



FERC Podcast Transcript
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Commissioner Chatterjee Goes International

Mary O’Driscoll: Welcome to Open Access, I’m Mary O’Driscoll. Our guest today is Commissioner Neil Chatterjee, who’s taking us in an international direction. Commissioner Chatterjee just returned from a series of important meetings in India and a speech before the World Utility Summit. Welcome back to the podcast, Commissioner.

Neil Chatterjee: Thanks, it’s great to be with you.

Mary O’Driscoll: So, you were keynote speaker at the World Utility Summit. What is it, what is FERC’s role at such an event, and what were some of the takeaways you have from there?

Neil Chatterjee: That’s right, I had the opportunity to travel to Delhi, India, to represent the Commission, deliver a keynote address at the 2018 World Utility Summit and meet with a host of India’s top energy officials and industry representatives.

The World Utility Summit provides a unique platform allowing leading energy policymakers, industry, and other stakeholders from across the world to come together and exchange insights and solutions to shared challenges. I was honored to participate in the Summit, where I had the opportunity to share my perspective as a Commissioner here at FERC and exchange views with experts in this space from various backgrounds. It was a productive conference from a professional perspective, but it was also a really special opportunity for me as a second-generation Indian American being invited to return to my family’s homeland as a keynote speaker on such a huge stage. To be honest, if someone told me back when I was a kid growing up in Kentucky that I’d be in this position as the first Indian American Commissioner on the Commission, I doubt I’d have believed them.

Mary O’Driscoll: Well, that is an honor, and a real opportunity. So, what was your message?

Neil Chatterjee: In preparing for my remarks centered on “Harmonizing Utility Regulatory Frameworks,” I knew I wanted to identify what I believe to be core principles – or universal values – that both Indian and U.S. energy regulators are forced to grapple with, namely: reliability, cost, energy security, transparency and environmental protection. I call those “universal values” because in many ways, our two countries – and others across the globe – share them as complementary challenges in this space. The rapid development of technology has increasingly raised a number of tough questions that regulators across the world have to face. Things like:

- How to leverage technological breakthroughs and market forces to ensure reliable generation to consumers;
- How to strike a balance in harnessing these emerging technologies while also remaining sensitive to environmental concerns and keeping costs down for families and businesses; and
- How to maintain transparent regulatory environments that enable private sector investment instead of stifling it.

These are complex issues that both of our countries are dealing with. Of course, that isn't to say that our outlooks are identical; there are clearly deeper nuances to those topics and how they fit within our respective situations. But I do believe in the value of recognizing the complementary challenges that we share as a means to opening up conversation and working together toward complementary solutions. That really gets to the heart of what I wanted to convey at the Summit and where my focus will be in this space going forward.

Mary O'Driscoll: OK, so, I do know that the United States and India have had a pretty good working relationship in the energy arena in recent years. How do you think that will continue to evolve over time?

Neil Chatterjee: I've been very encouraged by the work already being done across the U.S. and Indian governments to acknowledge opportunity where it exists and strengthen our collaborative efforts. Just last June, during Prime Minister Modi's official visit to the White House, our leaders announced the U.S./India Strategic Energy Partnership — a partnership meant to foster the exchange of ideas on how each of our countries can address the respective challenges we face.

That's just one way our relationship will continue to develop. In addition to that crucial dialogue, I see real opportunities for our countries to draw upon each other's energy sector resources to realize our shared goals. This could involve the transfer of finished products and technology, like advanced U.S. nuclear reactor designs. And of course, another obvious area of cooperation is the import and export of natural resources — including, but not limited to, natural gas and oil products.

When it comes to natural gas, the United States is committed to supporting India's efforts to expand the share of natural gas generation within its energy portfolio. To give you a better picture, already, two major U.S. natural gas exporters — Cheniere and Dominion — have executed long-term supply contracts with the Gas Authority of India. Other U.S. exporters are focused on the Indian natural gas market as well, and I expect that interest to grow.

When it comes to oil products, we've seen a similarly increasing interdependence between the U.S. and India. India is currently the world's fourth largest oil consumer, importing about 80 percent of its estimated demand. I'm happy to report that the United States is becoming an even more significant supplier of India's oil demand. For example, since Prime Minister Modi's visit last June, Indian refiners have announced

more than 10 million barrels of crude oil purchases from the United States. Continued diversification of India's oil sourcing to increase U.S. oil imports will be a boon for our producers and exporters. It will also ensure greater energy security for India. So again, you can see how this interdependence is mutually advantageous.

This area specifically is one that I'm particularly proud of, having played a small role in the increasing oil trade between our two countries. I had the privilege of serving as energy policy advisor to U.S. Senate Majority Leader Mitch McConnell as he negotiated lifting the 40-year old ban on U.S. crude oil exports with the Obama Administration in late 2015. So this is something that's been on my radar for quite some time.

Mary O'Driscoll: Ah, that's right! Now, India, as we know, continues to be a rapidly growing economy. Is there a role for U.S. investment there?

Neil Chatterjee: That's a really important point to raise. India is currently the third largest energy consumer in the world, which chiefly results from its economic posture. After nearly a decade of 7 percent annual growth, India is projected to again rank as the world's fastest-growing economy in 2018.

