



Chairman McIntyre on a Busy Summer At FERC

Mary O’Driscoll: Welcome to Open Access, I’m Mary O’Driscoll. Today we are sitting down with Chairman Kevin McIntyre to get an update on what is going on at FERC this summer.

Mr. Chairman, welcome back to Open Access. It’s been awhile, and we’re glad to see you here.

Chairman McIntyre: Thank you, Mary. It is great to be back, participating in the Open Access program. I’m a big believer in, and supporter of, our Open Access podcast program. I regard it as one of our most important public outreach tools. And as you say, it has indeed been awhile since I’ve participated. So I’m glad to be here today for this new podcast.

Mary O’Driscoll: OK, well we’ve got a lot of ground to cover – You’ve had a busy first seven months here at FERC, dealing with major issues involving how to address resilience of the bulk power system, a review of a nearly 20-year old pipeline certification policy statement, and a renewed review of FERC’s PURPA policies and regulations. That could be enough for a couple of years’ work, yet the Commission is undertaking them all at once. Where is the Commission on all of this?

Chairman McIntyre: Let me take those one at a time. First, resilience of the bulk power system has been a key element of our work here at the Commission all year, since my earliest days here at the Commission in December. In January we issued an order finding that the Secretary of Energy’s proposed rule on grid resilience did not satisfy the requirements of the Federal Power Act, and therefore we terminated the proceeding that had been initiated by that proposed rule. However, we recognize that resilience of the bulk power system is an important issue that warrants further attention, so we initiated a new proceeding of our own to evaluate the resilience of the bulk power system, beginning with the regions operated by regional transmission organizations, or RTOs, and independent transmission system operators, or ISOs, because they have wide overview over the operations of their respective regions and thus are well-positioned to provide insight into region-wide resilience issues.

FERC has received many dozens of submittals of comments from interested parties and the public, including the ISOs and RTOs, public utilities, interstate gas pipelines, nuclear entities, coal producers, environmental groups, state public service commissions and

other entities. We are now actively reviewing this substantial record and considering whether additional FERC action is warranted to address grid resilience.

Next, let me address the other two initiatives you mentioned. As many have heard me say at our open meetings and in various other venues, I believe that it is good government to review our policies and procedures from time to time to ensure they are as efficient and effective as possible. To that end, the Commission issued a Notice of Inquiry in April to seek information and stakeholder perspectives to help us explore whether, and if so, how we should revise the approach we currently follow in determining whether a proposed natural gas pipeline project is or will be required by the present or future public convenience and necessity as the Natural Gas Act has set forth that standard. The current version of FERC's gas certificate policy statement dates to 1999. And, given the changes in the industry since then it's time for a fresh review. And that is what we have undertaken with that notice of inquiry.

Similarly, many of our regulations and policies implementing the Public Utility Regulatory Policies Act of 1978, have been in place since the 1980s. Much has changed in the electric power industry over the past 40 years. So, I recently directed FERC staff to reinstate a previously commenced review of FERC's regulations and policies under PURPA. Although legislation has been introduced both in the Senate and in the House to change certain aspects of PURPA at the statutory level, at FERC we are looking to build on our previously developed record and take a close look at whether there are steps that we can take administratively to improve our PURPA program.

Mary O'Driscoll: A recent news article states that FERC notified LNG export applicants that there will be 12 to 18 month delays in the processing of LNG projects. Is this true?

Chairman McIntyre: The Bloomberg article you cite was incorrect in stating that FERC informed applicants in a letter that there would be 12 to 18 month delays. FERC has issued no such letter. Indeed, with regard to the timing of the remaining pending LNG applications, there is good news to report: In just the last few days we have made truly significant strides in reforming the permitting process with our federal partners, eliminating duplicative efforts and instituting a streamlined procedure that will significantly reduce our LNG permitting timelines. The details are still being hammered out, but we expect to have a formalized agreement in place in the coming days. I expect to be able to provide more detail on this soon.

In the last six months, FERC has issued revised notices of schedule for two projects, and one schedule for a greenfield LNG project that is subject to the FAST-41 process. FERC staff has not revised or released schedules for the remaining projects at this time. FERC staff is very cognizant of the financial market impacts of its LNG project schedules. Moreover, since we have been working diligently to streamline our permitting process and are still making significant strides in that direction, the release of any schedules to date would have been premature. For these reasons, among others,

FERC takes very seriously the schedules that it issues regarding these LNG projects. To that end, we will not issue schedules until we have all the facts necessary and have implemented our improved processes to create accurate schedules.

Mary O’Driscoll: Clearly, things have been busy on the LNG front, with what – 15 – LNG terminal applications now pending before the Commission. That sounds like a lot of work. How is the Commission handling that workload?

Chairman McIntyre: You know Mary, the enormous increase in natural gas production in the U.S. is a genuine American success story. And for that we owe a debt of thanks to largely home-grown technological advancements. As a result of this, and as a reflection of the global demand for natural gas, the FERC has experienced a rapid and sizeable increase in the number of entities filing applications seeking authorization to construct and operate facilities to export LNG.

And yes, you are correct: This year, the Commission has 15 pending LNG applications, of which the majority are LNG export projects. By way of example, in 2011, there was one export application pending here.

