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BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

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

951st COMMISSION MEETING
OPEN SESSION

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

Thursday, October 15, 2009
10:10 a.m.

1 APPEARANCES:

2 COMMISSIONERS PRESENT:

3 CHAIRMAN JON WELLINGHOFF (Presiding)

4 COMMISSIONER SUEDEEN G. KELLY

5 COMMISSIONER MARC SPITZER

6 COMMISSIONER PHILIP MOELLER

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P R O C E E D I N G S

(10:10 a.m.)

CHAIRMAN WELLINGHOFF: This meeting will come to order. This is the time and place noted under the Government in the Sunshine Act for the Open Meeting of the Federal Energy Regulatory Commission, to consider the agenda items enumerated in that Notice.

Please join me for the Pledge of Allegiance.

(Pledge of Allegiance recited.)

CHAIRMAN WELLINGHOFF: Let's see if I can get my computer operating here.

(Pause.)

Well, before we get started this morning and go to our agenda items, I've got a few announcements to make.

At the Open Meeting last month, I named Tom Sheets as my new General Counsel, and, today, I'd like to formally introduce Tom. Tom is here with us here today.

Tom has more than 32 years of experience in the energy industry. He has represented both electric and gas utilities operating in Nevada, California, and Arizona, in administrative and regulatory proceedings, in federal and state court litigation, before various legislative bodies.

He's appeared before the U.S. Supreme Court -- I actually didn't know that, Tom -- the 5th, 6th, 9th and D.C. Circuit Courts of Appeal; the Federal District Courts in

1 Ohio, California, Texas, Nevada, Arizona, and Michigan.

2 Tom earned his J.D. from Toledo College of Law,
3 and his B.A. from Ashland University. Besides Tom's top-
4 ranked legal credentials, Tom also brings to the Commission,
5 over 20 years of corporate experience and business
6 perspective that I know will be invaluable to all aspects of
7 work here. Thank you, Tom, for joining us.

8 I'd also like to recognize two other people who
9 are taking on new responsibilities with OGC. The first is
10 Mike Bardee. He'll serve as the Commission's principal
11 Deputy General Counsel.

12 Mike has worked at the Commission since 1990, in
13 various positions of increasing responsibility. He's been
14 Deputy General Counsel since 2006.

15 Before joining the Commission, he worked on
16 utility issues at the Pennsylvania Office of the Consumer
17 Advocate -- and that, I actually didn't know, Mike --

18 (Laughter.)

19 CHAIRMAN WELLINGHOFF: -- so we must have
20 crossed paths when I was Consumer Advocate and you were
21 there -- and also litigated environmental enforcement cases
22 at the U.S. Department of Justice.

23 Second, Kathleen Barone will serve as Deputy
24 General Counsel. Kathleen joined FERC Staff in January
25 2006, after ten years in private practice at Skadden Arps.

1 Since joining FERC, Kathleen has served as Senior
2 Legal Advisor, a Deputy Associate General Counsel, and, most
3 recently, as Associated General Counsel for Energy Markets.

4 She received her J.D. from Houston Law Center,
5 and her B.A. from American University.

6 I think we're extremely fortunate to have Tom,
7 Mike and Kathleen. They're part of the high-value-asset
8 team we've assembled here at FERC, and I want to thank you
9 all for serving with this Agency. Thank you.

10 So, next we can turn to our Agenda.

11 SECRETARY BOSE: Good morning, Mr. Chairman, good
12 morning, Commissioners.

13 Since the issuance of the Sunshine Act Notice on
14 October 8, 2009, Items E-9 and C-3 have been struck from
15 this morning's agenda.

