

Testimony of Acting Chairman LaFleur
House Energy & Commerce Subcommittee on Energy & Power
July 29, 2014

Thank you very much Chairman Whitfield, Ranking Member Rush and members of the subcommittee. I'm honored to serve as the Acting Chairman of the Federal Energy Regulatory Commission, and I appreciate the opportunity to be with you this morning.

As this subcommittee is well aware, the nation's resource mix is changing in response to a number of factors, including the increased availability of domestic natural gas, growing use of renewable generation in response to state and federal policies, and new environmental regulations. Although these drivers of power supply changes are themselves outside the Commission's jurisdiction, we must be aware of and adapt to them to carry out our responsibilities to promote reliability and ensure just and reasonable rates for customers.

Our work supports reliability in three primary ways. First, FERC supports the timely development of needed energy infrastructure. The Commission has permitting authority over natural gas pipelines, LNG terminals and non-federal hydropower. We also support new infrastructure through our rate authority over those facilities and over electric transmission.

Second, FERC oversees wholesale power markets that support reliability. We work to ensure that centralized capacity, energy and ancillary services markets send correct signals to support the procurement and retention of resources needed for reliability.

Finally, FERC directly oversees the reliability of the grid by establishing mandatory standards for the bulk power system under section 215 of the Federal Power Act. It has been almost 10 years since Congress enacted section 215, and I believe the Commission has established a solid track record not just on day-to-day reliability, but on emerging issues like cybersecurity, physical security and geomagnetic disturbances.

As I mentioned, one of the key drivers of changes in our resource mix are new EPA regulations regarding air, water and solid waste pollution. EPA is of course responsible for promulgating environmental regulations under the statutes it implements. We in turn are responsible for helping ensure that reliability is sustained as new environmental regulations are carried out. Our work in this area is not limited to interactions with EPA, but includes collaborations with states, industry and other stakeholders.

One recent example is our work on the Mercury and Air Toxic Standards, where we issued a policy statement outlining how we would advise EPA on when additional time might be needed to comply with the Mercury and Air Toxic standards in order to avoid a reliability violation. We also established a regularly scheduled public forum with NARUC, co-led by my colleague Commissioner Moeller and myself and our state colleagues, to regularly collaborate with EPA and other stakeholders on how the MATS rule and other rules were being implemented.

I have closely followed the development of the Clean Power Plan because I believe it will have implications for the operation of the grid and require FERC engagement to ensure that reliability

is sustained. FERC staff commented on the proposal through the OMB interagency review process from a reliability perspective. Among other recommendations, FERC staff emphasized the need for the development of natural gas pipeline and electric transmission infrastructure to enable compliance with state compliance plans.

FERC staff also emphasized the importance of regional cooperation to promote efficient compliance with the Clean Power Plan.

I appreciate that the plan gives considerable flexibility to the states to use the different building blocks it outlines, but I believe FERC will have at least three important roles: first, to support the development of pipelines and transmission that will be needed to attain the goals of the plan; second, to consider how market structures need to adapt to support the resource choices that states make under the plan; and, finally, to continue to be closely engaged with EPA and the states and others to identify any problems and to help to make sure they are addressed.

Reliability has been my top priority in my time at FERC, and I believe it is Job #1 for anyone involved in electricity. I've seen many changes in the nation's resource mix in the past 30 years, but the central importance of reliability is unchanged, even as new technologies and new environmental challenges and aspirations emerge.

As FERC Chairman and as a Commissioner I will continue to champion these issues. I thank the subcommittee for giving me the opportunity to appear, and I welcome your questions.