But it’s not just the number of applications that have increased. We’re seeing evolution in the size and complexity of the projects as well. Further, we not only review these applications but we also monitor the construction of these projects post-authorization. Currently, the Commission’s Office of Energy Projects staff are performing construction inspections for six authorized projects.

So let me tell you what FERC is doing to address this rapid increase in its LNG workload:

- We are hiring additional LNG engineering staff. We have made offers to several talented LNG engineers, and we are looking for ways to attract additional LNG engineers.
- We are identifying additional opportunities to hire third parties to assist our LNG staff where needed. In late June, we issued letters to project applicants to solicit their interest in using third-party contracts for the requisite Fire Protection Review process. We also are looking into hiring third parties for construction inspections, and have been in discussions with Department of Energy’s Sandia National Laboratory to provide assistance with parts of our siting review.
- Consistent with our commitment to the One Federal Decision Memorandum of Understanding, we are coordinating with other federal entities, such as the Department of Energy and the Department of Transportation, to improve coordination. We are confident that this improved coordination will expedite the completion of those entities’ roles in the LNG project application process.

- Lastly, we are taking a hard look at our own internal FERC processes and have identified a number of more efficient practices we will implement going forward.

Mary O’Driscoll: Can you address any shift in priority or other factors that have affected the timing of these LNG projects?

Chairman McIntyre: A number of factors have affected recent processing timelines. As I mentioned, FERC recently experienced a substantial increase in the number of natural gas project applications. Again, this is reflective of our nation’s tremendous progress in gas production since that time. LNG proposals since then have shifted from an *import* to an *export* focus, the latter category of which presents more complex design issues. Finally, let me state that there is no enumerated priority list for these projects. The Commission does not preference one project ahead of another. However, a number of factors can cause LNG projects to be processed by FERC staff at different speeds, including the varying complexity of projects themselves, the completeness of initial application materials, the need for FERC staff to request additional information and the timeliness and completeness of the applicant's response, and the degree to which other agencies act in a coordinated and timely manner.

Mary O’Driscoll: I wanted to go back to my initial question about the three FERC initiatives at the top of the podcast. Do you have a sense of when the Commission will be taking action on any of those matters? Our audience tends to pay very close attention to bottom-line issues like that.

Chairman McIntyre: I completely understand the desire on the part of stakeholders to get a read on when and how the Commission will act on such matters. But I want to caution everyone that the Commission takes its deliberative role very seriously. And the Commission’s staff, as well my colleagues and I, will closely review the information filed with us on these matters. I expect nothing short of a full airing of all issues on these matters and that once my fellow Commissioners and I are ready to take action, we will take action with full understanding and knowledge of all sides of the issues.

Mary O’Driscoll: Just very recently your colleague Commissioner Rob Powelson announced he’ll be leaving the Commission in August. What is Commissioner Powelson’s departure going to mean for the Commission and its work going forward?

Chairman McIntyre: I am certainly sorry to see my good friend and colleague, Rob Powelson, leave the Commission. His breadth of knowledge and depth of experience in the energy regulatory field will be tough to replace. Beyond that, we certainly shall miss his enthusiasm, his thoughtful and experience-based contributions to energy policy, and of course his friendship. We congratulate him on his new role as President and CEO of the National Association of Water Companies.

I also am sorry to see the full, five-member complement of Commissioners. But we still will have four Commissioners here, so the important work of the Commission will continue. My three other colleagues – Commissioner Neil Chatterjee, Commissioner Cheryl LaFleur and Commissioner Rich Glick – bring invaluable knowledge and experience to the table, and I continue to rely on their wise counsel and their contributions to the important work we do.

As for what this means going forward, I am hopeful that we can get a new Commissioner on board as soon as possible. I do not expect our workload to change – we have important orders to process now, and as reflected in our discussion a few minutes ago, we have very important regulatory matters to sort through.

Mary O’Driscoll: Mr. Chairman, as we have discussed, you’ve had a very busy year. Will you be able to take time off after the July open meeting?

Chairman McIntyre: I certainly hope so, as does my family. I think we *all* could use a break. In my case, I have been dealing with some aches and pains that make that desire more fervent. Sometime before the Fourth of July, I began experiencing severe back pain, which turns out to be the result of compression fractures in two of my vertebrae. Needless to say, in recent weeks it has been very difficult to move around or even sit or stand.

To top it all off, over the Fourth of July holiday, I stumbled and fell and injured my arm. It will take time for that to heal as well. So yes, some major R&R would be really great if I am able to arrange that consistent with my FERC responsibilities. In the meantime, my excellent staff has been helping me to be as productive as possible, while I try to rest my body and recover.

Mary O’Driscoll: Thank you so much, Chairman, for joining us on Open Access today.

Chairman McIntyre: Thank you, Mary, and thanks to you and all your colleagues in the Office of External Affairs, not only for the Open Access program for everything else you do for the Commission.

Mary O’Driscoll: Thank you so much.

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 nonfederal hydropower projects. FERC protects the reliability of the high-voltage interstate transmission system through mandatory reliability standards, and it monitors

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