16 Your Consent Agenda for this morning, is as
17 follows:

18 Electric Items: E-1, E-2, E-3, E-4, E-6, E-7, E-
19 8, E-10, and E-13.

20 Miscellaneous Items: M-1.

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

22 Hydro Items: H-1, H-3, and H-4.

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

24 Commissioner Kelly is not participating in
25 Consent Items E-3, E-4, and E-6. As to E-2, Commissioner

1 Moeller is dissenting, with a separate statement.

2 We will now take a vote on this morning's Consent
3 Agenda Items, beginning with Commissioner Moeller.

4 COMMISSIONER MOELLER: I vote aye, noting my
5 dissent in E-2.

6 SECRETARY BOSE: Commissioner Spitzer?

7 COMMISSIONER SPITZER: I vote aye.

8 SECRETARY BOSE: Commissioner Kelly?

9 COMMISSIONER KELLY: With the exceptions of E-3,
10 4, and 6, I vote aye.

11 SECRETARY BOSE: And Chairman Wellinghoff?

12 CHAIRMAN WELLINGHOFF: I vote aye.

13 SECRETARY BOSE: We will now move on to the
14 Discussion Item for this morning. It is A-1, and we'll have
15 a presentation from Elizabeth Hensley, from the Office of
16 the Executive Director. She is accompanied by Anton Porter
17 and Stacie Davis from the Office of the Executive Director.

18 This morning's presentation is concerning the
19 Commission's Strategic Plan for Fiscal Years 2009 through
20 2014.

21 (Slides.)

22 MS. HENSLEY: Thank you. Good morning, Mr.
23 Chairman; good morning, Commissioners.

24 CHAIRMAN WELLINGHOFF: Good morning.

25 MS. HENSLEY: It's a pleasure to be here, and, on

1 behalf of this team, we'd like to thank you for the
2 opportunity to present the Strategic Plan, which went into
3 effect on September 30, 2009.

4 In preparation of the Strategic Plan update, we
5 met with the Office of Management and Budget, to discuss
6 specific areas in which we can improve this document.

7 As a result of the meeting, we identified four
8 major initiatives: First, to develop a focused and well-
9 defined mission statement; second, to align strategic goals
10 with our statutory authorities; third, to develop a short
11 list of long-lasting performance measures; and, fourth, to
12 create a more user-friendly document.

13 By accomplishing these objectives, the
14 Commission will be able to request resources, report on
15 progress, and discuss major initiatives in terms of our
16 strategic goals and statutory authorities.

17 Importantly, these improvements lay the
18 foundation for future Strategic Plan updates.

19 I'd like to briefly highlight the Commission's
20 strategic goals and objectives:

21 Our first goal centers on the Commission's
22 fundamental statutory responsibility to ensure that rates,
23 terms and conditions, are just, reasonable, and not unduly
24 discriminatory or preferential.

25 To accomplish this goal, the Commission will focus

1 on two strategic objectives: First, implementing
2 appropriate regulatory and market means; and, second,
3 increasing compliance with the Commission's Rules and
4 deterring market manipulation, through our oversight and
5 enforcement programs.

6 The aim of our second strategic goal, is to
7 promote the development of safe, reliable, and efficient
8 infrastructure that serves the public interest, in
9 accordance with our statutory responsibilities.

10 To meet this goal, the Commission will address
11 three strategic objectives: First, increasing efficient
12 infrastructure, consistent with demand; second, minimizing
13 risk to the public; and, third, maintain the reliability of
14 the electric transmission grid.

15 While the Strategic Plan's goals and objectives
16 are designed to capture all of the Commission's work, we
17 specifically included specific strategies and long-term
18 performance goals to discuss and measure some of our newer
19 pursuits, such as demand response and the integration of
20 renewable energy.

21 The entire Plan can be found on the Commission's
22 website. Thank you very much, and the team would be happy
23 to answer any questions that you may have.

24 CHAIRMAN WELLINGHOFF: Thank you very much,
25 Elizabeth, Stacie, and Anton. I want to, first of all,

1 commend all three of you for the superb work that you did.

2 I have to admit that I was a little skeptical
3 when we started this exercise, but it's far, far exceeded my
4 expectations.

5 Our mission to assist consumers in obtaining
6 reliable, efficient, sustainable energy services, at
7 reasonable cost, for appropriate regulatory market means, is
8 primary.

