

**Commissioner Phillip Moeller**  
House Energy and Commerce Committee Hearing  
Impacts of the Environmental Protection Agency's  
New and Proposed Power Sector Regulations on Electric Reliability  
September 14, 2011

Thank you Mr. Chairman, ranking member Rush and members of the Committee, it is a pleasure to be here today. Thank you for inviting us to testify, and your interest in this matter, because it is of great importance to the nation.

At FERC our statutory interest in this is primarily having to do with bulk system electric reliability as that is the responsibility that you gave us in 2005 under section 215 of the Federal Power Act, but we also have an interest in policies that can affect rates because of our statutory direction there as well.

I believe this nation can retire a significant amount of existing generation. In fact, nearly all of our existing generation will be retired and replaced within the next 40 years. The key questions are: Which plants are going to be retired? Where are they? And, what is a manageable timeframe in which to retire them?

Retiring a significant amount of existing generation within a short period time, though, does have cost impacts. So while there will be health benefits from closing certain plants there are also consequences to rising electricity rates.

One common assumption is that many of these coal-fired plants, especially the base load ones, will be replaced with new generation fueled by natural gas. But that assumption is based on the fact that we have new domestic supplies of natural gas, largely from shale deposits, that have been keeping prices at a moderate level that appears to be a moderate level going out in the futures market.

But if there are legislative or regulatory efforts to restrict this new supply of gas, the price of shutting these coal plants will rise significantly. In addition, the nation's natural gas pipeline network will need to be expanded to meet this increased demand to keep prices reasonable. At a minimum, this will take a few years.

The suite of proposed EPA rules and the timelines associated with each of these proposed rules impact different regions in different ways, and this adds to the complexity of developing solutions. Although some regions do have excess generating capacity and can absorb significant retirements, the laws of physics dictate that analyzing the impact must be done on a granular level down to the specific load pockets that are affected.

In my letter to Sen. Murkowski that I attached to my testimony I provide a case study of the successful retirement of four plants in the Philadelphia area, but there were challenges and costs associated with those retirements.

I've called for FERC to be more involved in analyzing the EPA rules from a reliability standpoint, and a more open process for public input. Given the dynamic nature of the rulemaking process, we can't expect to have a perfect analysis of the impacts but we can make our best effort. Involving EPA, DOE, NERC, regions and state utility commissions would be essential.

In addition, there have been some other ideas and some other measures that have been suggested to minimize the disruption of the electric sector. Clarifying the conflict between the Clean Air Act and the Federal Power Act when reliability is at stake is one idea. Determining each agency's statutory authorities for reliability conditions is another, and requiring more advanced notice of plant retirements could be helpful.

Again, I appreciate the chance to testify before you and your interest in this issue. I look forward to answering any questions you may have.