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BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

- - - - -x
IN THE MATTER OF: :
CONSENT-ELECTRIC, CONSENT-GAS, :
CONSENT-HYDRO, CONSENT-CERTIFICATES :
DISCUSSION ITEMS :
STRUCK ITEMS :
- - - - -x

1048TH COMMISSION MEETING

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

Thursday, November 15, 2018
10:00 a.m.

1 APPEARANCES:

2 COMMISSIONERS PRESENT:

3 CHAIRMAN NEIL CHATTERJEE

4 COMMISSIONER CHERYL LaFLEUR

5 COMMISSIONER RICHARD GLICK

6 SECRETARY KIMBERLY D. BOSE

7

8 Agenda Items:

9 Consent-Electric

10 E-2, E-3, E-5, E-7 through E-19, E-21 through E-25, E-27

11 through E-33

12

13 Consent-Gas

14 G-1, G-2, G-4 through G-7

15

16 CONSENT-HYDRO

17 H-1

18

19 CONSENT-CERTIFICATES

20 C-1

21

22 Discussion Items

23 E-1, E-4, E-6, E-20, E-26 AND A-3

24

25

1 Struck Items

2 None

3

4 Commissioner Recusals and Statements for November 15, 2018

5 Chairman McIntyre will not be voting on the items listed on
6 today's consent agenda.

7 C-1 - Commissioner LaFleur concurring with a separate
8 statement

9 C-1 - Commissioner Glick dissenting in part with a separate
10 statement

11

12 Discussion and/or Presentations

13 E-1, E-4 & E-26 - Presentation by Noah Lichtenstein (OEMR),
14 Sharli Silva (OGC) and Olga Anguelova (OE) accompanied by
15 Josh Walters (OGC), Jonathan Taylor (OGC), Bryan Wheeler
16 (OEMR), Monil Patel (OEMR), and Kimberly Horner (OE)

17

18 E-6 - Presentation by Jeremy Hessler (OGC) accompanied by
19 & E-20 Seth Quinn (OGC) and Angelo Mastrogiacomo (OEMR)

20

21 A-3 - Presentation by Jeffrey Phillips (OE) accompanied by
22 Jamie Marcos (OE), Timothy Smith (OE), and Laura Callance
23 (OE)

24

25

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

2 (10:04 a.m.)

3 SECRETARY BOSE: Thank you, Mark. The purpose of
4 the Federal Energy Regulatory Commission's open meeting is
5 for the Commission to consider the matters that have been
6 duly posted in accordance with The Government In The
7 Sunshine Act.

8 Members of the public are invited to observe,
9 which includes attending, listening, and taking notes, but
10 does not include participating in the meeting or addressing
11 the Commission.

12 Actions that purposely interfere or attempt to
13 interfere with the commencement or conducting of the
14 meeting, or inhibit the audience's ability to observe or
15 listen to the meeting, including attempts by audience
16 members to address the Commission while the meeting is in
17 progress, are not permitted. Any persons engaging in such
18 behavior will be asked to leave the building. Anyone who
19 refuses to leave voluntarily will be escorted from the
20 building.

21 Additionally documents presented to the Chairman,
22 Commissioners, or staff during the meeting will not become
23 part of the official record of any Commission proceeding,
24 nor will they require further action by the Commission.

25 If you wish to comment on an ongoing proceeding

1 before the Commission, please visit our website for more
2 information. Thank you for your cooperation.

3 CHAIRMAN CHATTERJEE: Madam Secretary, we are
4 ready to begin.

5 SECRETARY BOSE: Good morning, Mr. Chairman, and
6 good morning, Commissioners. This is the time and the place
7 that has been noticed for the open meeting of the Federal
8 Energy Regulatory Commission to consider the matters that
9 have been duly posted in accordance with The Government In
10 The Sunshine Act.

11 Please join us in the Pledge of Allegiance.

12 (Pledge of Allegiance recited.)

13 SECRETARY BOSE: Commissioners, since the October
14 meeting the Commission has issued 59 Notational Orders.
15 Thank you, Mr. Chairman.

16 CHAIRMAN CHATTERJEE: Thank you, Madam Secretary,
17 and good morning to everyone. Before we begin, I want to
18 express my gratitude to the entire FERC community for the
19 support I've received since taking on the role of Chairman.

20 The transition has not been an easy one, but I am
21 immensely grateful for the team around me and their efforts
22 to make this as seamless as possible. With their continued
23 good work, I am confident we will keep building upon the
24 solid foundation that Kevin created through his strong
25 leadership.

1 While Commissioner McIntyre could not be here
2 today, we continue to keep him and his family in our
3 thoughts as he recovers. I've personally been encouraged by
4 the outpouring of well wishes that we've seen from folks
5 within the building, as well as from industry and federal
6 partners, and I know it means the world to the McIntyre
7 family as well.

8 With that, I would like to turn our attention to
9 today's agenda. But before I do, I want to extend a warm
10 welcome to our new Director of the Office of Electric
11 Reliability, Andy Dodge. This hiring decision was made by
12 Chairman McIntyre sometime ago, but I wanted to take an
13 opportunity today to formally recognize Andy. I look
14 forward to working together in your new role. And, as I
15 stated, if you had Kevin McIntyre's confidence you most
16 certainly have mine as well. So, welcome.

17 Now on the substantive issues before us. We have
18 a full agenda today, including our Annual Report on
19 Enforcement. We also have some important items on today's
20 Consent Agenda. Specifically, I'd like to highlight Item
21 E-2, which would amend our regulations to implement the
22 recently signed legislation changing Section 203 of the
23 Federal Power Act to relieve regulatory burdens for small
24 transactions.

25 This may seem like just a simple legislative

1 change, but its impact in relieving administrative burdens
2 on regulated entities is significant. For that, I would
3 like to thank the Congressional sponsors of this legislation
4 and the team who worked on the Order.

5 Speaking of good legislation, I would also like
6 to note that Congress also recently passed the America's
7 Water Infrastructure Act, which contained a number of
8 hydropower provisions. And I'm proud to say that just this
9 week the Commission issued a notice establishing our
10 schedule to implement the provisions of this Act.

11 And on one final issue related to legislation
12 enacted by our colleagues on Capitol Hill, I am happy to
13 report that much of today's agenda centers on passing along
14 the benefits of the Tax Cuts and Jobs Act to ratepayers.

15 In fact, on an agenda with greater than 40 items,
16 more than half are tax-related. A handful of those are
17 generic proceedings concerning industry practices on
18 accounting or ratemaking issues related to ADIT. But a
19 larger number involve proceedings where natural gas and
20 electric transmission ratepayers have seen or will see their
21 rates lowered.

22 In the words of our former colleague Rob
23 Powelson, this is precisely the sort of boring good that
24 FERC does best. My hat is off to the staff who has worked
25 long and hard since the passage of this once-in-a-generation

1 tax reform legislation to do our part here at the
2 Commission.

3 I look forward to their presentation elaborating
4 on the generic tax proceedings later in today's agenda.

5 Lastly, before I turn it over to my colleagues
6 for their comments, I wish to extend our heart-felt support
7 to all those affected by the California wildfires. FERC
8 staff, including the Office of Electric Reliability and
9 Office of Energy Projects, have been working closely with
10 our partners at NERC and federal and state emergency
11 management agencies to ensure the continued safety and
12 security of FERC jurisdictional hydropower facilities, and
13 to monitor disruptions of power to critical services in the
14 affected areas.

15 The Commission will continue to do what it can to
16 assist as the region recovers from these destructive fires.
17 And we also continue to pray for those who have lost their
18 loved ones, their homes, and their sense of community in
19 this devastating tragedy.

20 With that, I will conclude my remarks and turn to
21 my colleagues for any opening statements or announcements
22 they may have.

23 COMMISSIONER LaFLEUR: Well thank you very much,
24 Mr. Chairman. I too want to send my best wishes to Kevin
25 and his family. And as you said, also the people whose

1 lives are being turned upside down by the tragic wildfires
2 in California who are very much in my thoughts.

3 In February 2017 when Becky Robinson and I went
4 out to visit the Oraville Dam, we were in many of the towns
5 that have been directly affected by the Camp Fire. And
6 indeed, Kory Honea, the Butte County Sheriff, who was the
7 one who worked on the evacuation of Oraville, and we met
8 with out there, has been very much a fixture on the national
9 news with tragic news. So it's chilling to see him and to
10 think of the people, and to think of what we should be doing
11 to help avoid those kind of tragedies.

12 On a happier note, I want to also congratulate
13 Andy Dodge on his taking up the role of Director of the
14 Office of Electric Reliability, and also thank David Ortiz
15 for his leadership as Acting Director, as well as his
16 continuing leadership as Deputy Director of that office.

17 I want to call out a couple of items on today's
18 Consent Agenda to talk about. The first is C-1, which is a
19 Texas Eastern Certificate Project in which I will be
20 concurring with a separate statement.

21 This is a Certificate Order regarding the
22 Lambertville East Expansion Project in New Jersey. The
23 project would replace two existing compressors to provide an
24 additional 60,000 decatherms a day of natural gas to two
25 local utilities in New Jersey. It's being built on the

1 existing site owned by Texas Eastern without eminent domain.
2 In order to balance project need and environmental impact, I
3 calculated an upper bound estimate of downstream greenhouse
4 gas submissions from the combustion of the gas that will be
5 enabled by the project, which I set out in my concurrence as
6 I have in past concurrences.

7 On balance, I believe the project is in the
8 public interest and I'm trying to find a way, despite my
9 disagreement with the way we've been handling downstream
10 greenhouse gases, to make case-by-case determinations on the
11 projects.

12 I very much look forward to considering more
13 broadly how we assess public interest in pipeline cases,
14 including climate change impacts, as part of our Notice of
15 Inquiry on the Certificate Policy Statement.

16 Secondly, I want to briefly mention E-3, which is
17 a final rule that approves the next phase of reliability
18 standards on geomagnetic disturbances, a subject that I've
19 been working on for some time.

20 The rule approves a standard, but directs two
21 important modifications to the standards. The first
22 modification required in today's Order is that we require
23 NERC to file revisions to require the development and
24 completion of corrective actions for supplemental GMD
25 events, not just the original benchmark GMD events that was

1 in the earlier standard. I believe this will help ensure
2 there's not a gap in GMD protections.

3 The second required modification is that we
4 require NERC to develop a case-by-case process to review
5 requests to extend deadlines for completing corrective
6 action plans. I believe this will help ensure that the
7 standards are actually met, and allow visibility into the
8 state of GMD protections on the grid.

9 Obviously this has been a multi-year effort, but
10 getting protections built into the grid is what the whole
11 thing is about.

12 I want to thank the team for all their ongoing
13 work on GMD issues, and I also want to particularly thank my
14 colleagues for working on the Order. I'm glad that we were
15 able to agree on the things we directed in the Order, and I
16 am glad we were able to reach consensus.

17 Before leaving the topic, I want to note that one
18 other thing that we did in the Order, we declined to direct
19 the development of a standard on electromagnetic pulse,
20 which we held was beyond the scope of the standard on GMD
21 that we're acting on. I just want to note that, although
22 it's not the subject of standards, it's a subject I'm
23 closely following. There's a lot of important work going on
24 on the effects of electromagnetic pulse on the electric
25 grid being done at Los Alamos National Lab, and an EPRI, and

1 I'm hoping their conclusions will help shed light on how we
2 can best protect the grid.

3 Finally, I want to wish a happy birthday to two
4 of my advisors, Jessica Cockrill, whose birthday is today,
5 and Andy Weinstein, whose birthday is tomorrow. They drew
6 the unlucky card of having their birthday on open meeting
7 day, so I wish them well.

8 Thank you, Mr. Chairman.

9 COMMISSIONER GLICK: Thank you, Mr. Chairman.
10 First of all I want to share in the comments of Commissioner
11 LaFleur and you, Mr. Chairman, about Commissioner McIntyre.
12 I certainly hope that he's back here soon, as soon as
13 possible.

14 Commissioner LaFleur did not mention the jersey
15 that she's wearing--

16 COMMISSIONER LaFLEUR: It speaks for itself--
17 (Laughter.)

18 COMMISSIONER LaFLEUR: --jersey. Did anyone hear
19 that the Red Sox won the World Series?

20 (Laughter.)

21 COMMISSIONER GLICK: I probably shouldn't have
22 said anything.

23 (Laughter.)

24 COMMISSIONER GLICK: But I just wanted to say how
25 happy I'm sure the Chairman is, and Commissioner McIntyre

1 and I are, that Commissioner LaFleur will be able to put up
2 yet another plaque in her office honoring yet another World
3 Championship by the Red Sox. One of these days the Mets are
4 going to win the World Series, but it might be a long time.

5 I also want to again reiterate my congratulations
6 to Andy Dodge on his new position. I want to also take a
7 moment, though, to talk about David Ortiz who did an amazing
8 job as Acting Director of OER. David has provided excellent
9 counsel and expertise on a wide range of topics, some of
10 which are very technically complex, as people here know.
11 And I've very much enjoyed working with him as Acting
12 Director.

13 At David's invitation I recently had the
14 opportunity to speak to the OER team at an all-hands meeting
15 and they asked some very interesting questions. But I want
16 to reiterate something I said there, which is that OER is
17 the unsung of this agency, and I think David led the team in
18 a very capable manner, and I think he should be
19 congratulated for the work he did in standing in in the
20 interim.

21 I also wanted to mention the California
22 wildfires, like my two colleagues here. I wanted to send my
23 thoughts out to those in California that have been impacted
24 by the devastating wildfires that began last week.

25 Unfortunately, scientists tell us that due to

1 climate change we can expect more frequent and more intense
2 wildfires throughout the West. And I've said before, if
3 we're going to take an honest look at the grid resilience,
4 we're going to need to recognize that most of the problems
5 that we face really are mostly distribution and transmission
6 system related, and not necessarily on the generation side.

7 Wildfires represent a real threat to the
8 reliability and resilience of the Western Grid because they
9 impact transmission facilities. These fires reinforce the
10 point that the Commission needs to refrain from seeking a
11 one-size-fits-all approach to grid resilience if it's
12 determined that action is needed at all on that particular
13 subject.

14 Separately, I was pleased to see recently the
15 initial results of PJM's field security analysis where PJM
16 selected a series of scenarios modeling increasingly
17 unlikely occurrences with increasingly extreme resource
18 adequacy assumptions, until it was able to push the system
19 to the point of failure.

20 This study is good news for the PJM region, as it
21 showed that the PJM system is reliable and resilient, due in
22 no small part to the large investments in transmission, and
23 the fact that the portfolio of resources it has is more
24 diverse than it ever has been before.

25 As we continue to explore the topic of

1 resilience, we need to keep in mind that determining the
2 right risk to protect against for each region is a
3 challenge, but it is one that I think the regions in NERC
4 are already doing an excellent job on.

5 And Commissioner LaFleur mentioned C-1, and I am
6 actually going to be partially dissenting on that particular
7 Order today. I wanted to just briefly explain why. In this
8 particular Order the Commission is again refusing to
9 consider whether the project's contributions to climate
10 change are significant. As I have indicated on a number of
11 occasions, I believe we are statutorily obligated to assess
12 for post-projects' impacts on climate change before granting
13 a certificate of public convenience and necessity, and that
14 we have a tool to do so--namely, the social cost of carbon.

15 It is simply not acceptable for the Commission to
16 continue to ignore the potential impacts of a project on
17 climate change. I hope that as part of the ongoing NOI
18 process we can reach agreement on a going-forward basis that
19 enables the Commission to meet its statutory obligations to
20 consider the significance of a proposed project on climate
21 change.

22 I think what is important here is that the record
23 in this particular proceeding does not contain any
24 information assessing significance. And again I do not
25 believe that neither NEPA or the Natural Gas Act permits us

1 to move forward without doing so.