9 We can accomplish this mission by pursuing two
10 goals that are familiar to everyone in the energy industry:
11 First, we must ensure that rates and terms of service, are
12 just and reasonable and not unduly discriminatory; and,
13 second, we must ensure the development of safe, reliable,
14 and efficient energy infrastructure that serves the public
15 interest.

16 While the goals are familiar, the context in
17 which we pursue them, is changing with our nation's energy
18 challenges. For example, creating market opportunities that
19 will help unlock the still largely untapped potential of
20 renewable energy resources and demand resources, must be
21 part of our strategy to move forward towards energy
22 independence and confront climate change.

23 The Strategic Plan also reflects, though, our
24 continued commitment to developing needed energy
25 infrastructure, overseeing reliability standards, and

1 effectively enforcing both market and reliability rules.

2 Thus, the Commission's new Strategic Plan
3 reinforces our commitment to our core goals, while
4 encouraging the development of a wide range of new tools
5 that will help achieve them.

6 Thus, among other performance goals, the
7 Commission will build on our efforts to identify and
8 eliminate barriers to participation by demand resources in
9 organized wholesale electric markets; ensure that all
10 resources capable of providing ancillary services, have that
11 opportunity; explore market reforms that will allow
12 renewable resources to compete fairly; support open,
13 transparent transmission planning processes; promote the use
14 of cost-effective and advanced technologies, such as Smart
15 Grid advancements; and promote efficient design and
16 operation of natural gas facilities.

17 I commend the many members of the Commission
18 Staff, who have worked so hard in developing this Strategic
19 Plan, and I look forward to working with Staff and my
20 colleagues on implementing FERC's Strategic Plan. Thank
21 you.

22 Colleagues, comments? Suedeen?

23 COMMISSIONER KELLY: Thank you, Jon. I want to
24 thank the team for their work and for the document itself,
25 the presentation of the document. It's beautiful.

1 The Strategic Plan does reflect the country's
2 evolving energy landscape, and it provides a very good road
3 map for FERC, for navigating that landscape.

4 It recognizes not only the enormous potential for
5 new and diverse energy sources, but how to tap into that
6 potential and bring it into the market, both in the near and
7 the long term.

8 At the same time, as Jon mentioned, the Plan
9 affirms our core and most important mission to protect
10 consumers by ensuring reliable, efficient, and sustainable
11 energy at just and reasonable rates.

12 I also agree with the Plan's forward-looking
13 objectives, such as promoting operational efficiencies in
14 wholesale markets, and increasing efficiencies in
15 infrastructure.

16 I support the objective to build on a number of
17 the Commission's important continuing efforts, including
18 promoting an open and transparent planning process for
19 electric transmission, and moving the ball forward on
20 reliability and Smart Grid technologies.

21 With respect to Smart Grid, as NIST continues its
22 important work coordinating the process of developing
23 interoperability standards, FERC stands ready to support
24 that deployment, by reviewing and adopting, as appropriate,
25 the NIST-developed standards and protocols.

1 The resulting deployment of Smart Grid
2 technologies, will increase the efficiency of the country's
3 electric grid.

4 And, finally, I applaud the Plan's objective to
5 increase compliance programs and self-reporting of
6 violations. I am very pleased that we are issuing this
7 Strategic Plan, and I thank you for all your work on it.

8 CHAIRMAN WELLINGHOFF: Marc?

9 COMMISSIONER SPITZER: Thank you, Mr. Chairman.

10 The Strategic Plan identifies two primary goals
11 for the Commission: To ensure that rates, terms, and
12 conditions, are just and reasonable and not unduly
13 discriminatory or preferential; and to promote the
14 development of safe, reliable, and efficient energy
15 infrastructure that serves the public interest.

16 These two goals are as important today as they
17 were when Congress first established them in our enabling
18 statutes last century. They have been guiding principles
19 since I joined the Commission, and will continue to be so.

20 As a proponent of competitive markets, I believe
21 that the best means for the Commission to achieve the two
22 primary goals identified in the Strategic Plan, is to
23 continue in its role as an independent wholesale energy
24 regulator, by developing rules and policies that allow all
25 types of resources and infrastructure to compete fairly.

