So
4 we do expect it to also decrease and get closer to both
5 Henry Hub and the production area in the Appalachian as
6 projects such as the Algonquin incremental market
7 project to come online and several of the other major
8 projects.

9 COMMISSIONER LaFLEUR: Thank you very much.

10 CHAIRMAN BAY: Thank you, Cheryl.

11 Tony?

12 COMMISSIONER CLARK: I don't have any
13 questions but thanks to the team for this good report.

14 CHAIRMAN BAY: Thank you, Tony.

15 Colette?

16 COMMISSIONER HONORABLE: Thank you, Mr.
17 Chairman. Thank you to the team. And having this
18 report on the news since the last open meeting and
19 hearing from the RTO and ITO experts, I think it really
20 compliments one another. And to Dillon's point, him and
21 Mike and others say that they feel comfortable, or
22 whatever the less tentative language may have been,
23 gives us comfort too. But I wanted to apply to you and
24 ask you to remain vigilant, in particular some of the
25 exchanges that Cheryl brought out regarding areas to

1 watch, it's something to keep in mind, particularly in
2 the Northeast.

3 I appreciate your highlight of the
4 diamondism [sic], if you will, with markets, with SPP,
5 with Cal ISO and the PIM, it's certainly something we
6 will continue to watch. But I think it underscores
7 Phil's point about infrastructure, how we're going to
8 get this energy where it needs to go.

9 And I also wanted to reference slide 4 in
10 which you reference the weather patterns, and
11 particularly strong weather pattern with El Nino.
12 Warmer weather on the West Coast and the Northern parts
13 of the country and California shifts East some drought
14 relief, I understand they're in their fourth year of
15 drought, so that's very important, and that the Gulf and
16 Southern states will be in a colder-than-normal winter.
17 That doesn't give me much relief having been through one
18 winter here.

19 (Laughter)

20 COMMISSIONER HONORABLE: But it seems as
21 though my home state of Arkansas could be really in
22 between the two extremes, but it really will bare
23 watching really in some unusual ways, some weather we
24 haven't always had in a number of places around the
25 country. But I wanted to ask you about the combination

1 of warm and wet weather impact on energy production next
2 year and how will the relatively warm weather limit snow
3 accumulation and associated hydro generation?

4 MS. SCHAUB: You're right on the mark. We
5 saw that this year in the Northwest. They had average
6 precipitation, but they actually had warmer
7 temperatures, which brought down the snow pack and
8 definitely affected their generation in the summer and
9 affected the entire supply situation in the last.
10 California, similarly last year they had low
11 precipitation but warm temperatures and it definitely
12 made a problem for them. What it means is you get
13 summer early on but then later on in the season when
14 electric generation is peaking, you don't necessarily
15 have it there and you can have more competition for
16 water needs for fish mitigation and other purposes as
17 well. Decreased temperatures will help drain water, but
18 it doesn't necessarily limit impact.

19 COMMISSIONER HONORABLE: Thanks. I just
20 wanted to add that to your list of things to watch for.
21 Thank you.

22 CHAIRMAN BAY: Thank you, Colette.

23 Last but certainly not least, I have one
24 more announcement. This is Phil Moeller's last open
25 meeting. And this meeting would not be complete without

1 honoring and celebrating all things Phil Moeller and his
2 tenure on the Commission. Phil has been on the
3 Commission for almost 10 years, and I can still recall
4 meeting you for the first time, Phil, about seven years
5 ago. And from the time I knew I would enjoy working
6 with you, that I would respect you, and that it would be
7 great to have their professional relationship with you.
8 And that has turned out to be the case. Phil has been a
9 great Commissioner, a great colleague, and a great
10 American. I'm going to miss working with Phil. Not
11 only is he a deep thinker on energy issues, but he has
12 that special Phil Moeller sense of humor.

13 (Laughter)

14 CHAIRMAN BAY: I still recall the time you
15 gave Cheryl the deflated football.

16 (Laughter)

17 CHAIRMAN BAY: He's got that inevitable Phil
18 Moeller sense of style, no one, but no one can pull it
19 off like Phil Moeller.

20 (Laughter)

21 CHAIRMAN BAY: Sorry, Tony.

22 But no one, but no one, makes a punch as
23 mean as Phil on the 11th floor. I believe DOE has
24 certified his apple punch as a bio fuel. I understand
25 the creation of Moeller's vortex has been declared

1 illegal in 39 states, as it should be.