2 Finally, I also wanted to take a minute to
3 discuss the Order I will actually be voting for today, and
4 it's G-6. We are--In G-6 we are approving a settlement
5 between the Kern River Gas Transmission Company and its
6 shippers that provide for a rate reduction to account for
7 the corporate tax change rate that Congress enacted last
8 year.

9 I applaud the parties for reaching agreement on a
10 result that will benefit consumers, which is why I'm voting
11 yes. But I do have concerns, because the settlement
12 includes a clause that viciates the rate reduction if one
13 of two things happens. Either if Congress subsequently
14 increases the tax rate--and that certainly would make sense.
15 The second occurrence, though, is one that bothers me. And
16 basically under the clause in the agreements it says that if
17 FERC at any time in the future initiates a proceeding
18 pursuant to Section 5 of the Natural Gas Act to increase or
19 change rates, then all of a sudden automatically the rate
20 reduction that we're approving today goes out and we are
21 actually back to reinstalling the tax rate, the corporate
22 tax rate that existed in 2016.

23 That to me doesn't make a lot of sense. In my
24 opinion, Kern River in this settlement is essentially
25 holding the Commission hostage by saying that if FERC at

1 some point in the future believes Kern River is overcharging
2 its customers and the Commission attempts to act on that
3 belief, then all of a sudden we have to go into litigation
4 that's going to take several years probably to go through
5 the litigation process, at least a couple of years to go
6 through the litigation process, and at the very time
7 consumers are going to be paying the old rate, again a much
8 higher rate than exists under the settlement. So I think
9 what Kern River really is doing in this particular case
10 again is holding us hostage by saying if you do act ever in
11 the future on Section 5 then we're going to raise rates on
12 consumers.

13 What I think this really highlights is the fact
14 that the Natural Gas Act doesn't have a refund provision
15 like the Federal Power Act does.

16 So again I want to call on Congress to add a
17 refund provision to the Natural Gas Act which mirrors the
18 refund provision in the Federal Power Act so that we can
19 ensure that consumers are protected to the extent that there
20 ever is an attempt to increase rates on a going-forward
21 basis as opposed to giving the incentive at least for
22 pipeline companies to delay the litigation process and
23 recover excess rates for a long period of time without ever
24 having to worry about refunds.

25 With that, I'll finish up and thank you, Mr.

1 Chairman.

2 CHAIRMAN CHATTERJEE: Madam Secretary, we are
3 ready to go to the Consent Agenda.

4 SECRETARY BOSE: Thank you, Mr. Chairman. Since
5 the issuance of the Sunshine Act Notice on November 8th,
6 2018, no items have been struck from this morning's agenda.
7 Your Consent Agenda is as follows:

8 Electric Items: E-2, E-3, E-5, E-7, E-8, E-9,
9 E-10, E-11, E-12, E-13, E-14, E-15, E-16, E-17, E-18, E-19,
10 E-21, E-22, E-23, E-24, E-25, E-27, E-28, E-29, E-30, E-31,
11 E-32, and E-33.

12 Gas Items: G-1, G-2, G-4, G-5, G-6, and G-7.

13 Hydro Item: H-1.

14 Certificate Item: C-1.

15 Commissioner McIntyre is not present at today's
16 meeting and will not be voting on this morning's agenda. As
17 to C-1, Commissioner LaFleur is concurring with a separate
18 statement. And Commissioner Glick is dissenting in part
19 with a separate statement.

20 We will now take a vote on this morning's Consent
21 Agenda and, as stated earlier, Commissioner McIntyre is not
22 voting on today's agenda. The vote begins with Commissioner
23 Glick.

24 COMMISSIONER GLICK: Noting my partial dissent in
25 C-1, I vote aye.

1 SECRETARY BOSE: Commissioner LaFleur.

2 COMMISSIONER LaFLEUR: Noting my concurrence in
3 C-1, I vote aye.

4 SECRETARY BOSE: And Chairman Chatterjee.

5 CHAIRMAN CHATTERJEE: Aye.

6 SECRETARY BOSE: We are now ready to move on to
7 the discussion and presentation portion of the meeting. The
8 first presentation for this morning is a joint presentation
9 on Items E-1, E-4, and E-26 concerning accounting and
10 ratemaking treatment of accumulated deferred income taxes.

11 There will be a presentation by Noah Lichtenstein
12 from the Office of Energy Market Regulation, Sharli Silva
13 from Office of the General Counsel, and Olga Anguelova from
14 the Office of Enforcement. They are accompanied by Josh
15 Walters and Jonathan Taylor from the Office of the General
16 Counsel, Bryan Wheeler and Monil Patel from the Office of
17 Energy Market Regulation, and Kimberly Horner from the
18 Office of Enforcement.

19 MR. LICHTENSTEIN: Good morning, Mr. Chairman and
20 Commissioners. Items E-1, E-4, and E-26 are tax-related
21 items that address the effects of the Tax Cuts and Jobs Act
22 which, among other things, reduced the Federal Corporate
23 Income Tax Rate from 35 percent to 21 percent.

24 These items are just three of the Commission's
25 continuing efforts to ensure that ratepayers receive the

1 benefit of the reduced tax rate. Item E-1 is a notice of
2 proposed rulemaking that addresses the effects of the Tax
3 Cuts and Jobs Act on the accumulated deferred income taxes,
4 or ADIT. The proposed rule applies to public utility
5 transmission providers with transmission rates under an
6 open-access transmission tariff, a transmission owner
7 tariff, or a rate schedule.

8 ADIT balances are recorded on the regulated books
9 and records of public utilities based on requirements of the
10 Commission's Uniform System of Accounts. ADIT arises from
11 timing differences between their method of computing taxable
12 income for reporting to the IRS and the method of computing
13 income for regulatory accounting and ratemaking purposes.

14 As a result of the Tax Cuts and Jobs Act,
15 reducing the federal corporate income tax rate from 35
16 percent to 21 percent, ADIT liability and ADIT asset
17 balances on the books of public utilities have also been
18 reduced.

19 Further, a portion of an ADIT liability that was
20 collected from customers will no longer be due from public
21 utilities to the IRS, and is considered excess ADIT, and
22 therefore must be returned to customers.

23 Conversely, public utilities will have collected
24 insufficient amounts to fund any ADIT asset. Commission
25 regulations require that public utilities return or recover

1 these excess or deficient amounts by including provisions in
2 their cost of service.

3 To ensure conformance with these regulations, the
4 proposed rule requires public utilities with transmission
5 formula rates to, one, deduct excess ADIT from or add
6 deficient ADIT to their rate bases. And, two, to adjust
7 their income tax allowances by amortized excess or deficient
8 ADIT.

9 The proposed rule also requires all public
10 utilities with transmission formula rates to incorporate a
11 new permanent worksheet into their transmission formula
12 rates that will track ADIT information on an annual basis.
13 The proposed rule does not prescribe a one-size-fits-all
14 approach by which public utilities with transmission formula
15 rates would make these adjustments.

16 For public utilities with transmission stated
17 rates, the proposed rule requires those public utilities to,
18 one, determine the amount of excess and deferred income tax
19 caused by the reduced federal corporate income tax rate,
20 and, two, return or recover this amount to or from
21 customers.

22 Comments are due within 30 days of publication of
23 the proposed rule in the Federal Register.

24 Next, Sharli will discuss Item E-4. Thank you.

25 MS. SILVA: Good morning. Item E-4 is a policy

1 statement that provides accounting and ratemaking guidance.
2 The policy statement discusses the Commission's policy
3 regarding the treatment of ADIT for both accounting and
4 ratemaking purposes as to public utilities, natural gas
5 pipelines, and oil pipelines.

6 Specifically, the policy statement provides
7 guidance regarding two questions the Commission sought
8 comments on in a March 15th Notice of Inquiry.

9 One: In which accounts should companies record
10 amortization of excess and deficient ADIT?

11 And, two: Whether, and if so how, such entities
12 should address excess and/or deficient ADIT that is recorded
13 on the books of public utilities, natural gas pipelines, and
14 oil companies after December 31st, 2017, as a result of
15 assets being sold or retired?

16 Among other things, the policy statement states
17 that for a public utility or a natural gas pipeline that
18 continues to have an income tax allowance, any excess or
19 deficient ADIT associated with an asset must continue to be
20 amortized in rates even after the sale or retirement of that
21 asset.

22 Next, Olga will present on Item E-26.

23 MS. ANGUELOVA: Good morning. (Microphone is
24 off.) --accounting requests by the Edison Electric
25 Institute for certain public utilities in centralized

1 service companies to the cost and accounting classifications
2 of the tax effects resulting from the Tax Cuts and Jobs Act,
3 and relating on the specific income and expenses. The
4 reclassification is necessary due to the timing of the
5 specific income and expenses on the financial statements
6 reported to the Commission which caused associated excess or
7 deficient ADIT to become transit.

8 The Commission's accounting regulations require
9 the public utilities and centralized service companies to
10 obtain prior Commission approval before making the
11 reclassification to remove the stranded tax effects.

12 The approval granted in the Order is for
13 accounting purposes only, and it's not intended to influence
14 any future rate considerations.

15 This concludes our presentation. We would like
16 to thank and recognize the members of the team that are not
17 seated here at the table in helping to prepare this item.
18 We are happy to answer any questions that you may have.

19 CHAIRMAN CHATTERJEE: I want to thank staff for
20 their excellent presentation. I have to confess, I had
21 only a hazy idea of what A-D-I-T, or ADIT, was before last
22 March. But over the course of the last eight months, I
23 think that all of us on the Commission have gained a much
24 deeper appreciation for the important role that ADIT plays
25 in ensuring just and reasonable rates.

1 And this is in large part because of the
2 excellent job our in-house subject matter experts have done
3 in educating us through presentations like this one.

4 That being said, I do have a couple of quick
5 questions for you. Could you please describe the scope of
6 the Notice of Proposed Rulemaking on ADIT issues in Item
7 E-1? Specifically, to what entities and rates will it
8 apply, or not?

9 MR. WHEELER: Good morning. This NOPR will only
10 apply to a specific subset of public utilities. It will be
11 public utility transmission providers with transmission
12 formula or stated rates.

13 CHAIRMAN CHATTERJEE: It's important that, where
14 appropriate, the Commission avoids imposing top-down,
15 one-size-fits-all approaches that ignore material
16 differences between the utilities. Can you take a moment to
17 explain why the Notice of Proposed Rulemaking E-1 is not a
18 one-size-fits-all approach?

19 MR. LICHTENSTEIN: Sure. So each of the
20 requirements in the proposed rule would require revisions to
21 transmission rates. And those transmission rates are almost
22 always developed with the unique circumstances of the public
23 utility and their customers in mind.

24 A one-size-fits-all approach would ignore those
25 unique circumstances and, in some instances, might not meet

1 the goals of the proposed rule itself, to the detriment of
2 customers.

3 We would also add that in the NOI itself we've
4 received comments, and in the recent comments the Commission
5 has received they have demonstrated this, and also shown
6 that multiple approaches could be possible to meet the goals
7 of the proposed rule.

8 CHAIRMAN CHATTERJEE: It's very helpful. Thank
9 you. Commissioner LaFleur?

10 COMMISSIONER LaFLEUR: Thank you very much. This
11 is I know an usual sized team to be sitting at the table,
12 but I know it only represents a fraction of the people who
13 are working on this. And I see in the audience some of the
14 leaders. I see Richard House, Stephen Hunt from Accounting,
15 and Marsha Palazi looking closely as you're speaking. So I
16 know they are leading a lot of this effort.

17 I've been involved, or exposed to ADIT issues for
18 decades, and the difference between regulatory accounting
19 and tax accounting, and I still feel I only have a hazy idea
20 of it. So we're extremely fortunate--I mean, it's just very
21 complicated when you actually get into it--so we're really
22 fortunate to have the team in Accounting, and in the Office
23 of Enforcement, and the Office of Energy Market Regulation,
24 and General Counsel, to work through this for us.

25 I don't have any questions. I just want to note

1 that our work on implementing the Tax Cuts and Jobs Act has
2 been a major Commission focus for this calendar year. I'm
3 glad we're talking action today on number of the proceedings
4 we initiated back in March, including the Guidance Orders,
5 and a number of individual proceeding.

6 The goal of the whole thing, certainly my goal,
7 is to get tax savings back in the hands of the customers as
8 quickly as possible. That's not yet done, but today's
9 orders are a major next step. And I know that work will
10 continue as we continue to process all the 501(g) filings
11 for the gas pipelines, the other individual company
12 filings, and consider further generic action or individual
13 action where appropriate.

14 So thank you, very much.

15 COMMISSIONER GLICK: I want to thank the staff for
16 navigating this very difficult and scintillating subject.
17 When I was reading the NOPR, Chairman Chatterjee just quoted
18 Commissioner Powelson earlier, but this whole NOPR really
19 gave a new meaning to the term "boring good."

20 (Laughter.)

21 COMMISSIONER GLICK: I do have one question, if
22 you don't mind. In response to the ADIT NOI, many
23 commentators were seeking a traditional additional
24 transparency regarding excess ADIT and amortization.

25 I was wondering if you could provide some more

1 detail on what additional information will be required in
2 the permanent worksheet or the compliance filings of the
3 public utilities.

4 MR. LICHTENSTEIN: Sure. I can take that
5 question. So the proposed rule will require transmission--
6 utilities with formula rates, transmission formula rates, to
7 have a new worksheet. And in that worksheet, the idea is
8 that any interested party will be able to track how the
9 excess and deficient ADIT was calculated, and then the
10 amortization over which it occurs, and other sort of
11 supporting information related to that.

12 COMMISSIONER GLICK: Thank you.

13 SECRETARY BOSE: Commissioners, we are now ready
14 to take a vote on these items together. As stated earlier,
15 Commissioner McIntyre is not voting on today's agenda. The
16 vote begins with Commissioner Glick.

17 COMMISSIONER GLICK: Aye.

18 SECRETARY BOSE: Commissioner LaFleur?

19 COMMISSIONER LaFLEUR: Aye.

20 SECRETARY BOSE: And Chairman Chatterjee.

21 CHAIRMAN CHATTERJEE: Aye.

22 SECRETARY BOSE: Thank you. The next
23 presentation and discussion item is also a joint
24 presentation in Items E-6 and E-20 concerning a draft order
25 directing guidance on return on equity. There will be a

1 presentation by Jeremy Hessler from the Office of the
2 General Counsel. He is accompanied by Seth Quinn from the
3 Office of the General Counsel, and Angelo Mastrogiacomo from
4 the Office of Energy Market Regulation.

5 MR. HESSLER: Good morning, Mr. Chairman, and
6 Commissioners. We will provide a presentation on the two
7 items on today's agenda that involve Return on Equity, or
8 ROE.

9 These are items E-6 and E-20. Turning first to
10 Item E-6, Item E-6 is a draft order directing parties in two
11 proceedings involving the base ROE of the
12 transmission-owning members of MISO to submit briefs
13 concerning a proposed change in the Commission's approach to
14 determining the base ROE of public utilities.

15 The proposed approach in this draft order is the
16 same as the proposed approach that the Commission proposed
17 in Martha Coakley versus Bangor Hydroelectric Company, or as
18 I'll say the Coakley Briefing Order.

19 The Coakley Briefing Order addressed issues that
20 the D.C. Circuit remanded to the Commission in Emera Maine
21 versus FERC. And those were related to the New England
22 Transmission Owners' base ROE as provided for in the ISO New
23 England Tariff, which the Commission approved in Opinion
24 531.

25 In Opinion No. 531, the Commission adopted

1 certain changes to its use of the discounted cash flow
2 methodology, or DCF, for evaluating and setting the
3 Commission-allowed base ROE for New England transmission
4 owners.

5 Following that opinion, the Commission then
6 applied this methodology to the MISO transmission owners in
7 Opinion No. 551. In particular, the Commission elected to
8 replace the one-step DCF methodology which considers only
9 short-term growth projections for a public utility within a
10 two-step DCF methodology that considers both short and long
11 term growth projections.

