

FEDERAL ENERGY REGULATORY COMMISSION

WASHINGTON, D.C. 20426

June 30, 2017

OFFICE OF THE COMMISSIONER

Dear Colleagues:

I write to inform you that today is my final day as a Commissioner at the Federal Energy Regulatory Commission. Serving in this capacity since Jan. 5, 2015, has been the highest honor of my professional career. I am blessed and grateful to have been appointed by President Barack Obama and unanimously confirmed by the United States Senate. My team and I have accomplished a great deal in our two-and-a-half years at the Commission; I am proud of our collective efforts to ensure that consumers continue to receive reliable, efficient, clean, and affordable energy.

From our work on wholesale energy markets to our collective, bipartisan focus on infrastructure and resilience, as Commissioners, we have done our work collegially, respectfully, and independently. This professionalism was clear upon my arrival here at the Commission. For example, although my colleagues and I had differing views of the Clean Power Plan, we approached the work through the lens of this Commission's core responsibility—reliability. No matter what we thought as individuals of the plan, we demonstrated that five Commissioners of different parties can indeed work together for the common good. I am both proud and humbled to have been able to forge strong collaborations among diverse interests in the energy sector. These efforts ultimately led to a firm foundation upon which we could provide advice and counsel to the EPA recommending the inclusion of reliability assurance mechanisms to be employed if needed in the CPP. Despite our differences, we were able to speak with one voice as an agency.

The unique nature of our work allows the Commission to remain nonpartisan. Reliability and resilience know no political bounds. I have diligently focused on what I refer to as the “bread and butter” of our work: ensuring the reliability of the bulk power system pursuant to Section 215 of the Federal Power Act. I am proud of our efforts, and my role, in strengthening the cooperative relationship with our colleagues at the North American Electric Reliability Corporation (NERC). I am grateful for their leadership, passion, and dedication to this important work. I supported the final rule directing NERC to develop a reliability standard for supply chain risk management, as well as a new standard addressing the impact of geomagnetic disturbances on the reliable operation of the bulk power system. With ever changing and ever more sophisticated cyber threats, the Commission and the sector must remain vigilant in ensuring ongoing grid reliability and resilience, and I am proud of our work to do just that.

In addition, we have worked to improve our analyses of wholesale energy markets. It is incumbent upon the regulator to understand and accommodate new technologies, economic realities, policies, and much more. The last few years have made clear that the energy sector is no longer on the cusp of profound change, but is indeed in the midst of it. According to US Energy Information Administration (EIA) data, natural gas

production has increased dramatically due, in large part, to the shale gas revolution. In addition, more electricity is being produced by renewable resources in the US than ever before. Recently, on June 14, wind and solar exceeded 10% of our total monthly electric generation in the US. This is indeed a new day for us and we must take advantage of these opportunities in new and different ways.

The significant and necessary influx of renewable energy has been aided by natural gas, which is more than a bridge fuel. Given the growing role of natural gas in electricity production, now and in the future, gas-electric coordination is vital to the efficient and reliable operation of both systems. Even before I arrived at the Commission, I have worked to improve communication and coordination between the two industries. Most notably, in Order No. 809 and related proceedings involving the scheduling practices of the RTOs and ISOs, I supported changes aimed to improve coordination of scheduling practices of the natural gas and electricity markets and to provide additional scheduling flexibility to all natural gas pipeline shippers.

The Commission has proactively worked to ensure that markets are functioning as intended, especially in light of these forces of change. Healthy, competitive markets send proper investment signals that spur infrastructure development and provide lowest-cost resources for consumers. In early May, the Commission held a robust technical conference focused on market operations in the Northeast to discuss the intersection between the development of state energy policy and the operation of wholesale energy and capacity markets. This conference established a record that will hopefully serve as a roadmap for accommodating state policies in ways that can be harmonized with the operation of wholesale markets. I recognize the challenge of ensuring that traditional resources can continue to compete in wholesale markets, such as nuclear. Nuclear is an important resource in our nation's energy mix and is needed to support fuel diversity, reliability and affordability.

In addition, our continued focus on price formation has helped us assess how prices are formed in electricity markets and determine whether resources are being compensated for the services they provide. We have issued two rules on settlement intervals, shortage pricing and offer caps. The Commission is also considering additional action on uplift and fast start pricing. Taken together, these long-term efforts will improve price formation in RTO/ISO markets, increase transparency, and provide incentives for flexible resources to follow dispatch instructions. This work is incredibly valuable and I know there is still more work to be done.