2 But, Phil, you've been an amazing colleague,
3 and I'm going to miss you. And I'm going to give the
4 rest of the Commission an opportunity to add their
5 thoughts as well.

6 Cheryl?

7 COMMISSIONER LaFLEUR: Well, thank you,
8 Norman. And of course I have some things to say. Phil
9 was actually the very first Commissioner I got to know
10 after being nominated, because I was paired with him at
11 my nomination hearing in 2010. And I still remember
12 when I was still up at home standing in my living room
13 talking on my telephone to Betsey Moeller and I told her
14 I would be paired with Phil and she said, "Boy, you're
15 really lucky to be paired with Phil." And she was
16 absolutely right. Of course I was desperate to ask who
17 I wouldn't be lucky to be paired with.

18 (Laughter)

19 COMMISSIONER LaFLEUR: I didn't go there. I
20 really learned a great deal from Phil about how to be a
21 Commissioner. I really admire how he always knows the
22 right thing to say. And he's really represented the
23 Commission very affectively with a very wide range of
24 external audiences. And I also really respect and
25 appreciate his leadership on supporting competitive

1 markets, gas-electric coordination, and always sticking
2 up for the reliability of the electric system. In the
3 past five years Phil has become not just a valued
4 colleague but a valued friend, but I will miss him, miss
5 his valuable team, having him around on the 11th floor.
6 The punch goes without saying, it will be deeply missed.
7 But I wish you a lot of success in your next chapter and
8 wish you and your family a lot of happiness. God's
9 speed.

10 CHAIRMAN BAY: Tony?

11 COMMISSIONER CLARK: One of the first
12 regulatory meetings that I met Phil, there was a
13 Commissioner from South Dakota who made the comment
14 after meeting Phil that Phil was so darn nice that he
15 could almost be from South Dakota.

16 (Laughter)

17 COMMISSIONER CLARK: I agreed with that, but
18 I added he was so smart and good-looking that he could
19 be from North Dakota.

20 (Laughter)

21 COMMISSIONER CLARK: And nothing over the
22 intervening 10 years has changed my opinion on that
23 topic. It should not go without noting that it wasn't
24 that long ago that we had an absolute majority of
25 Commissioners who were in fact Chicago Cub fans, myself,

1 John Norris, and Phil Moeller. And with the departure
2 of Phil, there's only one of us on the Commission, which
3 greatly disappoints me because in the moment of our
4 greatest triumph next month I'm going to be the only one
5 that will get to wear that jersey at that meeting.

6 (Laughter)

7 COMMISSIONER CLARK: But I will do it on
8 your behalf, Phil, flying the flag. Everyone who's
9 spoken so far is exactly right, Phil is a great friend
10 both in a personal level and on a professional level. I
11 will miss you greatly here, but I wish you all the best.
12 I do have one parting gift for you. Now, for those of
13 you who have been to Phil and Elizabeth's home know that
14 they're aficionados of fine wine. And mostly the
15 California and Washington variety I noted. But the last
16 time I went I noticed that you did not have on your wine
17 rack a bottle of apple-strawberry chateau de Bacchus.

18 (Laughter)

19 COMMISSIONER CLARK: I don't know what year
20 this was, but they're all good.

21 (Laughter)

22 COMMISSIONER CLARK: It's made with only the
23 finest distilled water and has a frothy head, as all
24 good wine does. So Phil, I bequeath to you a bottle of
25 chateau wine.

1 CHAIRMAN BAY: Thank you, Tony.

2 Colette?

3 COMMISSIONER HONORABLE: Thank you,
4 Mr. Chairman, and for this opportunity to publicly
5 acknowledge a dear friend and colleague Phil Moeller,
6 whom I met when I became a state Commissioner in 2007.
7 We've worked together on a number of issues over the
8 years, on environmental regulation and partnership with
9 Narook, on gas-electric coordination, and on a number of
10 areas of concern and interest both domestically and
11 internationally. It wasn't until I came here, Phil,
12 that I really appreciated the master that you have been
13 in this work, because you have stayed true to carrying
14 out the bread and butter of our work, our orders and
15 such, carrying on the day-to-day and month-to-month
16 business of the agency, but you have equally gotten out
17 among stakeholders, which is very important. More than
18 speaking to the public it's hearing from them in my
19 opinion, and you've been a master of that. And really
20 coming here and seeing how hard you've worked gave me a
21 true and better appreciation for who you are and the
22 public servant you have been.