12 In addition, the Commission looked to four
13 alternative benchmark methodologies to inform the just and
14 reasonable placement of the base ROE within the zone of
15 reasonableness established by the DCF methodology.

16 The four methodologies consisted of three
17 financial models of risk premium analysis, a capital asset
18 pricing model or cap M analysis, and an expected earnings
19 analysis, as well as a fourth comparison with ROEs approved
20 by state public utility commissions.

21 But then in Emera, Maine, the D.C. Circuit
22 vacated and remanded Opinion No. 531 with regard to how the
23 Commission determined that the existing ROE was not just and
24 reasonable, as well as how it determined that the just and
25 reasonable ROE should be within the upper half of the zone

1 of reasonableness.

2 The court's opinion affected the MISO
3 proceedings, as well, because the Commission relied on
4 Opinion No. 531 extensively for its determination in Opinion
5 No. 551. So in this draft order, like the Coakley Briefing
6 Order, the Commission proposes to change its approach for
7 determining the base ROE by now giving equal weight to the
8 four financial models, instead of primarily relying on the
9 DCF methodology. By relying now on a broader range of
10 evidence to determine a public utility's base ROE, the
11 Commission's ROE determinations will be based on substantial
12 evidence and will be in closer alignment with how investors
13 inform their own investment decisions.

14 Evidence indicates that investors do not rely on
15 any one model to the exclusion of the others. So relying on
16 multiple financial models makes it more likely that the
17 Commission's decision will accurately reflect how investors
18 make their investment decisions.

19 Specifically, the draft order here, as in the
20 Coakley Briefing Order, proposes to rely on three financial
21 models that produce zones of reasonableness: the DCF model,
22 the CAPM analysis, and the Expected Earnings Model, to
23 establish a composite zone of reasonableness.

24 The zone of reasonableness produced by each model
25 will be given equal weight and averaged to determine the

1 composite zone of reasonableness. The Commission will use
2 that composite zone of reasonableness to then evaluate
3 whether an existing base ROE remains just and reasonable.

4 Specifically, the draft order proposes to
5 establish a range of presumptively just and reasonable ROEs
6 within which an existing ROE would not be found unjust and
7 unreasonable absent additional evidence to the contrary.

8 The range for each utility or group of utilities
9 will be based on its risk profile. For example, the range
10 of presumptively just and reasonable ROEs for an average
11 risk group of utilities would be the quarter of the zone of
12 reasonableness centered on the mid-point of that zone.

13 For purposes of establishing a new just and
14 reasonable base ROE when the existing base ROE has been
15 shown to be unjust and unreasonable, the draft order
16 proposes to rely then on a fourth financial model--four
17 financial models, the DCF Model, the CAPM, the Expected
18 Earnings Model, and now the Risk Premium Model--to produce
19 four separate base ROE estimates that will then be averaged
20 to produce a specific just and reasonable base ROE.

21 The Risk Premium Model produces a single
22 numerical point rather than a range. Therefore, it cannot
23 be used in establishing the initial composite zone of
24 reasonableness.

25 The draft order here establishes a paper hearing

1 and directs the parties to both of the MISO proceedings to
2 submit briefs regarding whether this proposed new approach
3 should apply. And if so, how to apply it to these two
4 proceedings.

5 This order, as in the Coakley Briefing Order,
6 does not make any final determinations with respect to the
7 proposed new methodology for analyzing the base ROE
8 component of rates. This ensures that all parties to these
9 proceedings will have an opportunity to present evidence and
10 arguments concerning the proposed new approach to
11 determining a public utility's ROE.

12 Now turning to Item E-20. Item E-20 is a draft
13 order that provides guidance regarding the effect of the
14 Coakley Briefing Order on pending proceedings involving base
15 ROE issues that have been set for hearing in settlement
16 judge procedures. Last month, the Chief Administrative Law
17 Judge issued an order that held an ROE proceeding in
18 abeyance until the Commission resolves the issues set for
19 the paper hearing in the Coakley Brief Order, or until the
20 Commission issues further guidance concerning the ROE
21 proceedings.

22 This draft order clarifies that in proceedings
23 involving base ROE issues that have been set for hearing and
24 settlement judge procedures, including Section 206
25 proceedings, the Commission expects the participants to

1 address the Coakley Briefing Order's proposed new
2 methodology in the context of their respective proceedings.

3 This includes presenting evidence on the merits
4 of the proposed methodology, and whether and how to apply
5 the proposed new methodology to the facts of their
6 respective proceedings.

7 While the Commission acknowledges that the
8 Coakley Briefing Order's proposed new methodology is in fact
9 a proposal and not yet a final policy, that Order also
10 indicated that in the interim the new proposed policy would
11 apply to proceedings currently pending before the
12 Commission.

13 So in this draft order the Commission clarifies
14 that it expects the participants in ongoing ROE proceedings
15 to address the merits and application of the proposed
16 methodology in their proceedings.

17 By allowing these proceedings to continue to be
18 adjudicated, it will enable parties to present evidence in
19 the records to respond to the proposed methodology in the
20 Coakley Briefing Order, and ultimately enable quicker
21 resolution of these proceedings.

22 Thank you, and we are happy to answer any
23 questions that you might have.

24 CHAIRMAN CHATTERJEE: My thanks to the team for
25 these excellent orders, and all of your work on these

1 challenging issues.

2 Determining the approach return on equity for a
3 public utility is one of the most important, and in my
4 experience one of the most difficult, responsibilities we
5 have at this Commission.

6 It is crucial that we strike a careful balance
7 that attracts sufficient transmission investment but doesn't
8 impose undue burdens on consumers.

9 The D.C. Circuit's remand of the Commission's
10 base ROE methodology in the Emera, Maine, case meant that we
11 were unable to take action on a number of pending ROE cases
12 before us for quite some time. With our action last month
13 in the Coakley Briefing Order, in conjunction with those of
14 today, I believe we've taken a significant step to finally
15 resolving those cases.

16 I want to underscore the necessity of resolving
17 these cases as soon as possible. For example, one of the
18 complaints we address in Order E-6 has been awaiting
19 resolution for over five years.

20 This means that transmission owners still don't
21 know what they made in 2013, and consumers still face
22 uncertainty about the impact on their bills.

23 I think the methodology we proposed in last
24 month's Coakley Briefing Order, and in the Orders before us
25 today, strike a just and reasonable balance that addresses

1 the D.C. Circuit's concerns, while allowing us to bring
2 these cases to completion.

3 With that, I have a question for the team. Will
4 these orders have any impact on the recent trend we've seen
5 of parties filing successive or, as they've often referred
6 to, pancaked complaints?

7 MR. HESSLER: Thank you, Chairman. Although the
8 proposed ROE methodology does not prohibit a pancaked
9 complaint, it proposes a framework that the Commission would
10 use to determine whether existing ROE remains just and
11 reasonable.

12 If that existing ROE falls within the quartile
13 range of presumptively just and reasonable ROEs, given the
14 utility's risk profile, the Commission would then determine
15 that the ROE remains just and reasonable and would dismiss
16 the complaint--absent sufficient evidence to the contrary.

17 CHAIRMAN CHATTERJEE: Thank you. That's very
18 helpful.

19 While my colleagues and I agree that it's
20 important to resolve the cases currently before us, we also
21 recognize that the urgency of addressing these cases
22 shouldn't preclude us from considering whether there are
23 other ways to determine a public utility's ROE.

24 That is why I'd like to announce that the
25 Commission intends to consider whether we should make

1 additional changes to both our calculation of base ROE and
2 transmission incentives under Order 679.

3 While I believe the proposed base ROE methodology
4 announced in the Coakley Briefing Order and applied in
5 today's Orders is just and reasonable, I think we all agree
6 that our policies are overdue for a fresh look with input
7 from all interested stakeholders, not just those that happen
8 to be parties to a pending complaint proceeding.

9 Further, with 13 years having passed since
10 Congress established Section 219 of the Federal Power Act, I
11 think it is high time we look at whether these two sets of
12 policies are producing the level and type of transmission
13 investment that the Nation needs.

14 I know that this announcement will raise concerns
15 about the impact on cases pending before the Commission, so
16 let me be clear.

17 If the Commission determines that changes to our
18 current policies are necessary, those changes will be
19 prospective from the time of that determination. Unless
20 and until the Commission makes such a determination, we
21 intend to rely on the policies established in the pending
22 complaint proceedings to determine just and reasonable
23 returns for public utilities.

24 I would also like to take this opportunity to
25 thank Commissioner McIntyre for his leadership in setting us

1 on this course. This undertaking was something that was
2 agreed to under his leadership, and I wish he could be here
3 today to be part of this exciting announcement.

4 My colleagues and I are still discussing the
5 timing and format of this review. I look forward to
6 announcing additional information as it's made available.

7 With that, I turn to my colleagues.

8 COMMISSIONER LaFLEUR: Well thank you very much,
9 and thank you to the team for all your work on this. With
10 the two Orders today, as well as the Coakley Briefing Order
11 last month, I'm pleased that we are acting to chart a path
12 forward regarding our approach to determining whether an
13 existing ROE remains just and reasonable, and for
14 establishing a replacement ROE.

15 I believe the methodologies proposed in these
16 Orders represent regional approaches that balance the
17 interests of transmission owners and our responsibilities to
18 make sure rates are just and reasonable.

19 While I support the methodologies set forth in
20 the Orders, I look forward to the parties' briefs to better
21 understand how to apply those proposed methodologies in the
22 individual cases.

23 I would also like to commend Chairman Chatterjee
24 and former Chairman McIntyre for the announcement of the
25 generic look at both return on equity and incentives. I am

1 particularly interested in a generic look at incentives. We
2 last looked at our incentive policy in 2012 in the Incentive
3 Policy Statement, which is really quite some time ago with a
4 different Commission, and I think it is the right time to
5 again look at it.

6 I believe that we should look closely at the
7 language in Section 219 of the Federal Power Act, and
8 consider whether reforms are needed to ensure that we're
9 promoting transmission investment in the manner consistent
10 with our statutory obligations.

11 I want to highlight a few aspects of our
12 incentive policy that I think are particularly ready for a
13 re-look. At our Technical Conference on Order No. 1000 two
14 years ago we talked about the potential impact of incentives
15 on competitive transmission processes. And I hope we will
16 have a chance to look at whether we need to have any
17 incentive policy reforms in light of our--in light of the
18 requirement of competitive transmission cost as seen in
19 Order 1000.

20 We've also seen some controversy in the courts,
21 and dissents at the Commission on both the RTO Order and the
22 Transco Order--I'm sorry, the RTO Adder and the Transco
23 Adder. And I think it's appropriate to take a look at them
24 and look at how we're interpreting them, whether they're
25 accomplishing our statutory mission at this time, or if

1 there need to be changes in the way we apply them.

2 I know I don't even have to say on something
3 that's a pocketbook issue that if we ask for comments on
4 this I hope we get a broad range of comments, because I'm
5 certain we will, but I think it's those records of comments
6 in a generic proceeding that help us determine the best way
7 forward. So I look forward to that.

8 Thank you very much, Mr. Chairman.

9 COMMISSIONER GLICK: Thank you. I want to first
10 thank staff for the very helpful presentation. I support
11 today's order on E-6 because it proposes what I believe to
12 be--what could be an even-handed approach for evaluating
13 whether an ROE is just and reasonable.

14 Equally important, E-6 and E-20 both provide much
15 needed guidance in the pending ROE proceedings. This
16 guidance will allow the parties to address the Commission's
17 proposed approach and, in turn, allow the Commission to
18 resolve these proceedings sooner, hopefully.

19 I do have one question, if you don't mind. The
20 Order explains that the Commission proposes to include a
21 high-end outlier test when applying the DEF, CAPM, and
22 Expected Earnings Models. Could you explain how the
23 high-end outlier test might work in practice?

24 MR. HESSLER: Sure. Thank you, Commissioner
25 Glick. The proposed ROE methodology recognizes that in

1 unusual circumstances the DCF, CAPM, and Expected Earnings
2 Models may produce unsustainably high results for a
3 particular proxy company.

4 So the draft order proposes a high-end outlier
5 test. That test would eliminate any proxy company whose
6 estimated cost of equity under a particular model is more
7 than 150 percent of the median result of the potential proxy
8 companies under that model.

9 This test would eliminate any proxy company whose
10 cost of equity is so far above the cost of equity of a
11 typical proxy company, so it suggests that it is the result
12 of unusual circumstances or model inputs and is not
13 representative of the risk profile of a normal utility.

14 By eliminating such outliers, it is important
15 because--so that it does not dramatically overstate the
16 resulting ROE that the Commission determines.

17 So, for example, the draft order states that in
18 the first MISO complaint proceeding this test would
19 eliminate from the proxy group used for the Expected
20 Earnings Model two companies with cost of equity of 18.24
21 percent and 16.37 percent.

22 This has the effect of reducing the top of the
23 zone of reasonableness produced by that model from 18.24
24 percent to now 15.21 percent, and reducing the mid-point
25 from 12.92 percent to 11.41 percent. Thank you.

1 COMMISSIONER GLICK: Thanks. That's actually
2 very helpful. That's a very important part I think with
3 this whole approach here.

4 Turning to the announcement Chairman Chatterjee
5 made, I want to commend you, Chairman Chatterjee, for the
6 announcement and proceeding to examine base ROE and the
7 Commission's transmission incentive policy. As everyone has
8 mentioned already, we reached the agreement to address these
9 issues under then-Chairman McIntyre's leadership, and I am
10 very pleased that we're pressing ahead on this important
11 issue.

12 Transmission incentives can play an important
13 role in facilitating the development of much-needed
14 infrastructure, but to be just and reasonable the actions we
15 are incentivizing must be worthwhile. In addition, our
16 incentives actually must incent the actions that we are
17 seeking to occur.

18 As I expressed at our last open meeting, it is
19 time for the Commission to re-examine our current
20 incentives' policies to determine whether they meet these
21 standards. I am also interested in examining whether there
22 are other actions that we should be incentivizing that
23 aren't addressed in Order 679 to date.

24 For example, I would like for us to consider how
25 transmission owners might make investments that would

1 improve the efficiency of existing transmission facilities.
2 I think we have some technologies and software that
3 utilities are not investing in today that could make better
4 use of our existing grid, and I want to see if we can figure
5 out a way to incentivize that.

6 In addition, I think we should examine whether
7 incentives are necessary to facilitate the development of
8 transmission facilities that are capable of tapping into a
9 region's resource potential, not just the first few projects
10 under development, which I think would be helpful, as well.

11 So I look forward to working with you, Mr.
12 Chairman, and Commissioner LaFleur, and others, and
13 hopefully we can have a very productive process here. So
14 thank you.

15 SECRETARY BOSE: We are now ready to take a vote
16 on these items together. The vote begins with Commissioner
17 Glick.

18 COMMISSIONER GLICK: Aye.

19 SECRETARY BOSE: Commissioner LaFleur.

20 COMMISSIONER LaFLEUR: Aye.

21 SECRETARY BOSE: And Chairman Chatterjee.

22 CHAIRMAN CHATTERJEE: Aye.

23 SECRETARY BOSE: The last item for presentation
24 and discussion this morning is Item A-3 concerning a staff
25 presentation on the 2018 Report on Enforcement. There will

1 be a presentation by Jeffrey Phillips from the Office of
2 Enforcement. He is accompanied by Jamie Marcos, Timothy
3 Smith, and Laura Vallance from the Office of Enforcement.

4 MR. PHILLIPS: As in previous years, OE staff
5 prepared this report to provide information about its
6 activities over the last fiscal year.

7 The report discusses the activities of all four
8 of OE's divisions: Investigations, Audits and Accounting,
9 Energy Market Oversight, and Analytics and Surveillance.
10 The report summarizes audits, market reports, litigation
11 filings, and settlements which were approved by the
12 Commission.

13 These resources are also publicly available on
14 E-Library and frequently reported in the trade press, but
15 OE's report goes further and also includes discussion of
16 nonpublic activities, including summaries of investigations
17 and self-reports that were closed without further action by
18 the Division of Investigations.