Finally, the Commission took several actions to ensure that a new, game-changing resource, electricity storage, can participate on a level playing field in electricity markets. You have heard me suggest that energy storage is the next "game changer" in our electric sector, and indeed it is. In January, the Commission clarified its precedent to provide guidance on whether storage resources can provide services concurrently that are compensated using both market-based and cost-based rates. In November 2016, the Commission issued a notice of proposed rulemaking that would, among other things, recognize that electric storage resources provide different services than

transmission and generation and would require RTOs/ISOs to allow these resources to participate in a manner that recognizes their unique capabilities. Storage possesses many attributes, and it is incumbent upon all of us to harness the full potential of storage in ways that allow us to maximize renewables integration and allow for efficient use of these resources going forward.

One of the benefits of joining the Commission from the state level was recognizing and celebrating the tremendous diversity of energy sources and resources throughout the country. Leaders have emerged in many states and in every region of the US. In February, the Southwest Power Pool set a new record for wind penetration of 52.1%. I happened to be at the SPP Headquarters (in Little Rock, Arkansas!) on March 21, 2016, when SPP successfully managed a then-record wind output of 10,783 MW at 6:00 a.m. This comprised some 80% of all wind capacity in the SPP footprint. Other regions such as the Midcontinent Independent System Operator (MISO) and ERCOT have also successfully integrated large increases of wind on the grid.

Farther west, California has seen a larger, faster amount of solar penetration. This has afforded consumers the benefits of low electricity production costs, but required its operators to adapt. For our part at the Commission, we supported a proposal by the California Independent System Operator (CAISO) to give them greater visibility into these large amounts of renewables coming onto the grid. I was pleased to support the CAISO Distributed Energy Resources Provider Initiative, which allows broader resource participation in regional markets. I am also proud of our efforts to re-examine what is necessary to support reliable grid operations, and not get stuck in the mindset of the past.

In addition, western electricity markets have expanded and provide increased efficiency to consumers. When I arrived, the Western Energy Imbalance Market consisted only of CAISO and PacifiCorp. Since then, three more utilities have joined, and seven more are working toward integration. In addition, the Mountain West Transmission group is working together to see what benefits can be gained by greater integration.

As much as we tout our important advancements in generation and technology, these resources cannot meet demand unless the necessary infrastructure is in place to support them. I am proud of our work on infrastructure projects large and small, including dams, pipelines, and gas storage. These projects are crucial to making energy reliable, affordable, and deliverable; however, these projects are only beneficial if the harm is minimized and they are in the public interest. Our understanding of both the costs and benefits of these projects, as well as environmental impacts, is evolving and should continue to evolve going forward.

Clearly, diversity in energy sources and resources is key to our nation's future. Diversity is also paramount in another respect: workforce development and succession. It is imperative that our energy workforce reflect the people that we collectively serve. This is an area where this Commission has led well. The Commission continues to rank highly amongst the best places to work in federal government, with regard to work-life balance and with millennials. We have done so because of how strongly we embrace

diversity and workforce development. FERC is the most diverse organization in which I have ever worked, and we are better because of our varied experiences and backgrounds. The private sector would be well-served to follow this agency's example.

My regulatory journey has taken me across this beautiful country and all over the world in an effort to improve economic regulation and support the development of energy reforms and initiatives that address issues of common interest and concern. We can learn so much from our regulatory colleagues both domestically and abroad. Since joining FERC, I have met with and learned from our colleagues in the energy sector in Turkey, Canada, France, Mexico, and Brazil during my tenure. It has been an honor to represent the US and North America in these engagements; I am certain I learned as much as I imparted.

I am incredibly grateful to President Obama for giving me the opportunity to serve our country at the Federal Energy Regulatory Commission. As I depart, I wish to thank my personal staff for their incredible work and dedication. In addition, I want to recognize and thank the FERC staff; they are consummate professionals who are driven, dedicated and passionate about the Commission's vital mission. I would also like to thank my fellow Commissioners—Acting Chairman Cheryl LaFleur, former Chairman Norman Bay, and former Commissioners Phil Moeller and Tony Clark. I am better for having shared this journey with them.

Many thanks also to my home state Senators Mark Pryor and John Boozman, Chairman Lisa Murkowski, Ranking Member Maria Cantwell, Congressional Black Caucus Chairman Cedric Richmond and the entire membership of the CBC, Assistant Democratic Leader Congressman Jim Clyburn, and former Governor Mike Beebe. Their support and oversight helped me bring my best efforts as a public servant.

Finally, but not least, I am beyond grateful to my family and support system who have remained my highest priority and without whom I could not have undertaken such an effort at this time in my life. No position, title or job has been more important to me than being a mother. My daughter has been the greatest blessing in my life and I'm so grateful to her for her love and support during this journey.

Sincerely,

A handwritten signature in blue ink that reads "Colette D. Honorable". The signature is fluid and cursive, with the first name "Colette" being the most prominent part.

Colette D. Honorable