23 My promise to you is that I will continue to
24 carry on the strong message that you've brought on
25 gas-electric coordination. More and more we see how

1 very important it is. And while we haven't been in a
2 hundred percent in agreement on every aspect of it, I
3 fully embrace the priority in which you've placed this
4 important topic. And I look forward to continuing to
5 raising this issue, and I know you will hold me
6 accountable. On a selfish note, I want to know who will
7 get my chair at the open meetings? He's been such a
8 gentleman both privately and publicly and has offered
9 advice, has shared his beautiful and lovely family with
10 us, and has also sought encouragement from me about
11 raising twins since I am one. And I look forward to
12 watching them grow and staying in contact, and thank you
13 most of all for your service to this agency.

14 COMMISSIONER MOELLER: Well, I actually had
15 four parting gifts but only two of them arrived. So I'm
16 not going to publicly present them to you, but I will
17 describe. I found out your favorite color was purple,
18 so you're going to be getting Little Rockers headphones.
19 Tony, you'll be getting your very own copy of Cubs
20 Nation, which is appropriate I think. Cheryl, I've got
21 a CD for you from the Sandels so that you can hear the
22 song "Dirty Water" with the chorus "Boston, you're my
23 home" every time you want to listen to it. And, Norman,
24 I have a superhero shirt for you because to be Chairman
25 of this agency, as Cheryl knows, you have to be on

1 superhero mode just about all the time. So those
2 parting gifts that will be presented publicly later, you
3 can think of me when you look at them.

4 I'll try to be brief here. I have a lot of
5 people to thank and I'll do it as sufficiently as
6 possible. As I've said publicly, I want to thank
7 President Bush, President Obama, the Senate, for
8 confirming me a couple of times. I want to thank
9 members of the public for the vast majority of treating
10 us with civility, respect, and good manners, helping
11 form our decisions, and that should be celebrated
12 because they make a big difference. The staff here is
13 incredible. I want to start with the security staff.
14 They're usually the first people I see in the morning
15 and the last people I see at night. And our help from
16 our DHS colleagues as well is appreciated, the entire
17 staff has been noted and highlighted thankfully by that
18 presentation on the survey, is an outstanding resource.
19 If the rest of the federal government had the kind of
20 quality staff that we have, it would be a much more
21 efficiently-run government as well, I hope that the rest
22 of the government can aspire to be what this agency does
23 and how it does it to improve. I've enjoyed working
24 particularly closely with my colleagues now and former
25 colleagues, starting with Joe Kellhurst, Mr. Kelly, and

1 John Norris as well, all have moved on to other things.
2 But serving with them, their staffs, their Commission
3 assistance, was just a terrific honor. And obviously
4 with my existing colleagues and their team, as well as
5 senior staff, it's been a real honor. Of course my team
6 has been particularly special to me. And we've had
7 scores of interns and we used to call them stars over
8 the years, who have been great. But the people who
9 worked for me I want to mention: John McFarland,
10 Patricia Hert, Chignas Ibningani (phonetic) who isn't
11 here today but it still part of the FERC senior staff,
12 Jennifer Shiply, Nick Taclic (phonetic), Rebecca
13 Robinson for a little bit, Terry Burke, Whitney Houston,
14 Jason Stanning who I've referenced was with me for about
15 seven years, and my current team of Christy DeBaus, Rob
16 Idonoskis (phonetic) who has been with me for about
17 eight and a half years, Michelle Brown, and Jennifer
18 knew me from the very first day. It's been a real
19 honor, so thank you.

20 CHAIRMAN BAY: Thank you, Phil. And to
21 everyone out there, please join me in honoring the
22 second-longest serving Commissioner in the history of
23 FERC. And we have a presentation item for you. Phil,
24 thank you so much.

25 COMMISSIONER MOELLER: That's very

1 thoughtful. Thank you. I appreciate the sentiment. It
2 kind of went full circle yesterday because, as I recall
3 being sworn in at the Supreme Court in 2006 and then
4 about four weeks later Caroline arrived and then we had
5 the arguments yesterday, which FERC does, but it was
6 kind of a nice full circle. And of course I couldn't
7 have done any of this without my family, I appreciate
8 you being here today. Again, thank you to everyone
9 involved; it's been an honor. And I wish this agency,
10 which I know is in good hands, continues.

11 CHAIRMAN BAY: Thank you, Phil. This
12 meeting is adjourned.

13 (Whereupon, at 11:24 a.m. Thursday, October 15th, 2015,
14 the 1,020th open Commission meeting was adjourned.)

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