

**Testimony of Joseph McClelland
Director, Office of Electric Reliability
Federal Energy Regulatory Commission
Before the Committee on Energy and Natural Resources
United States Senate
February 21, 2011**

Mr. Chairman and Members of the Committee:

Thank you for this opportunity to appear before you to discuss natural gas service disruptions in New Mexico and the large-scale disruptions of both electric and natural gas services in the broader southwest region of the United States. My name is Joseph McClelland. I am the Director of the Office of Electric Reliability (OER) of the Federal Energy Regulatory Commission (FERC or Commission).

During the first week of February, unusually cold weather spread across much of the United States. For instance, temperatures were 20 degrees below normal throughout the Southwest, and large parts of Texas experienced sub-freezing temperatures for 70 consecutive hours. Deliveries of natural gas were disrupted in New Mexico, Texas, and elsewhere in the Southwest, with supply from the San Juan and Permian basins declining by as much as 33 percent. Roughly 32,000 gas customers in New Mexico were without service during this period. Approximately 19,000 gas customers lost gas service in Arizona.

In addition, the power system in Texas and Arizona experienced a loss or partial loss of as many as 80 generating facilities during a period of high demand for electricity from customers. These outages and disruptions of service affected many customers throughout the region. Approximately 1.5 million electricity customers experienced an outage during this time.

While we are at the very early stages of data gathering, preliminary information from ERCOT indicates that within ERCOT as many as 80 generating units tripped, could not start, or lost partial capability on February 2, including several large coal fired units totaling approximately 4,800 MW, approximately 70 gas fired units totaling 9,200 MW, and an undetermined amount of wind and other sources.

Outside of ERCOT, preliminary reports state that El Paso Electric lost several generating units which, coupled with high demand, required the shedding of between 50-100 MW of firm load on several occasions. In total, there were approximately 350,000 customers out at varying times between February 2 and 4.

Also, on February 2, the loss of several generating units in Arizona required rolling outages affecting 65,000 customers. In New Mexico, 80 MW of generation was lost. Between February 3 and 4, the California Independent System Operator had to reduce 1,000 MW of generation and initiate public appeals for conservation in the Imperial Valley area, although no firm-service electric customers were interrupted.

It would be premature at this time to make definitive statements about the causes of the outages and disruptions in service although the winterization of the generators, generation capacity and fuel procurement, and the gas pipeline scheduling arrangements are certainly subjects of interest.

On February 14, 2011, the Commission initiated an inquiry into these matters. The inquiry has two objectives. First, the Commission seeks to identify the causes of the disruptions. Second, it seeks to identify any appropriate actions for preventing a recurrence of these disruptions. The Commission's priority at the moment is to gather the relevant facts, identify the problems and fix them, to the extent possible.

Under section 215 of the Federal Power Act, the Commission has oversight authority over the reliability of the Bulk-Power System through mandatory and enforceable reliability standards developed by the Electric Reliability Organization (ERO), the North American Electric Reliability Corporation (NERC). As the ERO, NERC independently initiated its own analysis of the problems on the Bulk-Power System relating to these events. The Commission has broad responsibilities and authorities under the Natural Gas Act and the Natural Gas Policy Act, as well as jurisdiction over effects on the reliability of the Bulk-Power System. We plan to ascertain how disruptions or reductions in service by natural gas pipelines as well as interruptions to the Bulk-Power System under our jurisdiction occurred. The task force has invited NERC and its regional entities, the Western Electricity Coordinating Council and the Texas Regional Entity to participate in our efforts and hopes to be able to call upon all of their resources in our efforts.

Similarly, we understand that the affected states have initiated or may initiate their own inquiries. The Commission recognizes that some of the natural gas service disruptions and electric outages affected facilities that are not within the Commission's jurisdiction, i.e., disturbances on intrastate pipelines performing purely intrastate service or on natural gas or electric distribution facilities, which are within the states' authority. The Commission's staff task force will be most effective if it can coordinate our efforts closely with the states and their regulatory authorities, and exchange relevant information. This will enable all interested authorities to timely and efficiently determine what went wrong and how to prevent a recurrence.

In view of the wide-ranging circumstances of the disruptions to the Bulk-Power System and to the provision of natural gas described above, the Commission will designate a staff task force to conduct this inquiry. This staff task force has been directed to report its findings and recommendations to the Commission as soon as practicable.

Once the Commission receives this report, the Commission will determine the appropriate course of action(s) to pursue. Today, however, I do not have enough information to state what actions would help prevent a recurrence of these problems.

Thank you again for the opportunity to testify today. I would be happy to answer any questions you may have.