1 Just as we should not adopt rules or policies
2 that ignore the laws of supply and demand, we should not
3 adopt rules or policies that ignore any type of energy
4 resource or infrastructure.

5 Likewise, our rules and policies should not favor
6 one type of resource or infrastructure over another. If we
7 are to achieve the two primary goals of the Strategic Plan,
8 then the Commission's role should be to establish rules and
9 policies that ensure all types of resources, all supply, as
10 well as demand resources, have a full and fair opportunity
11 to compete, for the ultimate benefit of consumers.

12 I thank the Staff for the presentation, and I
13 acknowledge the Chairman's and Staff's efforts on producing
14 this document.

15 CHAIRMAN WELLINGHOFF: Thank you, Mark. Phil?

16 COMMISSIONER MOELLER: Thank you, Mr. Chairman.
17 I have a question for the team, and you're not ready for
18 this one.

19 (Laughter.)

20 COMMISSIONER MOELLER: But I'm wondering if you
21 can perhaps compare and contrast this Plan, with previous
22 Plans? You must have looked at some of that, as you
23 developed this one, and I'd be curious about the perspective
24 of all three of you, if you care to share it.

25 MS. HENSLEY: Thank you for the question. We did

1 look at the former Strategic Plan that the Commission
2 issued, and I would say that one of the biggest changes that
3 we looked at in creating this new Plan, was to create long-
4 lasting performance measures.

5 Evaluation is very important, and the measures
6 that we had in the old Strategic Plan, were tactical and
7 very operational, and they didn't really gauge whether the
8 Commission was actually moving the ball forward on anything.

9 This Plan, which is very important, has a lot of
10 milestones, to make sure we issue Orders that -- you know,
11 like Commissioner Spitzer was saying, gives everyone a level
12 playing field, gives everyone the opportunity to compete, so
13 that was one of the major focuses.

14 We also wanted to address what's going on in the
15 world. The old Strategic Plan, was very cut-and-dried, and
16 we didn't feel that it really addressed the full breadth of
17 the Commission's work, even though it was based on statutory
18 language. So that took us a little bit further.

19 COMMISSIONER MOELLER: Thank you. Any thoughts,
20 Mr. Porter, Ms. Davis?

21 MR. PORTER: I think this Strategic Plan has more
22 of a long-range focus, focusing on our key enabling
23 legislation. It will stand the test of time, I believe.

24 We've worked toward progress in these areas for a
25 number of years, and, you know, our work should have more of

1 a permanent and lasting effect on the American public, and I
2 think this Plan focuses on that.

3 COMMISSIONER MOELLER: Ms. Davis, any thoughts?

4 MS. DAVIS: I have nothing additional to add.

5 COMMISSIONER MOELLER: All right.

6 Well, I, too, want to commend the Staff for
7 putting it together. It's a nice document, as you noted,
8 Suedeen. It has some nice little stories about people who
9 have worked at FERC for a long time, and I think that's a
10 nice human touch that we have here.

11 I, too, fully agree with the two goals that are
12 outlined. If it had been my Plan, maybe I would have
13 emphasized a few things a little bit more than you do, Jon,
14 but still, I do like the long-term focus, and I think what
15 we'll need to be, is a little bit flexible.

16 We have a lot of different pressures that are
17 coming at us. We're certainly likely to have our mission
18 somewhat tweaked, if legislation is enacted by Congress,
19 and I think this Plan probably has that kind of flexibility
20 to respond to it.

21 I particularly appreciate the focus on it, the
22 kind of long-term perspective, the hard work of the Staff,
23 and the fact that we were able to discuss it today. Thank
24 you, Jon.

25 CHAIRMAN WELLINGHOFF: Thank you, Phil. Again, I

1 want to thank the panel for their presentation and all the
2 hard work they did.

3 With that, if there's nothing further to come
4 before the Commission, we're adjourned.

5 (Whereupon, at 10:26 a.m., the Open Meeting was
6 concluded.)

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