

COMMISSIONER PHILIP MOELLER
HOUSE ENERGY & POWER SUBCOMMITTEE DEC. 5 TESTIMONY

Thank you Chairman Whitfield, Ranking Member McNerney, and members of the Committee. Thank you for having us back for this valuable oversight role that you undertake for the Federal Energy Regulatory Commission.

I am Phil Moeller, I am a sitting commissioner. Your staff asked us to focus on three areas in our testimony today, and add additional items that we thought were relevant. So I will talk about the three items – Order No. 1000, pipeline siting, and hydroelectric siting – and add a couple of more: gas/electric coordination and some reliability concerns on the electric grid.

Related to Order 1000, I was generally supportive of Order 1000 because I felt like it would add to the certainty to build needed additional transmission in this country. And for the most part I think it has helped, particularly with the transmission planning process. It has forced a more open, and arguably more accountable, process.

There were a couple areas that I disagreed with the majority on. The first was how we deal with the right of first refusal projects. This is specific to reliability projects. Not those economic projects that reduce congestion costs or the public policy projects that try and promote, generally, renewables through transmission. But rather when a utility is required because of NERC standards to build a project to enhance reliability, I would have preferred that we give a very limited time of right-of-first-refusal to the incumbent utilities because I didn't think the litigation risk was worth it.

And we are seeing the litigation now on that issue. Hopefully that will be resolved soon.

The second area had to do with the cost allocation methods in the rule, and the concern that because of the regional cost-sharing element of it, it would force utilities, or would give them the incentive to instead of building more regional projects just go to local projects. And I think that particularly in the Midwest we have seen that happen.

But for the most part, we have several more years of Order 1000 compliance ahead of us, we have further iterations of the intra-regional filings and we haven't even tackled the interregional filings yet. Those are going to be very complex, with some major policy issues. So Order 1000 will be with us for a while.

Related to hydro siting and pipeline siting we have a lot of similar issues, and I know members of the committee have been concerned about the length of time that that's taken. But, simply put, we are dependent on state and federal resource agencies in the process to deliver their part of the analysis. If they delay that, it will delay our ability to act. I know there has been legislation to consider moving this up; there are more extensive legislative concepts out there in terms of actually giving FERC the ability to decide whether some of these conditions are in the public interest. That would take a major legislative change, but if you are interested we can talk about that further.

Related to gas/electric coordination, Acting Chairman LaFleur referenced this, we've been working on this now for about 22 months at the Commission. We've had a series of seven technical conferences. The first five were regional in nature. Then we dug down to a series of issues; the first set on communication – whether people are comfortable talking to each other when there is, typically, a weather-related supply squeeze. Then we talked about the timing mismatch of the gas trading day and the electric trading day.

I'm happy to report that as a Commission we issued a final rule on the communication protocols just last month. I want to thank OMB, I don't know who it was, but they made an effort to make sure that we could have a 30-day turnaround on that rule so that it would be effective December 23 before we go into the really tight heating season this year. So they deserve some thanks for that.

On electric reliability, we do have an impending issue related to the effectiveness of the MATS rule, and I just want the Committee to be aware of the fact that we're looking at, potentially, some pretty tight situations in the Midwest – the footprint of the Midcontinent Independent System Operator – perhaps as early as the summer of 2015, but certainly as soon as the summer of 2016.

It is something that I think really deserves your attention. I know that the MISO is working heavily with the states to try and come up with some solution. We are happy to let them try and solve it, but the time is extremely tight. They can tell you more of the numbers, but we are looking at some pretty small reserve margins for the footprint. And recall that under the MISO agreement, they all share the surplus but they also share the deficits. So if there is a regional deficit, the pain will be shared in terms of, frankly, rolling blackouts if it comes to that.

We can hope for a cool summer in the summer of 2016, but that's not necessarily a prudent approach. So with that, I'm happy to answer any questions at the appropriate time.