Keeping up with that rapid growth will require significant investment in an array of new generation, transmission and distribution assets. For example, the Modi government last year launched its "Power for All" initiative to create a 21st-century grid that will provide reliable, 24/7 energy supply to all Indian households by 2019. The Modi government has also prioritized increasing the role of renewable generation, aiming to increase its renewable capacity in India from 60 gigawatts to 175 gigawatts by 2022, with the majority of that coming from new wind and solar generation. These initiatives are additional opportunities for greater bilateral cooperation between our countries. More and more, I'd expect financial firms here in the States to look to offer their capital and expertise to meet India's needs just as I'd expect the United States to welcome additional investment from India to further our grid modernization objectives.

Mary O'Driscoll: Ok, so what is FERC's role in all of this? And will you be leading the efforts here at FERC?

Neil Chatterjee: I'm optimistic about the state of our partnership with India and am committed to being an active participant in continuing to foster that relationship. For our part here at FERC, we've had a traditionally strong working relationship with our counterparts at the Central Electricity Regulatory Commission, or CERC, and I look forward to building upon that foundation. Through the years, the Commission has engaged in multiple MOUs with CERC and the Indian Petroleum and Natural Gas Regulatory Board, or PNGRB. That dialogue continues today, and in fact, I had the opportunity to sit down with both members of the PNGRB and CERC – as well as several other Indian energy officials and industry representatives – on this visit.

One particular topic of interest with CERC was on our history of collaboration. I also discussed with my CERC colleagues the opportunity to formalize this ongoing dialogue

within a new MOU framework. We'll be working through the precise contents of that document in the near future, and I look forward to finalizing and executing that MOU in the coming months.

These conversations were insightful and only further demonstrated the many areas where India and the United States can have a mutually beneficial working relationship going forward. From the increasing significance of natural gas, to the growing desire of incorporating renewables into the grid, to promoting much-needed investment while safeguarding consumers from overly-burdensome costs – we covered a number of the most pressing issues that we as regulators see in today's changing energy environment. In all, the trip provided both sides with a greater understanding of the challenges we face and underscored the value of the energy partnership between our two countries.

Mary O'Driscoll: That sounds really interesting, and shows there's a lot of room for that relationship to grow. OK, so I'm going to switch gears a little bit, and change the subject now and ask about what's going on at FERC. What's on your own radar here at 888?

Neil Chatterjee: It's a busy season here at the Commission, and I know many have been eagerly awaiting our action regarding the implications of Tax Reform on jurisdictional electric, natural gas and oil rates. This issue was the focus of our most recent Commission meeting, and with good reason.

The Tax Cuts and Jobs Act is a significant piece of legislation and has already had an impact on Americans across the nation. Once enacted, the Commission wasted no time in exploring the options before us to help ensure that ratepayers benefitted from the legislation – which, from our perspective should mean lower electric and natural gas bills for families and businesses.

While Commission action was necessary to realize the benefits of Tax Reform, it's important to recognize that adjusting jurisdictional rates to reflect tax changes is a complex task. That is to say, the precise way that federal corporate tax rates are baked into Commission-regulated rates depends on a number of factors, things like:

- Whether the rate is an electric rate, oil pipeline rate or a natural gas rate;
- Whether the federal corporate income tax rate is a fixed line item or is a variable input to a formula rate; and
- How the rate treats accumulated deferred income tax.

Those are complicated issues, as we noted in the orders adopted on March 15th. But I'm encouraged by the action the Commission took. It strikes an appropriate balance between benefiting American consumers while taking into account the various other stakeholder interests affected by Tax Reform. I look forward to reviewing the responses we receive to the orders we issued.

We also issued an order yesterday responding to the DC Circuit Court of Appeals' 2016 order in the United Airlines case, which related to tax treatment of master limited

partnerships, known as MLPs. Our order complied with the court's direction that we address MLP income tax allowances to prevent double recovery. Believe me: I recognize the implications of this decision on MLPs; however, the court's directive to the Commission was clear and our order reflects a unanimous decision by all five Commissioners.

Mary O'Driscoll: That is really an important issue. Anything else on your mind before we wrap up?

Neil Chatterjee: There's one other item I want to touch on which has been a hot topic here for several months – grid resilience.

Since our order in January, we've experienced a number of events that have underscored the timeliness of the Commission's resilience inquiry – including more announced or threatened closures of existing generation assets, a “bomb cyclone” that stressed large parts of the U.S. grid and a series of “Nor'easters.” Those events in my mind also underscore the need for a diligent, expeditious review of the record that is developed in that proceeding.

The Commission has received the RTOs' and ISOs' comments, and all of us and Commission staff are carefully reviewing them as we speak. Other interested parties will be able to submit their comments over the next month. I would encourage these stakeholders – no matter what side of the issue they're on or where their interests lie – please, please, to make sure their voices are heard through this opportunity to submit comments.

The Commission will continue to review those thoroughly as we examine our next steps. I look forward to working with my colleagues to address the important issues raised in the proceeding in a thoughtful and fact-based way.

Finally, my colleagues and I acknowledge the importance of the natural gas pipeline certificate policy statement review that the Chairman announced earlier this year. That discussion will continue as we consider whether and how to implement changes to our policy. This issue is one that concerns a number of stakeholders including landowners, project developers, trade unions, entities who develop natural gas infrastructure and others. I believe that throughout this process we must do our best to keep the varied interests in mind.

Mary O'Driscoll: Well thank you, Commissioner Chatterjee. Our chats are always really informative, and you've covered an awful lot of ground today. We hope to see you again soon!

Craig Cano: FERC is an independent regulatory agency that oversees the interstate transmission of electricity, natural gas and oil, reviews proposals to build interstate natural gas pipelines and liquefied natural gas terminals, and oversees the licensing of

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