



Mary O’Driscoll: Today on Open Access, we’re going to celebrate the 40th anniversary of FERC’s founding back in 1977 with a little fun: The history of FERC through the prism of Hollywood and popular culture.

To do that, we are sitting down today with Commissioner Cheryl LaFleur and associate general counsel – and *de facto* FERC historian – Larry Greenfield, about those interesting cultural connections between FERC and Hollywood. Welcome to the podcast!

OK, so first we’re going to go through what I’m calling “Five Decades of FERC in Five Minutes” – though, being FERC, it probably will be a little bit longer. I’ll give you a Hollywood theme as the setup, and you use the theme to describe FERC. Ready?

First up: 1970s: “Star Wars: A New Hope.”

Larry Greenfield: The 70s. Well in the wake of the OPEC Oil Embargo earlier in the 70s and upheaval in the energy industry through much of the 70s, America awoke to the importance of energy. Congress’ enacting the DOE Organization Act, which created the Department of Energy, but importantly for present purposes also created FERC out of the old Federal Power Commission, well that was indeed a new hope. Coupled with the enactment of PURPA both to promote reliance on renewable resources in place of fossil fuels then often obtained from other countries, and with the more efficient use of fossil fuels through the increased use of cogeneration, along with the enactment of the Natural Gas Policy Act of 1978 to address interstate natural gas supply shortages by both providing federal price incentives to spur production and by integrating the interstate and intrastate markets, well there was certainly good reason to be more optimistic, more hopeful, looking to the future.

Mary O’Driscoll: Oh, indeed. Next: 1980s: “Back to the Future.”

Commissioner Cheryl LaFleur: Well in the 1980s we went back to the future, or maybe forward to the future, in both the gas and electric area. In the gas area, the Commission took a number of steps to introduce competition in the pipeline industry in response to the Natural Gas Policy Act, giving pipelines’ captive customers access to other sources of supply. One of the most important things was Order 436, which

allowed interstate pipelines to offer transportation service on an open-access basis so that their local distribution company customers could buy gas directly from producers and have the pipeline transport it to their city gate.

On the electric side, the opening of the generation business to non-utilities through the gradual implementation of PURPA, the Public Utility Regulatory Policies Act that Larry mentioned, ultimately led to the growth of an independent power industry in this country and the beginning of utilities learning to connect non-utility generators to their grids. This in turn led industrial, cooperative, and municipal customers to begin to ask that they be allowed to buy power from lower-cost independent power producers and “wheel” it across utility systems.

Mary O’Driscoll: All right, so the 1980s will lead us of course into the 1990s, which is: “Independence Day.”

Commissioner LaFleur: Yes, well the name “Independence Day” signifies that in the 1990s many wholesale customers on both the gas and the electric side became more independent of utility monopolies and earned the right to choose suppliers. I know we also joked about the name “Jurassic Park” because the 1990s marked the end, or the beginning of the end, of utility dinosaurs!

On the gas side, the big story was Order 636 in 1992 to restructure the gas pipelines by unbundling their transportation service from their merchant business. This led to the pipelines exiting the merchant business and providing an open-access, transportation-only service. This injected competition into the interstate natural gas markets to the benefit of consumers.

On the electric side, the big story of the decade was Order 888, named for the Commission’s new headquarters at that time, which required that electric companies allow open access to their transmission networks to allow competitive wholesale power markets. I remember this very well, personally, because I was the general counsel of an electric company at that time, and the issuance of the final Order 888 followed several years of discussion and ANOPRs and so forth on how the brave new world would look. I remember very clearly standing at the printer – and printers were a lot slower in those days – watching the pages of Order 888 roll off. And every single page we made a copy to give to a lawyer who was standing by to read us and tell us what it said. With the other copy we made copies for everyone in management. It was huge, and we knew it was huge.

I have often thought back to that time because I think that Chair Betsy Moler and Commissioner Bill Massey and their colleagues really did a superb job of introducing profound change in the electric industry, but doing it in a way that engaged everyone in

industry, and so it was very enduring. They also worked well with the Hill and others. So much of what we do today on both the gas side and electric side stems from those two big orders in the 1990s.

Mary O’Driscoll: That’s right, and that’s a really interesting point. Well, let’s move to the 2000s. That one is: “There Will Be Blood.”

Larry Greenfield: This well captures the California energy crisis of 2000 and 2001, and the collapse of Enron – and later, shortly after, the 2003 Northeast power blackout. Because if you think about it, there was blood. Metaphorically, of course. How the Commission dealt with these crises is a complex narrative that in many ways is going to this very day – we still have some ongoing litigation and settlements for California that date back to that time. But these two events, the energy crisis in California and the blackout in the Northeast, they led Congress in large part to enact the Energy Policy Act of 2005, which gave FERC broad authority for the first time to deal with market manipulation and, likewise, to provide oversight of the reliability of the bulk power system.

Mary O’Driscoll: OK, and now for our final decade, which we’re in right now, the 20-teens: “The Social Network.”