19 These summaries can be helpful to companies
20 seeking to comply with the Commission's regulations and
21 orders, and to maintain confidentiality the companies and
22 individuals' whose conduct was under review in these matters
23 are not identified in these summaries.

24 The Division of Audits and Accounting has
25 included illustrative alerts that cover nearly a dozen

1 distinct areas where there have been consistent concerns or
2 noncompliance of significant impact. Additionally, a
3 representative sample of audits completed in 2018,
4 summarized recommendations for corrective action, and
5 provide context for audits that resulted in refunds and
6 recoveries.

7 The Division of Energy Market Oversight
8 summarizes its recent market reports and assessments and
9 described other measures to monitor and analyze the Nation's
10 wholesale natural gas and electric power markets.

11 The Division of Analytics and Surveillance
12 provides a comprehensive review of its surveillance program
13 and describes how it analyzed transactional and market data
14 in FY 2018 to detect potential manipulation, anticompetitive
15 behavior, and other anomalous activities in the energy
16 markets.

17 OE's enforcement priorities have remained the
18 same as we continue to focus on four distinct areas.

19 First, fraud and market manipulation.

20 Second, serious violations of the reliability
21 standards.

22 Third, anticompetitive conduct.

23 And fourth, conduct that threatens transparency
24 in regulated markets.

25 In FY 2018, the Commission approved six

1 settlement agreements between Enforcement and subjects to
2 resolve pending matters. The settlements totaled
3 approximately \$83 million in civil penalties, and
4 disgorgement of just over \$66 million.

5 In FY 2018, DOI staff opened 24 new
6 investigations, as compared with 27 investigations opened in
7 2017. DOI closed 23 investigations in FY 2018, either
8 because staff found no violation, or because there was not
9 enough evidence to conclude that a violation had occurred,
10 or because DOI found a violation but exercised its
11 discretion to close the investigation.

12 Adding those to the six investigations that DOI
13 closed through settlement brings the total investigations
14 closed in 2018 to 29. In addition, DOI continues to
15 litigate three cases in federal district court.

16 In FY 2018, the Division of Audits and Accounting
17 completed 14 audits of oil pipeline, public utility, and
18 natural gas companies covering a wide array of topics. The
19 audits resulted in 209 recommendations for corrective
20 action, and directed \$185.1 million in refunds and
21 recoveries.

22 Additionally, DAA advised and acted on 435
23 proceedings at the Commission covering various accounting
24 matters with cost-of-service rate implications. These
25 proceedings included requests for declaratory orders,

1 natural gas certificate applications, merger and acquisition
2 applications, electric and natural gas rate filings,
3 applications for issuance of securities, and accounting
4 requests for approval.

5 Next, the Division of Energy Market Oversight
6 continued to monitor the jurisdictional markets to identify
7 market trends. On April 19th, 2018, Market Oversight issued
8 its State of The Markets Report for 2017, which reviewed
9 trends and events in natural gas and power markets,
10 including trends in prices, supply, and demand.

11 The report also reviewed the effects of the
12 extreme cold weather conditions in the Northeast during
13 December 2017 and January of 2018, and highlighted certain
14 rules promulgated by the Commission, including offer-cap
15 reform, and requirements for electric storage participation
16 in energy ancillary services and capacity markets.

17 Market Oversight also continued to provide its ex
18 poste analysis which evaluates transactions against market
19 fundamentals to identify instances of anticompetitive market
20 outcomes. And when such outcomes were identified, market
21 oversight coordinated with other Commission program offices
22 to determine whether Commission action to remedy market
23 power concerns was warranted.

24 And finally, during the fiscal year the Division
25 of Analytics and Surveillance continued watching for

1 anomalous activities in the markets and identified potential
2 investigative subjects.

3 In 2018, natural gas surveillance screens
4 produced approximately 7,700 alerts which were reviewed by
5 DAS staff, resulting in 18 additional indepth inquiries into
6 specific trading behavior.

7 On the electric side, each month during 2018 DAS
8 ran and reviewed 84 electric surveillance screens, as well
9 as hourly and intra-hour sub-screens and reports for over
10 36,000 hub and pricing nodes within six ISO/RTOs.

11 The surveillance activity identified 37 instances
12 of market behavior that required further analysis. A total
13 of 5 surveillance-related referrals were made to the
14 Division of Investigations in FY 2018. During FY 2018, DAS
15 also teamed with DOI on approximately 50 investigations,
16 including allegations of manipulation in the
17 Commission-jurisdictional natural gas and electricity
18 markets, or violations of tariff provisions.

19 And in these efforts, DAS provided analytical and
20 databased explanations related to ongoing investigations and
21 settlement discussions and Commission actions.

22 Copies of OE's annual report are now available on
23 the Commission website, and this concludes the presentation.

24 I will be happy to take any questions you may have.

25 CHAIRMAN CHATTERJEE: Thank you, Jeffrey, and

1 the rest of the team, for that informative presentation.

2 Enforcement is one of the Commission's most
3 important responsibilities. Unfortunately, in our efforts
4 to protect parties' due process rights, our Enforcement
5 program can often seem like a black box to those outside the
6 agency.

7 I think the annual report we are issuing today
8 helps provide the industries we regulate with critical
9 transparency about our enforcement program. I think it also
10 shows the public that the Commission is proactively
11 monitoring all of our regulated industries to provide
12 confidence in our markets, while also protecting the public
13 interest.

14 I do have a couple of questions on the report. I
15 understand that this is now the 12th year of issuing this
16 report. Can you speak to how the Commission's Enforcement
17 Program has evolved over those 12 years?

18 MR. PHILLIPS: Yes. Since the passage of EPAC in
19 2005, our Enforcement Program's priorities changed to focus
20 more on market manipulation cases. And these cases are a
21 higher priority for us because of the significant impact
22 that they have on the market, and the impact that they have
23 on individual consumers of energy.

24 And this trend of more investigations into market
25 manipulation is one that continues. And while we continue

1 to encounter actors that pursue the more traditional
2 fraud-based trading schemes, what has perhaps changed over
3 time is the sophistication of the perpetrators engaged in
4 those schemes, and the complexity of our open markets.

5 And so therefore we have adapted to create a more
6 robust surveillance program, and to ensure that our
7 enforcement efforts are meeting those challenges. Over the
8 past 12 years, the Commission has greatly increased--or has
9 had greatly increased access to public and nonpublic
10 electric and natural gas market data. And with this
11 additional data, the Commission--and with the Commission's
12 support, the Division of Analytics and Surveillance has been
13 able to develop a more robust and highly technical
14 surveillance program that effectively and efficiently
15 identifies instances of potential market manipulation.

16 Additionally, we through our market monitors are
17 gaining more experience. We are getting more and stronger
18 referrals from those market monitors. And so in general
19 we've seen this evolution for how cases come to us with the
20 increased expertise that we have in our surveillance staff
21 and the role of those market monitors.

22 I think also in FY 2006 and 2007 we had a total
23 of 37 and 31 self-reports, respectively, in those years. We
24 now consistently see an average of over 120 self-reports
25 from entities annually.

1 So to sum it up, we have seen an improved
2 compliance posture with the Commission's jurisdictional
3 statutes and regulations and rules, and we continue to
4 provide as clearly as possible messages to the market so
5 that there can be a clear understanding of ways not to be in
6 violation.

7 One good example of that was our FY 2016 white
8 paper, which continues to be available on the website.

9 CHAIRMAN CHATTERJEE: I thank you for that, and
10 for your outstanding work.

11 I noted that there was one closed violation in
12 the report that was initiated based on a referral from a
13 U.S. Attorney's office. Could you elaborate a little bit on
14 how we interact with other federal agencies through our
15 enforcement program?

16 MR. PHILLIPS: Yes. In 2018 and previously we
17 have worked closely with, for instance, the Department of
18 Justice, on all of our district court matters. In our
19 ongoing district court cases we routinely team with an
20 Assistant U.S. Attorney and involve that attorney at every
21 stage of our litigation.

22 And, similarly, we work with the Commodity
23 Futures Trading Commission on cases that overlap on our
24 jurisdictions. And we also operate under a more formal
25 Memorandum of Understanding with the CFTC to coordinate

1 those kinds of cases.

2 In general we have excellent relationships with
3 other federal enforcement partners. This would include
4 NERC, with whom we work closely on reliability-based
5 enforcement matters.

6 CHAIRMAN CHATTERJEE: Thank you. I think one of
7 the really intriguing things about our audit program is that
8 it not only assesses accounting issues and other things
9 you'd normally associate with an audit, but also provides
10 feedback on a company's compliance program and compliance
11 culture.

12 Can you talk a little bit about the trends that
13 the Division of Audits has seen in compliance programs over
14 this time?

15 MR. SMITH: Good morning. I can take that. I
16 think the trends overall are positive. For many years, the
17 Division of Audits and Accounting has observed that most
18 companies take compliance very seriously, and that they
19 promptly take corrective actions to address any findings and
20 recommendations that we identify through the audit process.

21 However, since the issuance--the Commission's
22 issuance of the Policy Statement on Compliance in 2008, we
23 have seen a more proactive approach from many companies in
24 addressing compliance. Specifically, we've seen companies
25 develop more robust internal compliance programs, and also

1 hire dedicated compliance officers, where previously they
2 didn't have anyone in those positions.

3 Some examples of some of the proactive approaches
4 companies have been taking include using lessons learned
5 from other audit reports to other companies, and identifying
6 areas that may apply to them as well. Also, using the
7 compliance alerts that we put in our enforcement report on
8 an annual basis. And, finally, using the outreach from our
9 Audit and Accounting functions to the companies and the
10 industry groups that we communicate with. And collectively
11 using all that information then to identify potential
12 noncompliance areas, and deal with those issues preemptively
13 outside of the audit process.

14 CHAIRMAN CHATTERJEE: Thank you for answering
15 those questions, for the presentation, and for your
16 outstanding work on this report. Appreciate it.

17 COMMISSIONER LaFLEUR: Thank you, Mr. Chairman.
18 Thank you for that presentation. Thank you to everyone in
19 OE who worked on the report. I do this every year, but I
20 hold it up and say this report is required reading for
21 anyone who does business before the Commission on Commission
22 markets, certainly including but not limited to anyone who
23 does compliance work in a corporation or an entity or with
24 traders, because it has information that is simply not
25 available anywhere else--particularly the summary of

1 investigations and self-reports that are closed without a
2 finding, the summary of audit findings, and the information
3 on the screens of the Division of Analytics and
4 Surveillance.

5 And I want to thank Larry and everyone on this
6 team for not just putting out the report, but the work that
7 it reflects and summarizes.

8 I think the Chairman asked along the lines of
9 what I was going to ask, but I'm interested, as you look at
10 the last more than a decade, do you think you're achieving--
11 or "achieving" might be the wrong word--approaching
12 steady-state in terms of kind of the numbers and the focus
13 of the Office of Enforcement? Or do you continue to see a
14 lot of change in the type of cases you're seeing or the way
15 you're approaching them?

16 MR. PHILLIPS: We are seeing a steady-state in
17 the sense that we continue to have a focus and receive the
18 types of cases that I've mentioned, which are market
19 manipulation cases. And so we have come to that point where
20 that's the bulk of our cases, and we are confident that also
21 aligns with our priorities and the Commission's priorities
22 to combat those types of cases.

23 So in that sense, we have seen sort of a
24 steadying state. We've also seen a relatively steady state
25 in the number of investigations that get opened and closed

1 during the year. And so--but we are seeing this overall
2 improvement in compliance generally through--and that is
3 reflected in the increased number of self-reports, for
4 instance, that we get. So we know that there is this
5 recognition and cognition out there of what type of cases we
6 are doing, and what we consider to be violations.

7 COMMISSIONER LaFLEUR: Thank you. I mean I think
8 it's healthy to achieve a steady state, because it means
9 it's become just a normal part of the Commission's
10 operation. But at the same time, you would hope--not that
11 you'd exactly put yourself out of business, but that after
12 seeing the same type of thing, whether it's like trading in
13 the market to benefit a financial position, that you would
14 see fewer of those because people would learn. And I think
15 we're seeing both.

16 I just have one clarifying question. In pages 18
17 through 20 of the report you have graphs illustrating the
18 types of self-reports we're seeing. And I notice that this
19 year you didn't call out the ISO/RTO self-reports. I think
20 you characterized them in a different way.

21 Can you comment on the trend of what we're seeing
22 from the ISOs and RTOs?

23 MR. PHILLIPS: Yes, thank you. With some
24 variation in the number of self-reports received has
25 remained fairly constant in the recent years. We generally

1 receive in the range of, as I said, approximately 120
2 self-reports each year. And you will notice that in
3 previous years we tracked the number of self-reports made by
4 ISOs and RTOs.

5 For the first time this year, rather than listing
6 the number of self-reports from those ISOs and RTOs
7 individually, we've actually captured the substance and
8 become more granular on those reports, and included whatever
9 is being reported from the ISO substantively in those
10 categories.

11 And so--but in general, the bulk of self-reports
12 involved coming from either the ISOs and RTOs, or other
13 entities, or usually minor violations of technical tariff
14 violations. That's what we're seeing.

15 COMMISSIONER LaFLEUR: Thank you very much.

16 COMMISSIONER GLICK: Thank you, Mr. Chairman. I
17 want to thank the staff for the excellent report and the
18 presentation as well.

19 I don't have any questions, but I did want to say
20 a few things, if that's okay. The Office of Enforcement
21 plays a vitally important role in helping the Commission
22 carry out its responsibilities to promote the public
23 interest.

24 For instance, I think we all agree that
25 competitive electricity markets can deliver enormous

1 benefits to consumers, but these markets actually have to be
2 competitive. And it's up to the Office of Enforcement to
3 monitor and prevent actions that might undermine competitive
4 markets such as manipulation, which can cause consumers
5 billions of dollars.

6 The Office of Enforcement has the equally
7 important responsibility of ensuring that jurisdictional
8 entities abide by the Commission's requirements. For
9 example, it's essential that when the Commission issues a
10 natural gas certificate of public convenience and necessity
11 to a natural gas pipeline company, that we have to make sure
12 that that pipeline company actually complies with all the
13 requirements and conditions that the certificate requires.

14 And I think the Office of Enforcement is here to
15 do that. I know that some in the industry--it's no secret
16 that some in the industry complain when--especially when
17 their companies are subject to scrutiny, but I believe it's
18 essential that we have a vigorous and effective Office of
19 Enforcement. I think under Larry's leadership, we do
20 currently, and I intend to encourage the office to continue
21 to aggressively pursue the public interest.

22 Thank you.

23 SECRETARY BOSE: There's no more on today's
24 agenda, Mr. Chairman

25 CHAIRMAN CHATTERJEE: Thank you. Just brief

1 closing remarks. I want to thank everyone on the staff
2 throughout the building, and our guests, for braving the
3 weather and coming in today. It was pretty nasty out.

4 On days like this, I particularly want to thank
5 our security throughout the building. While those of us are
6 inside in our offices and complaining that it's too cold,
7 you guys are outside facing the forces. And so I greatly
8 appreciate that.

9 And I want to close by congratulating
10 Commissioner LaFleur and the Red Sox on their World Series
11 victory. I feel like every three months in an open meeting
12 we have to congratulate Commissioner LaFleur--

13 (Laughter.)

14 CHAIRMAN CHATTERJEE: --and Boston for
15 something. But I would be remiss if I didn't reference that
16 my friend and fellow Lexington, Kentucky, native, Walker
17 Buehler, was absolutely dominant in his game three start for
18 the Dodgers, went seven innings, gave up no runs, only one
19 hit, struck out seven, didn't walk anybody, and no one will
20 ever remember it because he left the game with a one-nothing
21 lead, and it didn't conclude for five more hours and 11
22 innings.

23 (Laughter.)

