

Chris Newkumet: And we're back with FERC Acting Chairman Cheryl LaFleur. Cheryl, the security of the grid isn't all that's on your plate these days. What's on the radar for the Commission for the rest of 2014?

Chairman LaFleur: I would say beyond security and reliability that we've spoken of, a lot of our work is really driven by changes, and in some cases quite fundamental changes, in the energy supply picture in the United States. The greater abundance and affordability of natural gas, the extreme growth of renewables powered by new technology as well as state and federal policy, and the new environmental regulations that have either been issued, or that we see coming in the case of the carbon regulations, are really changing where we get our electricity from. Directly or indirectly that is driving a lot of our work both in infrastructure and markets. Both of them have to adjust to the new realities.

In the infrastructure area we are seeing an investment cycle in electric transmission to connect new power sources, as well as considerable investment in gas pipelines to take advantage of the new shale plays, or not so new but now in their prime shale plays, and pipelines and facilities designed to export liquefied gas to other parts of the world. In the markets we are seeing that the electric markets and the gas markets have to adjust to the fact that so much of the electricity is being made with natural gas. We are doing a lot of work right now to make sure that the gas markets and the electric markets work together as well as they can to keep costs down for customers.

CN: All this must keep you busy. I mean the way FERC goes at things has changed dramatically over the last 10, 15 years. Back when, you could essentially react to what came in and then fill in the blanks. Now you have to stay out in front of things, don't you.

CF: Well, I hope FERC always did that, but back when I dealt with FERC in the '90s at least by my impression it was mostly rate cases. Every year, every pipeline and every electric company would file a rate case and FERC would work through them. Now a lot of the rates are set either by the markets or by formula rates, so a lot of our work is around the market rules and the operations. We still have a combination of responding to complaints or cases that come in as well as being alert to trends or things that are coming where we have to take affirmative action.

That's one of our challenges; figuring out when we do things case by case or when do we see a trend and say, OK, we are going to step back and do a rulemaking so that we can do this more broadly.

CN: Let's talk a little bit about how you are doing your job. The Commission's director of enforcement, Norman Bay, has been tapped by President Obama essentially to take up the gavel, pending his confirmation, of course. How does that affect how you do things? Are you looking over your shoulder?

CF: Well I'm not looking over my shoulder, but what I've had to do is make sure that I, myself, and the wonderful people I lead at FERC stay focused on the work that we are doing - today's work and, really, tomorrow's work as we look forward. We don't operate in one-day or one-hour segments. A lot of our cases go over a long time, so I think what we owe the people we regulate is to keep things going just as if we were going to be there for the long term. When the transition occurs, it will occur as transitions have before. I've said many times to my team and publicly that the customers that rely on the electric grid and the gas

pipeline structure and the companies that are waiting for orders from FERC do not care a whit whether we have an acting chair, four commissioners, five commissioners. They just need what they need.

CN: That's right, an order's an order. Market enforcement is obviously a core task at FERC. I was intrigued in a recent response to a House subcommittee you seemed to suggest that perhaps some more guidance is in order for market players. Shouldn't these guys know right from wrong at this point?

CL: Well I think what I said is that is, in the life of FERC, a relatively new part of our work and we continue to evaluate if there is more rulemaking work that we need to do. What we have really been focused on is, when we vote out either motions to show cause or settlements, particularly in the area of market manipulation, to put as much factual and legal detail as we can so that other market players - and I talk to compliance directors around the country - can then take that order and say, "This is what got this company in trouble, let's not do that or something in that category."

CN: A bit of a roadmap there, whereas settlements of old were basically just a black box. There wasn't a lot of information to share, right?

CL: If you look at the SEC and 10b-5 enforcement, there was a time when that was new. Now we think of it as having been around for decades. We are only eight years in here.

CN: Turning to something else, the global market seems to be quite hungry for US natural gas in the form of LNG. The Department of Energy so far has approved six export projects, I believe, for close to 9 Bcf/day of exports, and yet just one of them has made it through FERC where the game really is by the way, just the Sabine Pass Pipeline. Are you holding things up or are you moving these as quickly as you can?

CL: We are moving them as quickly as we can. We have 13 cases pending right now; 10 in some state of permitting, three in pre-filing, and we have all of them fully staffed. I meet frequently with our wonderful head of projects, Jeff Wright, to make sure he has the resources he needs. We have really a different job than the DOE here. The DOE makes the public interest determination as to the actual export of the commodity - what it will do to world trade, balance of trade, national interest, whatever else they look at in making their public interest determination.

What we are doing is permitting the facility. So we have to go through the National Environmental Policy Act environmental and safety review of the pipelines and then the facility to export. We have several schedules of environmental review released in cases that are coming through the, no pun intended, the pipeline. We try very hard to meet people's commercial dates but we have to give it a careful environmental and safety review because these things always have many, many intervenors and other state and federal agencies involved.

CN: Madame Chairman, your term is set to expire at the end of this June. Has the White House been in touch with you about another term? Do you want another term?

CL: Well, the White House can speak for itself, but I would like another term. I think there is going to be a lot of really interesting work at FERC the next few years to help the country make the transformation it is making in energy supply, and I'd like to be a part of it.

CN: Cheryl LaFleur, acting chairman at FERC, thank you so much for joining us.