Commissioner LaFleur: Well, that name refers to the increased focus we have right now on the cybersecurity of the electric grid, and of course the increased use of digital technology in the electric grid and the gas world, which is among our most important responsibilities right now. As Larry said, responsibility for electric reliability and cybersecurity is one of the two big new things we were given in the Energy Policy Act of 2005, the other one being enforcement authority over market manipulation. Those two areas have grown very rapidly in the past decade.

But I think the biggest story of the decade has been the transformation of power supply in the US due to the tremendous growth of natural gas and renewable resources. Those resource changes have driven our work on the infrastructure side, since they drove the need for electric transmission, hence Order 1000, and more gas pipelines. They’ve also shaped our market work, as we have approved many changes in market rules to adapt to new technologies and make sure the markets are working fairly, including of course Order 745, which went all the way to the Supreme Court.

Of course, as you pointed out, this decade is still a work in progress, and work driven by the resource transformation continues – as exemplified by our current inquiries on electric storage technologies and on state policies and wholesale markets.

I'd like to observe that really in every decade so far, FERC employees have very ably served the nation's energy customers in response to a lot of changes in the conditions we were regulating, and I am confident that will continue to be the case. It's interesting to think about where FERC might be 40 years from now!

Mary O'Driscoll: Well Commissioner, I hope we are all still alive by then. I'm wondering Commissioner if there are any instances of FERC itself being the focus of some pop culture phenomenon. Do you know of any?

Commissioner LaFleur: Seems like I've read a lot of articles about FERC that say the formerly unknown, sleepy agency. We have gotten a lot more attention. One example was the popular streaming series the "House of Cards" in the second season featured several references to FERC. The storyline was where Frank Underwood, the main character who was Vice President at that time, is playing political hardball with an energy magnate who's accused of jacking up electric prices. Frank Underwood threatens to order a FERC investigation to shut down the plants, and in a most unlikely act of retaliation the energy magnate himself shuts down the whole electricity grid on the East Coast just as Vice President Underwood is throwing out the first pitch at an Orioles game in Baltimore. I can relate to that as I was fortunate enough to throw out a first pitch in Kansas City a couple years ago. But the lights stayed on, and I don't think that type of retaliation is very likely.

Mary O'Driscoll: Wow, who knew that could be a threat. Frankly, I don't think either of those could really happen. But as they say, don't let the facts get in the way of a good story! Larry, do you have any TV-related stories about FERC? I know there's something about the giant FERC seal on the 11th floor.

Larry Greenfield: Yes, interestingly that seal, which you can see on the 11th floor right by the east elevators, comes from the television show "Damages," which starred Glenn Close, and premiered roughly 10 years ago or so and as a sidebar, in my one brush with Hollywood, or semi-brush, she and I were in college together, although she was a couple of years ahead of me and unfortunately I can't say that we knew each other personally. In any event, that program devoted one of its seasons to a storyline involving a merger of energy companies. Well, they of course had to get a federal agency involved, and that was FERC. What we did not know, until it aired, was that in one scene, there it was, the FERC seal. We called to let them know that if they planned to use the seal in the future, they had to get approval – we are the government, after all, and there are rules about using agency seals like that. But, frankly, they had already shot the scenes, they had already shown the scenes, the storyline was over and done with. So when we contacted them, they simply sent the prop to us, perhaps as a peace offering.

Mary O'Driscoll: Well that's pretty amazing. I do remember that happening. Any other cultural markers for FERC?

Larry Greenfield: Well, there is at least one that I can think of. It really goes back to FERC's predecessor, the Federal Power Commission. It's actually in many ways a fascinating story outlined extensively in Robert Caro's book *Master of the Senate*. Back in the Truman administration, Lyndon Johnson, who at the time was a freshman senator working to make a name for himself, he savaged the renomination of Leland Olds, who was a longtime member of the Federal Power Commission. A reporter covering DC at the time, Allen Drury, used that as the model of the fictional and failed nomination of the Secretary of State in his book *Advise and Consent*, which won a Pulitzer Prize in 1959 and then became a major motion picture in the early 1960s.

Mary O'Driscoll: Well and of course, I do know that in recent years, there have been some brushes with Hollywood types – I know that former Chairman Joe Kelliher, back in 2006, met Arnold Schwarzenegger, who by that time was governor of California, at an event. We call the photo of that encounter the Terminator and the Regulator.

Well thank you both for this cultural walk through the history of FERC, which just this week is celebrating the 40th anniversary of its founding. And thank you all for listening.

Craig Cano: FERC is an independent regulatory agency that oversees the interstate transmission of electricity, natural gas and oil; review of proposals to build interstate natural gas pipelines and liquefied natural gas terminals; and licensing of nonfederal hydropower projects. FERC protects the reliability of the high-voltage interstate transmission system through mandatory reliability standards and it monitors interstate energy markets to ensure that everyone in those markets is playing by the rules. Unless otherwise noted, the views expressed on these podcasts are personal views and do not necessarily express the views of individual Commissioners or of the Commission as a whole. This podcast is a production of the Federal Energy Regulatory Commission Office of External Affairs, Leonard Tao, director. We will be updating our posts when we've got news, so be sure to check out our website www.ferc.gov, and follow us on Facebook, Twitter and LinkedIn to find out when our next podcast airs.