24 CHAIRMAN CHATTERJEE: But I wanted to put it on
25 the public record that I supported Walker's outstanding

1 performance. But the Red Sox were dominant all season, and
2 now that baseball is behind us, I look forward to us uniting
3 in our bipartisan support of Tom Brady and the Patriots.

4 (Laughter.)

5 COMMISSIONER LaFLEUR: Thank you very much.

6 CHAIRMAN CHATTERJEE: With that, this meeting is
7 adjourned.

8 (Whereupon, at 11:17 a.m., Thursday, November 15,
9 2018, the meeting of the Commissioners of the United States
10 Federal Energy Regulatory Commission was adjourned.)

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1 CERTIFICATE OF OFFICIAL REPORTER

2

3 This is to certify that the attached proceeding
4 before the FEDERAL ENERGY REGULATORY COMMISSION in the
5 Matter of:

6 Name of Proceeding:

7 1048th Commission Meeting

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15 Docket No.:

16 Place:

17 Date:

18 were held as herein appears, and that this is the original
19 transcript thereof for the file of the Federal Energy
20 Regulatory Commission, and is a full correct transcription
21 of the proceedings.

22

23

24

Gary Euell

25

Official Reporter P R O C E

1 E D I N G S

2 (10:04 a.m.)

3 SECRETARY BOSE: Thank you, Mark. The purpose of
4 the Federal Energy Regulatory Commission's open meeting is
5 for the Commission to consider the matters that have been
6 duly posted in accordance with The Government In The
7 Sunshine Act.

8 Members of the public are invited to observe,
9 which includes attending, listening, and taking notes, but
10 does not include participating in the meeting or addressing
11 the Commission.

12 Actions that purposely interfere or attempt to
13 interfere with the commencement or conducting of the
14 meeting, or inhibit the audience's ability to observe or
15 listen to the meeting, including attempts by audience
16 members to address the Commission while the meeting is in
17 progress, are not permitted. Any persons engaging in such
18 behavior will be asked to leave the building. Anyone who
19 refuses to leave voluntarily will be escorted from the
20 building.

21 Additionally documents presented to the Chairman,
22 Commissioners, or staff during the meeting will not become
23 part of the official record of any Commission proceeding,
24 nor will they require further action by the Commission.

25 If you wish to comment on an ongoing proceeding

1 before the Commission, please visit our website for more
2 information. Thank you for your cooperation.

3 CHAIRMAN CHATTERJEE: Madam Secretary, we are
4 ready to begin.

5 SECRETARY BOSE: Good morning, Mr. Chairman, and
6 good morning, Commissioners. This is the time and the place
7 that has been noticed for the open meeting of the Federal
8 Energy Regulatory Commission to consider the matters that
9 have been duly posted in accordance with The Government In
10 The Sunshine Act.

11 Please join us in the Pledge of Allegiance.

12 (Pledge of Allegiance recited.)

13 SECRETARY BOSE: Commissioners, since the October
14 meeting the Commission has issued 59 Notational Orders.
15 Thank you, Mr. Chairman.

16 CHAIRMAN CHATTERJEE: Thank you, Madam Secretary,
17 and good morning to everyone. Before we begin, I want to
18 express my gratitude to the entire FERC community for the
19 support I've received since taking on the role of Chairman.

20

21 The transition has not been an easy one, but I am
22 immensely grateful for the team around me and their efforts
23 to make this as seamless as possible. With their continued
24 good work, I am confident we will keep building upon the
25 solid foundation that Kevin created through his strong

1 leadership.

2 While Commissioner McIntyre could not be here
3 today, we continue to keep him and his family in our
4 thoughts as he recovers. I've personally been encouraged by
5 the outpouring of well wishes that we've seen from folks
6 within the building, as well as from industry and federal
7 partners, and I know it means the world to the McIntyre
8 family as well.

9 With that, I would like to turn our attention to
10 today's agenda. But before I do, I want to extend a warm
11 welcome to our new Director of the Office of Electric
12 Reliability, Andy Dodge. This hiring decision was made by
13 Chairman McIntyre sometime ago, but I wanted to take an
14 opportunity today to formally recognize Andy. I look
15 forward to working together in your new role. And, as I
16 stated, if you had Kevin McIntyre's confidence you most
17 certainly have mine as well. So, welcome.

18 Now on the substantive issues before us. We have
19 a full agenda today, including our Annual Report on
20 Enforcement. We also have some important items on today's
21 Consent Agenda. Specifically, I'd like to highlight Item
22 E-2, which would amend our regulations to implement the
23 recently signed legislation changing Section 203 of the
24 Federal Power Act to relieve regulatory burdens for small
25 transactions.

1 This may seem like just a simple legislative
2 change, but its impact in relieving administrative burdens
3 on regulated entities is significant. For that, I would
4 like to thank the Congressional sponsors of this legislation
5 and the team who worked on the Order.

6 Speaking of good legislation, I would also like
7 to note that Congress also recently passed the America's
8 Water Infrastructure Act, which contained a number of
9 hydropower provisions. And I'm proud to say that just this
10 week the Commission issued a notice establishing our
11 schedule to implement the provisions of this Act.

12 And on one final issue related to legislation
13 enacted by our colleagues on Capitol Hill, I am happy to
14 report that much of today's agenda centers on passing along
15 the benefits of the Tax Cuts and Jobs Act to ratepayers.

16 In fact, on an agenda with greater than 40 items,
17 more than half are tax-related. A handful of those are
18 generic proceedings concerning industry practices on
19 accounting or ratemaking issues related to ADIT. But a
20 larger number involve proceedings where natural gas and
21 electric transmission ratepayers have seen or will see their
22 rates lowered.

23 In the words of our former colleague Rob
24 Powelson, this is precisely the sort of boring good that
25 FERC does best. My hat is off to the staff who has worked

1 long and hard since the passage of this once-in-a-generation
2 tax reform legislation to do our part here at the
3 Commission.

4 I look forward to their presentation elaborating
5 on the generic tax proceedings later in today's agenda.

6 Lastly, before I turn it over to my colleagues
7 for their comments, I wish to extend our heart-felt support
8 to all those affected by the California wildfires. FERC
9 staff, including the Office of Electric Reliability and
10 Office of Energy Projects, have been working closely with
11 our partners at NERC and federal and state emergency
12 management agencies to ensure the continued safety and
13 security of FERC jurisdictional hydropower facilities, and
14 to monitor disruptions of power to critical services in the
15 affected areas.

16 The Commission will continue to do what it can to
17 assist as the region recovers from these destructive fires.
18 And we also continue to pray for those who have lost their
19 loved ones, their homes, and their sense of community in
20 this devastating tragedy.

21 With that, I will conclude my remarks and turn to
22 my colleagues for any opening statements or announcements
23 they may have.

24 COMMISSIONER LaFLEUR: Well thank you very much,
25 Mr. Chairman. I too want to send my best wishes to Kevin

1 and his family. And as you said, also the people whose
2 lives are being turned upside down by the tragic wildfires
3 in California who are very much in my thoughts.

4 In February 2017 when Becky Robinson and I went
5 out to visit the Oraville Dam, we were in many of the towns
6 that have been directly affected by the Camp Fire. And
7 indeed, Kory Honea, the Butte County Sheriff, who was the
8 one who worked on the evacuation of Oraville, and we met
9 with out there, has been very much a fixture on the national
10 news with tragic news. So it's chilling to see him and to
11 think of the people, and to think of what we should be doing
12 to help avoid those kind of tragedies.

13 On a happier note, I want to also congratulate
14 Andy Dodge on his taking up the role of Director of the
15 Office of Electric Reliability, and also thank David Ortiz
16 for his leadership as Acting Director, as well as his
17 continuing leadership as Deputy Director of that office.

18 I want to call out a couple of items on today's
19 Consent Agenda to talk about. The first is C-1, which is a
20 Texas Eastern Certificate Project in which I will be
21 concurring with a separate statement.

22 This is a Certificate Order regarding the
23 Lambertville East Expansion Project in New Jersey. The
24 project would replace two existing compressors to provide an
25 additional 60,000 decatherms a day of natural gas to two

1 local utilities in New Jersey. It's being built on the
2 existing site owned by Texas Eastern without eminent domain.
3 In order to balance project need and environmental impact, I
4 calculated an upper bound estimate of downstream greenhouse
5 gas submissions from the combustion of the gas that will be
6 enabled by the project, which I set out in my concurrence as
7 I have in past concurrences.

8 On balance, I believe the project is in the
9 public interest and I'm trying to find a way, despite my
10 disagreement with the way we've been handling downstream
11 greenhouse gases, to make case-by-case determinations on the
12 projects.

13 I very much look forward to considering more
14 broadly how we assess public interest in pipeline cases,
15 including climate change impacts, as part of our Notice of
16 Inquiry on the Certificate Policy Statement.

17 Secondly, I want to briefly mention E-3, which is
18 a final rule that approves the next phase of reliability
19 standards on geomagnetic disturbances, a subject that I've
20 been working on for some time.

21 The rule approves a standard, but directs two
22 important modifications to the standards. The first
23 modification required in today's Order is that we require
24 NERC to file revisions to require the development and
25 completion of corrective actions for supplemental GMD

1 events, not just the original benchmark GMD events that was
2 in the earlier standard. I believe this will help ensure
3 there's not a gap in GMD protections.

4 The second required modification is that we
5 require NERC to develop a case-by-case process to review
6 requests to extend deadlines for completing corrective
7 action plans. I believe this will help ensure that the
8 standards are actually met, and allow visibility into the
9 state of GMD protections on the grid.

10 Obviously this has been a multi-year effort, but
11 getting protections built into the grid is what the whole
12 thing is about.

13 I want to thank the team for all their ongoing
14 work on GMD issues, and I also want to particularly thank my
15 colleagues for working on the Order. I'm glad that we were
16 able to agree on the things we directed in the Order, and I
17 am glad we were able to reach consensus.

18 Before leaving the topic, I want to note that one
19 other thing that we did in the Order, we declined to direct
20 the development of a standard on electromagnetic pulse,
21 which we held was beyond the scope of the standard on GMD
22 that we're acting on. I just want to note that, although
23 it's not the subject of standards, it's a subject I'm
24 closely following. There's a lot of important work going on
25 on the effects of electromagnetic pulse on the electric

1 grid being done at Los Alamos National Lab, and an EPRI, and
2 I'm hoping their conclusions will help shed light on how we
3 can best protect the grid.

4 Finally, I want to wish a happy birthday to two
5 of my advisors, Jessica Cockrill, whose birthday is today,
6 and Andy Weinstein, whose birthday is tomorrow. They drew
7 the unlucky card of having their birthday on open meeting
8 day, so I wish them well.

9 Thank you, Mr. Chairman.

10 COMMISSIONER GLICK: Thank you, Mr. Chairman.
11 First of all I want to share in the comments of Commissioner
12 LaFleur and you, Mr. Chairman, about Commissioner McIntyre.
13 I certainly hope that he's back here soon, as soon as
14 possible.

15 Commissioner LaFleur did not mention the jersey
16 that she's wearing--

17 COMMISSIONER LaFLEUR: It speaks for itself--

18 (Laughter.)

19 COMMISSIONER LaFLEUR: --jersey. Did anyone hear
20 that the Red Sox won the World Series?

21 (Laughter.)

22 COMMISSIONER GLICK: I probably shouldn't have
23 said anything.

24 (Laughter.)

25 COMMISSIONER GLICK: But I just wanted to say how

1 happy I'm sure the Chairman is, and Commissioner McIntyre
2 and I are, that Commissioner LaFleur will be able to put up
3 yet another plaque in her office honoring yet another World
4 Championship by the Red Sox. One of these days the Mets are
5 going to win the World Series, but it might be a long time.

6 I also want to again reiterate my congratulations
7 to Andy Dodge on his new position. I want to also take a
8 moment, though, to talk about David Ortiz who did an amazing
9 job as Acting Director of OER. David has provided excellent
10 counsel and expertise on a wide range of topics, some of
11 which are very technically complex, as people here know.
12 And I've very much enjoyed working with him as Acting
13 Director.

14 At David's invitation I recently had the
15 opportunity to speak to the OER team at an all-hands meeting
16 and they asked some very interesting questions. But I want
17 to reiterate something I said there, which is that OER is
18 the unsung of this agency, and I think David led the team in
19 a very capable manner, and I think he should be
20 congratulated for the work he did in standing in in the
21 interim.

22 I also wanted to mention the California
23 wildfires, like my two colleagues here. I wanted to send my
24 thoughts out to those in California that have been impacted
25 by the devastating wildfires that began last week.

1 Unfortunately, scientists tell us that due to
2 climate change we can expect more frequent and more intense
3 wildfires throughout the West. And I've said before, if
4 we're going to take an honest look at the grid resilience,
5 we're going to need to recognize that most of the problems
6 that we face really are mostly distribution and transmission
7 system related, and not necessarily on the generation side.

8 Wildfires represent a real threat to the
9 reliability and resilience of the Western Grid because they
10 impact transmission facilities. These fires reinforce the
11 point that the Commission needs to refrain from seeking a
12 one-size-fits-all approach to grid resilience if it's
13 determined that action is needed at all on that particular
14 subject.

15 Separately, I was pleased to see recently the
16 initial results of PJM's field security analysis where PJM
17 selected a series of scenarios modeling increasingly
18 unlikely occurrences with increasingly extreme resource
19 adequacy assumptions, until it was able to push the system
20 to the point of failure.

21 This study is good news for the PJM region, as it
22 showed that the PJM system is reliable and resilient, due in
23 no small part to the large investments in transmission, and
24 the fact that the portfolio of resources it has is more
25 diverse than it ever has been before.

1 As we continue to explore the topic of
2 resilience, we need to keep in mind that determining the
3 right risk to protect against for each region is a
4 challenge, but it is one that I think the regions in NERC
5 are already doing an excellent job on.

6 And Commissioner LaFleur mentioned C-1, and I am
7 actually going to be partially dissenting on that particular
8 Order today. I wanted to just briefly explain why. In this
9 particular Order the Commission is again refusing to
10 consider whether the project's contributions to climate
11 change are significant. As I have indicated on a number of
12 occasions, I believe we are statutorily obligated to assess
13 for post-projects' impacts on climate change before granting
14 a certificate of public convenience and necessity, and that
15 we have a tool to do so--namely, the social cost of carbon.

16 It is simply not acceptable for the Commission to
17 continue to ignore the potential impacts of a project on
18 climate change. I hope that as part of the ongoing NOI
19 process we can reach agreement on a going-forward basis that
20 enables the Commission to meet its statutory obligations to
21 consider the significance of a proposed project on climate
22 change.

23 I think what is important here is that the record
24 in this particular proceeding does not contain any
25 information assessing significance. And again I do not

1 believe that neither NEPA or the Natural Gas Act permits us
2 to move forward without doing so.

3 Finally, I also wanted to take a minute to
4 discuss the Order I will actually be voting for today, and
5 it's G-6. We are--In G-6 we are approving a settlement
6 between the Kern River Gas Transmission Company and its
7 shippers that provide for a rate reduction to account for
8 the corporate tax change rate that Congress enacted last
9 year.

10 I applaud the parties for reaching agreement on a
11 result that will benefit consumers, which is why I'm voting
12 yes. But I do have concerns, because the settlement
13 includes a clause that viciates the rate reduction if one
14 of two things happens. Either if Congress subsequently
15 increases the tax rate--and that certainly would make sense.
16 The second occurrence, though, is one that bothers me. And
17 basically under the clause in the agreements it says that if
18 FERC at any time in the future initiates a proceeding
19 pursuant to Section 5 of the Natural Gas Act to increase or
20 change rates, then all of a sudden automatically the rate
21 reduction that we're approving today goes out and we are
22 actually back to reinstalling the tax rate, the corporate
23 tax rate that existed in 2016.

24 That to me doesn't make a lot of sense. In my
25 opinion, Kern River in this settlement is essentially

1 holding the Commission hostage by saying that if FERC at
2 some point in the future believes Kern River is overcharging
3 its customers and the Commission attempts to act on that
4 belief, then all of a sudden we have to go into litigation
5 that's going to take several years probably to go through
6 the litigation process, at least a couple of years to go
7 through the litigation process, and at the very time
8 consumers are going to be paying the old rate, again a much
9 higher rate than exists under the settlement. So I think
10 what Kern River really is doing in this particular case
11 again is holding us hostage by saying if you do act ever in
12 the future on Section 5 then we're going to raise rates on
13 consumers.

14 What I think this really highlights is the fact
15 that the Natural Gas Act doesn't have a refund provision
16 like the Federal Power Act does.

17 So again I want to call on Congress to add a
18 refund provision to the Natural Gas Act which mirrors the
19 refund provision in the Federal Power Act so that we can
20 ensure that consumers are protected to the extent that there
21 ever is an attempt to increase rates on a going-forward
22 basis as opposed to giving the incentive at least for
23 pipeline companies to delay the litigation process and
24 recover excess rates for a long period of time without ever
25 having to worry about refunds.

1 With that, I'll finish up and thank you, Mr.
2 Chairman.

3 CHAIRMAN CHATTERJEE: Madam Secretary, we are
4 ready to go to the Consent Agenda.

5 SECRETARY BOSE: Thank you, Mr. Chairman. Since
6 the issuance of the Sunshine Act Notice on November 8th,
7 2018, no items have been struck from this morning's agenda.
8 Your Consent Agenda is as follows:

9 Electric Items: E-2, E-3, E-5, E-7, E-8, E-9,
10 E-10, E-11, E-12, E-13, E-14, E-15, E-16, E-17, E-18, E-19,
11 E-21, E-22, E-23, E-24, E-25, E-27, E-28, E-29, E-30, E-31,
12 E-32, and E-33.

13 Gas Items: G-1, G-2, G-4, G-5, G-6, and G-7.

14 Hydro Item: H-1.

15 Certificate Item: C-1.

16 Commissioner McIntyre is not present at today's
17 meeting and will not be voting on this morning's agenda. As
18 to C-1, Commissioner LaFleur is concurring with a separate
19 statement. And Commissioner Glick is dissenting in part
20 with a separate statement.

21 We will now take a vote on this morning's Consent
22 Agenda and, as stated earlier, Commissioner McIntyre is not
23 voting on today's agenda. The vote begins with Commissioner
24 Glick.

25 COMMISSIONER GLICK: Noting my partial dissent in

1 C-1, I vote aye.

2 SECRETARY BOSE: Commissioner LaFleur.

3 COMMISSIONER LaFLEUR: Noting my concurrence in

4 C-1, I vote aye.

5 SECRETARY BOSE: And Chairman Chatterjee.

6 CHAIRMAN CHATTERJEE: Aye.

7 SECRETARY BOSE: We are now ready to move on to
8 the discussion and presentation portion of the meeting. The
9 first presentation for this morning is a joint presentation
10 on Items E-1, E-4, and E-26 concerning accounting and
11 ratemaking treatment of accumulated deferred income taxes.

12 There will be a presentation by Noah Lichtenstein
13 from the Office of Energy Market Regulation, Sharli Silva
14 from Office of the General Counsel, and Olga Anguelova from
15 the Office of Enforcement. They are accompanied by Josh
16 Walters and Jonathan Taylor from the Office of the General
17 Counsel, Bryan Wheeler and Monil Patel from the Office of
18 Energy Market Regulation, and Kimberly Horner from the
19 Office of Enforcement.

20 MR. LICHTENSTEIN: Good morning, Mr. Chairman and
21 Commissioners. Items E-1, E-4, and E-26 are tax-related
22 items that address the effects of the Tax Cuts and Jobs Act
23 which, among other things, reduced the Federal Corporate
24 Income Tax Rate from 35 percent to 21 percent.

25 These items are just three of the Commission's

1 continuing efforts to ensure that ratepayers receive the
2 benefit of the reduced tax rate. Item E-1 is a notice of
3 proposed rulemaking that addresses the effects of the Tax
4 Cuts and Jobs Act on the accumulated deferred income taxes,
5 or ADIT. The proposed rule applies to public utility
6 transmission providers with transmission rates under an
7 open-access transmission tariff, a transmission owner
8 tariff, or a rate schedule.

9 ADIT balances are recorded on the regulated books
10 and records of public utilities based on requirements of the
11 Commission's Uniform System of Accounts. ADIT arises from
12 timing differences between their method of computing taxable
13 income for reporting to the IRS and the method of computing
14 income for regulatory accounting and ratemaking purposes.

15 As a result of the Tax Cuts and Jobs Act,
16 reducing the federal corporate income tax rate from 35
17 percent to 21 percent, ADIT liability and ADIT asset
18 balances on the books of public utilities have also been
19 reduced.

20 Further, a portion of an ADIT liability that was
21 collected from customers will no longer be due from public
22 utilities to the IRS, and is considered excess ADIT, and
23 therefore must be returned to customers.

24 Conversely, public utilities will have collected
25 insufficient amounts to fund any ADIT asset. Commission

1 regulations require that public utilities return or recover
2 these excess or deficient amounts by including provisions in
3 their cost of service.

4 To ensure conformance with these regulations, the
5 proposed rule requires public utilities with transmission
6 formula rates to, one, deduct excess ADIT from or add
7 deficient ADIT to their rate bases. And, two, to adjust
8 their income tax allowances by amortized excess or deficient
9 ADIT.

10 The proposed rule also requires all public
11 utilities with transmission formula rates to incorporate a
12 new permanent worksheet into their transmission formula
13 rates that will track ADIT information on an annual basis.
14 The proposed rule does not prescribe a one-size-fits-all
15 approach by which public utilities with transmission formula
16 rates would make these adjustments.

17 For public utilities with transmission stated
18 rates, the proposed rule requires those public utilities to,
19 one, determine the amount of excess and deferred income tax
20 caused by the reduced federal corporate income tax rate,
21 and, two, return or recover this amount to or from
22 customers.

23 Comments are due within 30 days of publication of
24 the proposed rule in the Federal Register.

25 Next, Sharli will discuss Item E-4. Thank you.

1 MS. SILVA: Good morning. Item E-4 is a policy
2 statement that provides accounting and ratemaking guidance.
3 The policy statement discusses the Commission's policy
4 regarding the treatment of ADIT for both accounting and
5 ratemaking purposes as to public utilities, natural gas
6 pipelines, and oil pipelines.

7 Specifically, the policy statement provides
8 guidance regarding two questions the Commission sought
9 comments on in a March 15th Notice of Inquiry.

10 One: In which accounts should companies record
11 amortization of excess and deficient ADIT?

12 And, two: Whether, and if so how, such entities
13 should address excess and/or deficient ADIT that is recorded
14 on the books of public utilities, natural gas pipelines, and
15 oil companies after December 31st, 2017, as a result of
16 assets being sold or retired?

17 Among other things, the policy statement states
18 that for a public utility or a natural gas pipeline that
19 continues to have an income tax allowance, any excess or
20 deficient ADIT associated with an asset must continue to be
21 amortized in rates even after the sale or retirement of that
22 asset.

23 Next, Olga will present on Item E-26.

24 MS. ANGUELOVA: Good morning. (Microphone is
25 off.) --accounting requests by the Edison Electric

1 Institute for certain public utilities in centralized
2 service companies to the cost and accounting classifications
3 of the tax effects resulting from the Tax Cuts and Jobs Act,
4 and relating on the specific income and expenses. The
5 reclassification is necessary due to the timing of the
6 specific income and expenses on the financial statements
7 reported to the Commission which caused associated excess or
8 deficient ADIT to become transit.

9 The Commission's accounting regulations require
10 the public utilities and centralized service companies to
11 obtain prior Commission approval before making the
12 reclassification to remove the stranded tax effects.

13 The approval granted in the Order is for
14 accounting purposes only, and it's not intended to influence
15 any future rate considerations.

16 This concludes our presentation. We would like
17 to thank and recognize the members of the team that are not
18 seated here at the table in helping to prepare this item.
19 We are happy to answer any questions that you may have.

20 CHAIRMAN CHATTERJEE: I want to thank staff for
21 their excellent presentation. I have to confess, I had
22 only a hazy idea of what A-D-I-T, or ADIT, was before last
23 March. But over the course of the last eight months, I
24 think that all of us on the Commission have gained a much
25 deeper appreciation for the important role that ADIT plays

1 in ensuring just and reasonable rates.

2 And this is in large part because of the
3 excellent job our in-house subject matter experts have done
4 in educating us through presentations like this one.

5 That being said, I do have a couple of quick
6 questions for you. Could you please describe the scope of
7 the Notice of Proposed Rulemaking on ADIT issues in Item
8 E-1? Specifically, to what entities and rates will it
9 apply, or not?

10 MR. WHEELER: Good morning. This NOPR will only
11 apply to a specific subset of public utilities. It will be
12 public utility transmission providers with transmission
13 formula or stated rates.

14 CHAIRMAN CHATTERJEE: It's important that, where
15 appropriate, the Commission avoids imposing top-down,
16 one-size-fits-all approaches that ignore material
17 differences between the utilities. Can you take a moment to
18 explain why the Notice of Proposed Rulemaking E-1 is not a
19 one-size-fits-all approach?

20 MR. LICHTENSTEIN: Sure. So each of the
21 requirements in the proposed rule would require revisions to
22 transmission rates. And those transmission rates are almost
23 always developed with the unique circumstances of the public
24 utility and their customers in mind.

25 A one-size-fits-all approach would ignore those

1 unique circumstances and, in some instances, might not meet
2 the goals of the proposed rule itself, to the detriment of
3 customers.

4 We would also add that in the NOI itself we've
5 received comments, and in the recent comments the Commission
6 has received they have demonstrated this, and also shown
7 that multiple approaches could be possible to meet the goals
8 of the proposed rule.

9 CHAIRMAN CHATTERJEE: It's very helpful. Thank
10 you. Commissioner LaFleur?

11 COMMISSIONER LaFLEUR: Thank you very much. This
12 is I know an usual sized team to be sitting at the table,
13 but I know it only represents a fraction of the people who
14 are working on this. And I see in the audience some of the
15 leaders. I see Richard House, Stephen Hunt from Accounting,
16 and Marsha Palazi looking closely as you're speaking. So I
17 know they are leading a lot of this effort.

18 I've been involved, or exposed to ADIT issues for
19 decades, and the difference between regulatory accounting
20 and tax accounting, and I still feel I only have a hazy idea
21 of it. So we're extremely fortunate--I mean, it's just very
22 complicated when you actually get into it--so we're really
23 fortunate to have the team in Accounting, and in the Office
24 f Enforcement, and the Office of Energy Market Regulation,
25 and General Counsel, to work through this for us.

1 I don't have any questions. I just want to note
2 that our work on implementing the Tax Cuts and Jobs Act has
3 been a major Commission focus for this calendar year. I'm
4 glad we're talking action today on number of the proceedings
5 we initiated back in March, including the Guidance Orders,
6 and a number of individual proceeding.

7 The goal of the whole thing, certainly my goal,
8 is to get tax savings back in the hands of the customers as
9 quickly as possible. That's not yet done, but today's
10 orders are a major next step. And I know that work will
11 continue as we continue to process all the 501(g) filings
12 for the gas pipelines, the other individual company
13 filings, and consider further generic action or individual
14 action where appropriate.

15 So thank you, very much.

16 COMMISSIONER GLICK: I want to thank the staff for
17 navigating this very difficult and scintillating subject.
18 When I was reading the NOPR, Chairman Chatterjee just quoted
19 Commissioner Powelson earlier, but this whole NOPR really
20 gave a new meaning to the term "boring good."

21 (Laughter.)

22 COMMISSIONER GLICK: I do have one question, if
23 you don't mind. In response to the ADIT NOI, many
24 commentators were seeking a traditional additional
25 transparency regarding excess ADIT and amortization.

1 I was wondering if you could provide some more
2 detail on what additional information will be required in
3 the permanent worksheet or the compliance filings of the
4 public utilities.

5 MR. LICHTENSTEIN: Sure. I can take that
6 question. So the proposed rule will require transmission--
7 utilities with formula rates, transmission formula rates, to
8 have a new worksheet. And in that worksheet, the idea is
9 that any interested party will be able to track how the
10 excess and deficient ADIT was calculated, and then the
11 amortization over which it occurs, and other sort of
12 supporting information related to that.

13 COMMISSIONER GLICK: Thank you.

14 SECRETARY BOSE: Commissioners, we are now ready
15 to take a vote on these items together. As stated earlier,
16 Commissioner McIntyre is not voting on today's agenda. The
17 vote begins with Commissioner Glick.

18 COMMISSIONER GLICK: Aye.

19 SECRETARY BOSE: Commissioner LaFleur?

20 COMMISSIONER LaFLEUR: Aye.

21 SECRETARY BOSE: And Chairman Chatterjee.

22 CHAIRMAN CHATTERJEE: Aye.

23 SECRETARY BOSE: Thank you. The next
24 presentation and discussion item is also a joint
25 presentation in Items E-6 and E-20 concerning a draft order

1 directing guidance on return on equity. There will be a
2 presentation by Jeremy Hessler from the Office of the
3 General Counsel. He is accompanied by Seth Quinn from the
4 Office of the General Counsel, and Angelo Mastrogiacomo from
5 the Office of Energy Market Regulation.

6 MR. HESSLER: Good morning, Mr. Chairman, and
7 Commissioners. We will provide a presentation on the two
8 items on today's agenda that involve Return on Equity, or
9 ROE.

10 These are items E-6 and E-20. Turning first to
11 Item E-6, Item E-6 is a draft order directing parties in two
12 proceedings involving the base ROE of the
13 transmission-owning members of MISO to submit briefs
14 concerning a proposed change in the Commission's approach to
15 determining the base ROE of public utilities.

16 The proposed approach in this draft order is the
17 same as the proposed approach that the Commission proposed
18 in Martha Coakley versus Bangor Hydroelectric Company, or as
19 I'll say the Coakley Briefing Order.

20 The Coakley Briefing Order addressed issues that
21 the D.C. Circuit remanded to the Commission in Emera Maine
22 versus FERC. And those were related to the New England
23 Transmission Owners' base ROE as provided for in the ISO New
24 England Tariff, which the Commission approved in Opinion
25 531.

1 In Opinion No. 531, the Commission adopted
2 certain changes to its use of the discounted cash flow
3 methodology, or DCF, for evaluating and setting the
4 Commission-allowed base ROE for New England transmission
5 owners.

6 Following that opinion, the Commission then
7 applied this methodology to the MISO transmission owners in
8 Opinion No. 551. In particular, the Commission elected to
9 replace the one-step DCF methodology which considers only
10 short-term growth projections for a public utility within a
11 two-step DCF methodology that considers both short and long
12 term growth projections.

13 In addition, the Commission looked to four
14 alternative benchmark methodologies to inform the just and
15 reasonable placement of the base ROE within the zone of
16 reasonableness established by the DCF methodology.

17 The four methodologies consisted of three
18 financial models of risk premium analysis, a capital asset
19 pricing model or cap M analysis, and an expected earnings
20 analysis, as well as a fourth comparison with ROEs approved
21 by state public utility commissions.

22 But then in Emera, Maine, the D.C. Circuit
23 vacated and remanded Opinion No. 531 with regard to how the
24 Commission determined that the existing ROE was not just and
25 reasonable, as well as how it determined that the just and

1 reasonable ROE should be within the upper half of the zone
2 of reasonableness.

3 The court's opinion affected the MISO
4 proceedings, as well, because the Commission relied on
5 Opinion No. 531 extensively for its determination in Opinion
6 No. 551. So in this draft order, like the Coakley Briefing
7 Order, the Commission proposes to change its approach for
8 determining the base ROE by now giving equal weight to the
9 four financial models, instead of primarily relying on the
10 DCF methodology. By relying now on a broader range of
11 evidence to determine a public utility's base ROE, the
12 Commission's ROE determinations will be based on substantial
13 evidence and will be in closer alignment with how investors
14 inform their own investment decisions.

15 Evidence indicates that investors do not rely on
16 any one model to the exclusion of the others. So relying on
17 multiple financial models makes it more likely that the
18 Commission's decision will accurately reflect how investors
19 make their investment decisions.

20 Specifically, the draft order here, as in the
21 Coakley Briefing Order, proposes to rely on three financial
22 models that produce zones of reasonableness: the DCF model,
23 the CAPM analysis, and the Expected Earnings Model, to
24 establish a composite zone of reasonableness.

25 The zone of reasonableness produced by each model

1 will be given equal weight and averaged to determine the
2 composite zone of reasonableness. The Commission will use
3 that composite zone of reasonableness to then evaluate
4 whether an existing base ROE remains just and reasonable.

5 Specifically, the draft order proposes to
6 establish a range of presumptively just and reasonable ROEs
7 within which an existing ROE would not be found unjust and
8 unreasonable absent additional evidence to the contrary.

9 The range for each utility or group of utilities
10 will be based on its risk profile. For example, the range
11 of presumptively just and reasonable ROEs for an average
12 risk group of utilities would be the quarter of the zone of
13 reasonableness centered on the mid-point of that zone.

14 For purposes of establishing a new just and
15 reasonable base ROE when the existing base ROE has been
16 shown to be unjust and unreasonable, the draft order
17 proposes to rely then on a fourth financial model--four
18 financial models, the DCF Model, the CAPM, the Expected
19 Earnings Model, and now the Risk Premium Model--to produce
20 four separate base ROE estimates that will then be averaged
21 to produce a specific just and reasonable base ROE.

22 The Risk Premium Model produces a single
23 numerical point rather than a range. Therefore, it cannot
24 be used in establishing the initial composite zone of
25 reasonableness.

1 The draft order here establishes a paper hearing
2 and directs the parties to both of the MISO proceedings to
3 submit briefs regarding whether this proposed new approach
4 should apply. And if so, how to apply it to these two
5 proceedings.

6 This order, as in the Coakley Briefing Order,
7 does not make any final determinations with respect to the
8 proposed new methodology for analyzing the base ROE
9 component of rates. This ensures that all parties to these
10 proceedings will have an opportunity to present evidence and
11 arguments concerning the proposed new approach to
12 determining a public utility's ROE.

13 Now turning to Item E-20. Item E-20 is a draft
14 order that provides guidance regarding the effect of the
15 Coakley Briefing Order on pending proceedings involving base
16 ROE issues that have been set for hearing in settlement
17 judge procedures. Last month, the Chief Administrative Law
18 Judge issued an order that held an ROE proceeding in
19 abeyance until the Commission resolves the issues set for
20 the paper hearing in the Coakley Brief Order, or until the
21 Commission issues further guidance concerning the ROE
22 proceedings.

23 This draft order clarifies that in proceedings
24 involving base ROE issues that have been set for hearing and
25 settlement judge procedures, including Section 206

1 proceedings, the Commission expects the participants to
2 address the Coakley Briefing Order's proposed new
3 methodology in the context of their respective proceedings.

4 This includes presenting evidence on the merits
5 of the proposed methodology, and whether and how to apply
6 the proposed new methodology to the facts of their
7 respective proceedings.

8 While the Commission acknowledges that the
9 Coakley Briefing Order's proposed new methodology is in fact
10 a proposal and not yet a final policy, that Order also
11 indicated that in the interim the new proposed policy would
12 apply to proceedings currently pending before the
13 Commission.

14 So in this draft order the Commission clarifies
15 that it expects the participants in ongoing ROE proceedings
16 to address the merits and application of the proposed
17 methodology in their proceedings.

18 By allowing these proceedings to continue to be
19 adjudicated, it will enable parties to present evidence in
20 the records to respond to the proposed methodology in the
21 Coakley Briefing Order, and ultimately enable quicker
22 resolution of these proceedings.

23 Thank you, and we are happy to answer any
24 questions that you might have.

25 CHAIRMAN CHATTERJEE: My thanks to the team for

1 these excellent orders, and all of your work on these
2 challenging issues.

3 Determining the approach return on equity for a
4 public utility is one of the most important, and in my
5 experience one of the most difficult, responsibilities we
6 have at this Commission.

7 It is crucial that we strike a careful balance
8 that attracts sufficient transmission investment but doesn't
9 impose undue burdens on consumers.

10 The D.C. Circuit's remand of the Commission's
11 base ROE methodology in the Emera, Maine, case meant that we
12 were unable to take action on a number of pending ROE cases
13 before us for quite some time. With our action last month
14 in the Coakley Briefing Order, in conjunction with those of
15 today, I believe we've taken a significant step to finally
16 resolving those cases.

17 I want to underscore the necessity of resolving
18 these cases as soon as possible. For example, one of the
19 complaints we address in Order E-6 has been awaiting
20 resolution for over five years.

21 This means that transmission owners still don't
22 know what they made in 2013, and consumers still face
23 uncertainty about the impact on their bills.

24 I think the methodology we proposed in last
25 month's Coakley Briefing Order, and in the Orders before us

1 today, strike a just and reasonable balance that addresses
2 the D.C. Circuit's concerns, while allowing us to bring
3 these cases to completion.

4 With that, I have a question for the team. Will
5 these orders have any impact on the recent trend we've seen
6 of parties filing successive or, as they've often referred
7 to, pancaked complaints?

8 MR. HESSLER: Thank you, Chairman. Although the
9 proposed ROE methodology does not prohibit a pancaked
10 complaint, it proposes a framework that the Commission would
11 use to determine whether existing ROE remains just and
12 reasonable.

13 If that existing ROE falls within the quartile
14 range of presumptively just and reasonable ROEs, given the
15 utility's risk profile, the Commission would then determine
16 that the ROE remains just and reasonable and would dismiss
17 the complaint--absent sufficient evidence to the contrary.

18 CHAIRMAN CHATTERJEE: Thank you. That's very
19 helpful.

20 While my colleagues and I agree that it's
21 important to resolve the cases currently before us, we also
22 recognize that the urgency of addressing these cases
23 shouldn't preclude us from considering whether there are
24 other ways to determine a public utility's ROE.

25 That is why I'd like to announce that the

1 Commission intends to consider whether we should make
2 additional changes to both our calculation of base ROE and
3 transmission incentives under Order 679.

4 While I believe the proposed base ROE methodology
5 announced in the Coakley Briefing Order and applied in
6 today's Orders is just and reasonable, I think we all agree
7 that our policies are overdue for a fresh look with input
8 from all interested stakeholders, not just those that happen
9 to be parties to a pending complaint proceeding.

10 Further, with 13 years having passed since
11 Congress established Section 219 of the Federal Power Act, I
12 think it is high time we look at whether these two sets of
13 policies are producing the level and type of transmission
14 investment that the Nation needs.

15 I know that this announcement will raise concerns
16 about the impact on cases pending before the Commission, so
17 let me be clear.

18 If the Commission determines that changes to our
19 current policies are necessary, those changes will be
20 prospective from the time of that determination. Unless
21 and until the Commission makes such a determination, we
22 intend to rely on the policies established in the pending
23 complaint proceedings to determine just and reasonable
24 returns for public utilities.

25 I would also like to take this opportunity to

1 thank Commissioner McIntyre for his leadership in setting us
2 on this course. This undertaking was something that was
3 agreed to under his leadership, and I wish he could be here
4 today to be part of this exciting announcement.

5 My colleagues and I are still discussing the
6 timing and format of this review. I look forward to
7 announcing additional information as it's made available.

8 With that, I turn to my colleagues.

9 COMMISSIONER LaFLEUR: Well thank you very much,
10 and thank you to the team for all your work on this. With
11 the two Orders today, as well as the Coakley Briefing Order
12 last month, I'm pleased that we are acting to chart a path
13 forward regarding our approach to determining whether an
14 existing ROE remains just and reasonable, and for
15 establishing a replacement ROE.

16 I believe the methodologies proposed in these
17 Orders represent regional approaches that balance the
18 interests of transmission owners and our responsibilities to
19 make sure rates are just and reasonable.

20 While I support the methodologies set forth in
21 the Orders, I look forward to the parties' briefs to better
22 understand how to apply those proposed methodologies in the
23 individual cases.

24 I would also like to commend Chairman Chatterjee
25 and former Chairman McIntyre for the announcement of the

1 generic look at both return on equity and incentives. I am
2 particularly interested in a generic look at incentives. We
3 last looked at our incentive policy in 2012 in the Incentive
4 Policy Statement, which is really quite some time ago with a
5 different Commission, and I think it is the right time to
6 again look at it.

7 I believe that we should look closely at the
8 language in Section 219 of the Federal Power Act, and
9 consider whether reforms are needed to ensure that we're
10 promoting transmission investment in the manner consistent
11 with our statutory obligations.

12 I want to highlight a few aspects of our
13 incentive policy that I think are particularly ready for a
14 re-look. At our Technical Conference on Order No. 1000 two
15 years ago we talked about the potential impact of incentives
16 on competitive transmission processes. And I hope we will
17 have a chance to look at whether we need to have any
18 incentive policy reforms in light of our--in light of the
19 requirement of competitive transmission cost as seen in
20 Order 1000.

21 We've also seen some controversy in the courts,
22 and dissents at the Commission on both the RTO Order and the
23 Transco Order--I'm sorry, the RTO Adder and the Transco
24 Adder. And I think it's appropriate to take a look at them
25 and look at how we're interpreting them, whether they're

1 accomplishing our statutory mission at this time, or if
2 there need to be changes in the way we apply them.

3 I know I don't even have to say on something
4 that's a pocketbook issue that if we ask for comments on
5 this I hope we get a broad range of comments, because I'm
6 certain we will, but I think it's those records of comments
7 in a generic proceeding that help us determine the best way
8 forward. So I look forward to that.

9 Thank you very much, Mr. Chairman.

10 COMMISSIONER GLICK: Thank you. I want to first
11 thank staff for the very helpful presentation. I support
12 today's order on E-6 because it proposes what I believe to
13 be--what could be an even-handed approach for evaluating
14 whether an ROE is just and reasonable.

15 Equally important, E-6 and E-20 both provide much
16 needed guidance in the pending ROE proceedings. This
17 guidance will allow the parties to address the Commission's
18 proposed approach and, in turn, allow the Commission to
19 resolve these proceedings sooner, hopefully.

20 I do have one question, if you don't mind. The
21 Order explains that the Commission proposes to include a
22 high-end outlier test when applying the DEF, CAPM, and
23 Expected Earnings Models. Could you explain how the
24 high-end outlier test might work in practice?

25 MR. HESSLER: Sure. Thank you, Commissioner

1 Glick. The proposed ROE methodology recognizes that in
2 unusual circumstances the DCF, CAPM, and Expected Earnings
3 Models may produce unsustainably high results for a
4 particular proxy company.

5 So the draft order proposes a high-end outlier
6 test. That test would eliminate any proxy company whose
7 estimated cost of equity under a particular model is more
8 than 150 percent of the median result of the potential proxy
9 companies under that model.

10 This test would eliminate any proxy company whose
11 cost of equity is so far above the cost of equity of a
12 typical proxy company, so it suggests that it is the result
13 of unusual circumstances or model inputs and is not
14 representative of the risk profile of a normal utility.

15 By eliminating such outliers, it is important
16 because--so that it does not dramatically overstate the
17 resulting ROE that the Commission determines.

18 So, for example, the draft order states that in
19 the first MISO complaint proceeding this test would
20 eliminate from the proxy group used for the Expected
21 Earnings Model two companies with cost of equity of 18.24
22 percent and 16.37 percent.

23 This has the effect of reducing the top of the
24 zone of reasonableness produced by that model from 18.24
25 percent to now 15.21 percent, and reducing the mid-point

1 from 12.92 percent to 11.41 percent. Thank you.

2 COMMISSIONER GLICK: Thanks. That's actually
3 very helpful. That's a very important part I think with
4 this whole approach here.

5 Turning to the announcement Chairman Chatterjee
6 made, I want to commend you, Chairman Chatterjee, for the
7 announcement and proceeding to examine base ROE and the
8 Commission's transmission incentive policy. As everyone has
9 mentioned already, we reached the agreement to address these
10 issues under then-Chairman McIntyre's leadership, and I am
11 very pleased that we're pressing ahead on this important
12 issue.

13 Transmission incentives can play an important
14 role in facilitating the development of much-needed
15 infrastructure, but to be just and reasonable the actions we
16 are incentivizing must be worthwhile. In addition, our
17 incentives actually must incent the actions that we are
18 seeking to occur.

19 As I expressed at our last open meeting, it is
20 time for the Commission to re-examine our current
21 incentives' policies to determine whether they meet these
22 standards. I am also interested in examining whether there
23 are other actions that we should be incentivizing that
24 aren't addressed in Order 679 to date.

25 For example, I would like for us to consider how

1 transmission owners might make investments that would
2 improve the efficiency of existing transmission facilities.
3 I think we have some technologies and software that
4 utilities are not investing in today that could make better
5 use of our existing grid, and I want to see if we can figure
6 out a way to incentivize that.

7 In addition, I think we should examine whether
8 incentives are necessary to facilitate the development of
9 transmission facilities that are capable of tapping into a
10 region's resource potential, not just the first few projects
11 under development, which I think would be helpful, as well.

12 So I look forward to working with you, Mr.
13 Chairman, and Commissioner LaFleur, and others, and
14 hopefully we can have a very productive process here. So
15 thank you.

16 SECRETARY BOSE: We are now ready to take a vote
17 on these items together. The vote begins with Commissioner
18 Glick.

19 COMMISSIONER GLICK: Aye.

20 SECRETARY BOSE: Commissioner LaFleur.

21 COMMISSIONER LaFLEUR: Aye.

22 SECRETARY BOSE: And Chairman Chatterjee.

23 CHAIRMAN CHATTERJEE: Aye.

24 SECRETARY BOSE: The last item for presentation
25 and discussion this morning is Item A-3 concerning a staff

1 presentation on the 2018 Report on Enforcement. There will
2 be a presentation by Jeffrey Phillips from the Office of
3 Enforcement. He is accompanied by Jamie Marcos, Timothy
4 Smith, and Laura Vallance from the Office of Enforcement.

5 MR. PHILLIPS: As in previous years, OE staff
6 prepared this report to provide information about its
7 activities over the last fiscal year.

8 The report discusses the activities of all four
9 of OE's divisions: Investigations, Audits and Accounting,
10 Energy Market Oversight, and Analytics and Surveillance.
11 The report summarizes audits, market reports, litigation
12 filings, and settlements which were approved by the
13 Commission.

14 These resources are also publicly available on
15 E-Library and frequently reported in the trade press, but
16 OE's report goes further and also includes discussion of
17 nonpublic activities, including summaries of investigations
18 and self-reports that were closed without further action by
19 the Division of Investigations.

20 These summaries can be helpful to companies
21 seeking to comply with the Commission's regulations and
22 orders, and to maintain confidentiality the companies and
23 individuals' whose conduct was under review in these matters
24 are not identified in these summaries.

25 The Division of Audits and Accounting has

1 included illustrative alerts that cover nearly a dozen
2 distinct areas where there have been consistent concerns or
3 noncompliance of significant impact. Additionally, a
4 representative sample of audits completed in 2018,
5 summarized recommendations for corrective action, and
6 provide context for audits that resulted in refunds and
7 recoveries.

8 The Division of Energy Market Oversight
9 summarizes its recent market reports and assessments and
10 described other measures to monitor and analyze the Nation's
11 wholesale natural gas and electric power markets.

12 The Division of Analytics and Surveillance
13 provides a comprehensive review of its surveillance program
14 and describes how it analyzed transactional and market data
15 in FY 2018 to detect potential manipulation, anticompetitive
16 behavior, and other anomalous activities in the energy
17 markets.

18 OE's enforcement priorities have remained the
19 same as we continue to focus on four distinct areas.

20 First, fraud and market manipulation.

21 Second, serious violations of the reliability
22 standards.

23 Third, anticompetitive conduct.

24 And fourth, conduct that threatens transparency
25 in regulated markets.

1 In FY 2018, the Commission approved six
2 settlement agreements between Enforcement and subjects to
3 resolve pending matters. The settlements totaled
4 approximately \$83 million in civil penalties, and
5 disgorgement of just over \$66 million.

6 In FY 2018, DOI staff opened 24 new
7 investigations, as compared with 27 investigations opened in
8 2017. DOI closed 23 investigations in FY 2018, either
9 because staff found no violation, or because there was not
10 enough evidence to conclude that a violation had occurred,
11 or because DOI found a violation but exercised its
12 discretion to close the investigation.

13 Adding those to the six investigations that DOI
14 closed through settlement brings the total investigations
15 closed in 2018 to 29. In addition, DOI continues to
16 litigate three cases in federal district court.

17 In FY 2018, the Division of Audits and Accounting
18 completed 14 audits of oil pipeline, public utility, and
19 natural gas companies covering a wide array of topics. The
20 audits resulted in 209 recommendations for corrective
21 action, and directed \$185.1 million in refunds and
22 recoveries.

23 Additionally, DAA advised and acted on 435
24 proceedings at the Commission covering various accounting
25 matters with cost-of-service rate implications. These

1 proceedings included requests for declaratory orders,
2 natural gas certificate applications, merger and acquisition
3 applications, electric and natural gas rate filings,
4 applications for issuance of securities, and accounting
5 requests for approval.

6 Next, the Division of Energy Market Oversight
7 continued to monitor the jurisdictional markets to identify
8 market trends. On April 19th, 2018, Market Oversight issued
9 its State of The Markets Report for 2017, which reviewed
10 trends and events in natural gas and power markets,
11 including trends in prices, supply, and demand.

12 The report also reviewed the effects of the
13 extreme cold weather conditions in the Northeast during
14 December 2017 and January of 2018, and highlighted certain
15 rules promulgated by the Commission, including offer-cap
16 reform, and requirements for electric storage participation
17 in energy ancillary services and capacity markets.

18 Market Oversight also continued to provide its ex
19 poste analysis which evaluates transactions against market
20 fundamentals to identify instances of anticompetitive market
21 outcomes. And when such outcomes were identified, market
22 oversight coordinated with other Commission program offices
23 to determine whether Commission action to remedy market
24 power concerns was warranted.

25 And finally, during the fiscal year the Division

1 of Analytics and Surveillance continued watching for
2 anomalous activities in the markets and identified potential
3 investigative subjects.

4 In 2018, natural gas surveillance screens
5 produced approximately 7,700 alerts which were reviewed by
6 DAS staff, resulting in 18 additional indepth inquiries into
7 specific trading behavior.

8 On the electric side, each month during 2018 DAS
9 ran and reviewed 84 electric surveillance screens, as well
10 as hourly and intra-hour sub-screens and reports for over
11 36,000 hub and pricing nodes within six ISO/RTOs.

12 The surveillance activity identified 37 instances
13 of market behavior that required further analysis. A total
14 of 5 surveillance-related referrals were made to the
15 Division of Investigations in FY 2018. During FY 2018, DAS
16 also teamed with DOI on approximately 50 investigations,
17 including allegations of manipulation in the
18 Commission-jurisdictional natural gas and electricity
19 markets, or violations of tariff provisions.

20 And in these efforts, DAS provided analytical and
21 databased explanations related to ongoing investigations and
22 settlement discussions and Commission actions.

23 Copies of OE's annual report are now available on
24 the Commission website, and this concludes the presentation.
25 I will be happy to take any questions you may have.

1 CHAIRMAN CHATTERJEE: Thank you, Jeffrey, and
2 the rest of the team, for that informative presentation.

3 Enforcement is one of the Commission's most
4 important responsibilities. Unfortunately, in our efforts
5 to protect parties' due process rights, our Enforcement
6 program can often seem like a black box to those outside the
7 agency.

8 I think the annual report we are issuing today
9 helps provide the industries we regulate with critical
10 transparency about our enforcement program. I think it also
11 shows the public that the Commission is proactively
12 monitoring all of our regulated industries to provide
13 confidence in our markets, while also protecting the public
14 interest.

15 I do have a couple of questions on the report. I
16 understand that this is now the 12th year of issuing this
17 report. Can you speak to how the Commission's Enforcement
18 Program has evolved over those 12 years?

19 MR. PHILLIPS: Yes. Since the passage of EPAC in
20 2005, our Enforcement Program's priorities changed to focus
21 more on market manipulation cases. And these cases are a
22 higher priority for us because of the significant impact
23 that they have on the market, and the impact that they have
24 on individual consumers of energy.

25 And this trend of more investigations into market

1 manipulation is one that continues. And while we continue
2 to encounter actors that pursue the more traditional
3 fraud-based trading schemes, what has perhaps changed over
4 time is the sophistication of the perpetrators engaged in
5 those schemes, and the complexity of our open markets.

6 And so therefore we have adapted to create a more
7 robust surveillance program, and to ensure that our
8 enforcement efforts are meeting those challenges. Over the
9 past 12 years, the Commission has greatly increased--or has
10 had greatly increased access to public and nonpublic
11 electric and natural gas market data. And with this
12 additional data, the Commission--and with the Commission's
13 support, the Division of Analytics and Surveillance has been
14 able to develop a more robust and highly technical
15 surveillance program that effectively and efficiently
16 identifies instances of potential market manipulation.

17 Additionally, we through our market monitors are
18 gaining more experience. We are getting more and stronger
19 referrals from those market monitors. And so in general
20 we've seen this evolution for how cases come to us with the
21 increased expertise that we have in our surveillance staff
22 and the role of those market monitors.

23 I think also in FY 2006 and 2007 we had a total
24 of 37 and 31 self-reports, respectively, in those years. We
25 now consistently see an average of over 120 self-reports

1 from entities annually.

2 So to sum it up, we have seen an improved
3 compliance posture with the Commission's jurisdictional
4 statutes and regulations and rules, and we continue to
5 provide as clearly as possible messages to the market so
6 that there can be a clear understanding of ways not to be in
7 violation.

8 One good example of that was our FY 2016 white
9 paper, which continues to be available on the website.

10 CHAIRMAN CHATTERJEE: I thank you for that, and
11 for your outstanding work.

12 I noted that there was one closed violation in
13 the report that was initiated based on a referral from a
14 U.S. Attorney's office. Could you elaborate a little bit on
15 how we interact with other federal agencies through our
16 enforcement program?

17 MR. PHILLIPS: Yes. In 2018 and previously we
18 have worked closely with, for instance, the Department of
19 Justice, on all of our district court matters. In our
20 ongoing district court cases we routinely team with an
21 Assistant U.S. Attorney and involve that attorney at every
22 stage of our litigation.

23 And, similarly, we work with the Commodity
24 Futures Trading Commission on cases that overlap on our
25 jurisdictions. And we also operate under a more formal

1 Memorandum of Understanding with the CFTC to coordinate
2 those kinds of cases.

3 In general we have excellent relationships with
4 other federal enforcement partners. This would include
5 NERC, with whom we work closely on reliability-based
6 enforcement matters.

7 CHAIRMAN CHATTERJEE: Thank you. I think one of
8 the really intriguing things about our audit program is that
9 it not only assesses accounting issues and other things
10 you'd normally associate with an audit, but also provides
11 feedback on a company's compliance program and compliance
12 culture.

13 Can you talk a little bit about the trends that
14 the Division of Audits has seen in compliance programs over
15 this time?

16 MR. SMITH: Good morning. I can take that. I
17 think the trends overall are positive. For many years, the
18 Division of Audits and Accounting has observed that most
19 companies take compliance very seriously, and that they
20 promptly take corrective actions to address any findings and
21 recommendations that we identify through the audit process.

22 However, since the issuance--the Commission's
23 issuance of the Policy Statement on Compliance in 2008, we
24 have seen a more proactive approach from many companies in
25 addressing compliance. Specifically, we've seen companies

1 develop more robust internal compliance programs, and also
2 hire dedicated compliance officers, where previously they
3 didn't have anyone in those positions.

4 Some examples of some of the proactive approaches
5 companies have been taking include using lessons learned
6 from other audit reports to other companies, and identifying
7 areas that may apply to them as well. Also, using the
8 compliance alerts that we put in our enforcement report on
9 an annual basis. And, finally, using the outreach from our
10 Audit and Accounting functions to the companies and the
11 industry groups that we communicate with. And collectively
12 using all that information then to identify potential
13 noncompliance areas, and deal with those issues preemptively
14 outside of the audit process.

15 CHAIRMAN CHATTERJEE: Thank you for answering
16 those questions, for the presentation, and for your
17 outstanding work on this report. Appreciate it.

18 COMMISSIONER LaFLEUR: Thank you, Mr. Chairman.
19 Thank you for that presentation. Thank you to everyone in
20 OE who worked on the report. I do this every year, but I
21 hold it up and say this report is required reading for
22 anyone who does business before the Commission on Commission
23 markets, certainly including but not limited to anyone who
24 does compliance work in a corporation or an entity or with
25 traders, because it has information that is simply not

1 available anywhere else--particularly the summary of
2 investigations and self-reports that are closed without a
3 finding, the summary of audit findings, and the information
4 on the screens of the Division of Analytics and
5 Surveillance.

6 And I want to thank Larry and everyone on this
7 team for not just putting out the report, but the work that
8 it reflects and summarizes.

9 I think the Chairman asked along the lines of
10 what I was going to ask, but I'm interested, as you look at
11 the last more than a decade, do you think you're achieving--
12 or "achieving" might be the wrong word--approaching
13 steady-state in terms of kind of the numbers and the focus
14 of the Office of Enforcement? Or do you continue to see a
15 lot of change in the type of cases you're seeing or the way
16 you're approaching them?

17 MR. PHILLIPS: We are seeing a steady-state in
18 the sense that we continue to have a focus and receive the
19 types of cases that I've mentioned, which are market
20 manipulation cases. And so we have come to that point where
21 that's the bulk of our cases, and we are confident that also
22 aligns with our priorities and the Commission's priorities
23 to combat those types of cases.

24 So in that sense, we have seen sort of a
25 steadying state. We've also seen a relatively steady state

1 in the number of investigations that get opened and closed
2 during the year. And so--but we are seeing this overall
3 improvement in compliance generally through--and that is
4 reflected in the increased number of self-reports, for
5 instance, that we get. So we know that there is this
6 recognition and cognition out there of what type of cases we
7 are doing, and what we consider to be violations.

8 COMMISSIONER LaFLEUR: Thank you. I mean I think
9 it's healthy to achieve a steady state, because it means
10 it's become just a normal part of the Commission's
11 operation. But at the same time, you would hope--not that
12 you'd exactly put yourself out of business, but that after
13 seeing the same type of thing, whether it's like trading in
14 the market to benefit a financial position, that you would
15 see fewer of those because people would learn. And I think
16 we're seeing both.

17 I just have one clarifying question. In pages 18
18 through 20 of the report you have graphs illustrating the
19 types of self-reports we're seeing. And I notice that this
20 year you didn't call out the ISO/RTO self-reports. I think
21 you characterized them in a different way.

22 Can you comment on the trend of what we're seeing
23 from the ISOs and RTOs?

24 MR. PHILLIPS: Yes, thank you. With some
25 variation in the number of self-reports received has

1 remained fairly constant in the recent years. We generally
2 receive in the range of, as I said, approximately 120
3 self-reports each year. And you will notice that in
4 previous years we tracked the number of self-reports made by
5 ISOs and RTOs.

6 For the first time this year, rather than listing
7 the number of self-reports from those ISOs and RTOs
8 individually, we've actually captured the substance and
9 become more granular on those reports, and included whatever
10 is being reported from the ISO substantively in those
11 categories.

12 And so--but in general, the bulk of self-reports
13 involved coming from either the ISOs and RTOs, or other
14 entities, or usually minor violations of technical tariff
15 violations. That's what we're seeing.

16 COMMISSIONER LaFLEUR: Thank you very much.

17 COMMISSIONER GLICK: Thank you, Mr. Chairman. I
18 want to thank the staff for the excellent report and the
19 presentation as well.

20 I don't have any questions, but I did want to say
21 a few things, if that's okay. The Office of Enforcement
22 plays a vitally important role in helping the Commission
23 carry out its responsibilities to promote the public
24 interest.

25 For instance, I think we all agree that

1 competitive electricity markets can deliver enormous
2 benefits to consumers, but these markets actually have to be
3 competitive. And it's up to the Office of Enforcement to
4 monitor and prevent actions that might undermine competitive
5 markets such as manipulation, which can cause consumers
6 billions of dollars.

7 The Office of Enforcement has the equally
8 important responsibility of ensuring that jurisdictional
9 entities abide by the Commission's requirements. For
10 example, it's essential that when the Commission issues a
11 natural gas certificate of public convenience and necessity
12 to a natural gas pipeline company, that we have to make sure
13 that that pipeline company actually complies with all the
14 requirements and conditions that the certificate requires.

15 And I think the Office of Enforcement is here to
16 do that. I know that some in the industry--it's no secret
17 that some in the industry complain when--especially when
18 their companies are subject to scrutiny, but I believe it's
19 essential that we have a vigorous and effective Office of
20 Enforcement. I think under Larry's leadership, we do
21 currently, and I intend to encourage the office to continue
22 to aggressively pursue the public interest.

23 Thank you.

24 SECRETARY BOSE: There's no more on today's
25 agenda, Mr. Chairman

1 CHAIRMAN CHATTERJEE: Thank you. Just brief
2 closing remarks. I want to thank everyone on the staff
3 throughout the building, and our guests, for braving the
4 weather and coming in today. It was pretty nasty out.

5 On days like this, I particularly want to thank
6 our security throughout the building. While those of us are
7 inside in our offices and complaining that it's too cold,
8 you guys are outside facing the forces. And so I greatly
9 appreciate that.

10 And I want to close by congratulating
11 Commissioner LaFleur and the Red Sox on their World Series
12 victory. I feel like every three months in an open meeting
13 we have to congratulate Commissioner LaFleur--

14 (Laughter.)

15 CHAIRMAN CHATTERJEE: --and Boston for
16 something. But I would be remiss if I didn't reference that
17 my friend and fellow Lexington, Kentucky, native, Walker
18 Buehler, was absolutely dominant in his game three start for
19 the Dodgers, went seven innings, gave up no runs, only one
20 hit, struck out seven, didn't walk anybody, and no one will
21 ever remember it because he left the game with a one-nothing
22 lead, and it didn't conclude for five more hours and 11
23 innings.

24 (Laughter.)

25 CHAIRMAN CHATTERJEE: But I wanted to put it on

1 the public record that I supported Walker's outstanding
2 performance. But the Red Sox were dominant all season, and
3 now that baseball is behind us, I look forward to us uniting
4 in our bipartisan support of Tom Brady and the Patriots.

5 (Laughter.)

6 COMMISSIONER LaFLEUR: Thank you very much.

7 CHAIRMAN CHATTERJEE: With that, this meeting is
8 adjourned.

9 (Whereupon, at 11:17 a.m., Thursday, November 15,
10 2018, the meeting of the Commissioners of the United States
11 Federal Energy Regulatory Commission was adjourned.)

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1 CERTIFICATE OF OFFICIAL REPORTER

2

3 This is to certify that the attached proceeding
4 before the FEDERAL ENERGY REGULATORY COMMISSION in the
5 Matter of:

6 Name of Proceeding:

7 1048th Commission Meeting

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16 Docket No.:

17 Place: Washington, DC

18 Date: Thursday, November 15, 2018

19 were held as herein appears, and that this is the original
20 transcript thereof for the file of the Federal Energy
21 Regulatory Commission, and is a full correct transcription
22 of the proceedings.

23

24 Gary Euell

25 Official Reporter