

Monica Trauzzi: Hello, and welcome to OnPoint. I'm Monica Trauzzi. With me today is the Honorable Cheryl LaFleur, chairman of the Federal Energy Regulatory Commission. Chairman LaFleur, it's a pleasure to have you on the show.

Cheryl LaFleur: Well, thank you for having me.

Monica Trauzzi: Chairman, it's been an incredibly busy summer for the commission, politically, in the courts, and on the regulatory front. Let's talk about politics and start with the latest news that NARUC President Colette Honorable has been nominated by President Obama to the commission. What are your thoughts on the White House's pick and what are your expectations for the confirmation process?

Cheryl LaFleur: Well, I've worked closely with Colette at NARUC and in many efforts that NARUC and FERC have done together. I think she's done a terrific job there. She seems to me like someone who'd be a very successful nominee, but I don't predict anything on the process. That's out of my purview.

Monica Trauzzi: This comes on the heels of what was a very contentious process for Norman Bay to be confirmed to the commission. That ultimately ended in a Senate deal that places you as chair for the next nine months. Do you believe that what the White House and Senate finally decided on in that deal was an appropriate way to move forward, and did it weaken the commission in any way?

Cheryl LaFleur: Well, I don't think it weakened the commission. I mean, it's entirely up to the president who to designate as chairman, and obviously the confirmations are up to the president and the Senate. I love my job at the commission, and I really think we're doing important things, so I made no secret that I was interested in being confirmed, whether it was for chairman or not. I'm delighted to be chairman for nine months, and I'm happy that the, all the employees at the commission have the certainty and the foreknowledge of what's going to happen next.

Monica Trauzzi: Is this a new way of working for the Senate? I mean, is this a sign of things to come?

Cheryl LaFleur: I don't know, you know.

Monica Trauzzi: Commissioner Bay, he received some political bruises as a result of all of this. Does it make him less effective as a commissioner and potentially less effective once he finally becomes chair?

Cheryl LaFleur: I don't draw that inference. I really think that, now that he's sitting as a commissioner, he'll now assess his priorities, make his mark in a new job. I think he did a good job as director of enforcement. This is a very different role, and everybody knows, because it's been decided, that in eight months he's going to be chair, and so he'll be looking forward to that as he goes forward.

Monica Trauzzi: So grid reliability has been a key issue for you as chair, and it's a key component of the debate over the Obama administration's Clean Power Plan. Which are the states that you identify as being in the riskiest position in terms of reliability?

Cheryl LaFleur: Well, I really haven't taken a position that particular states are riskier than others. I've tried to look nationally across the situation and think what is going to be the role for FERC in ensuring that reliability is protected? And to me, we have two primary roles. The first is that the Clean Power Plan is going to call on a lot of infrastructure -- gas pipelines to support a major increase in the use of natural gas for generation, transmission infrastructure to support all types of new generation, particularly location constrained renewables. That's where FERC comes in. Also, because we regulate the wholesale markets, to the extent that states make different choices about their resources and that affects the way the market selects resources. I think that's going to be a piece of work for FERC as well.

Monica Trauzzi: Do you think there needs to be further clarification on FERC authority versus EPA authority as it relates to the Clean Power Plan?

Cheryl LaFleur: I don't think we need further Congressional clarification. I just think as we move forward, EPA and FERC have to develop their roles, as we've done successfully on the mercury and air toxic standard where we've worked quite well.

Monica Trauzzi: So no need for the Senate to step on that.

Cheryl LaFleur: Well, I try to take the view that I do my best under the authority that we have. We haven't been seeing a lot of energy legislation out of the Senate, but we're fortunate that we have strong enabling statutes now and we're living within them.

Monica Trauzzi: How complicated could things get for FERC on the Clean Power Plan if states begin linking regionally? And does that set up a situation where you're having federal versus state issues?

Cheryl LaFleur: Well, I think in some ways it'll be less complicated if states operate regionally because right now the power flows regionally, the markets are dispatched regionally. I'm more worried that if, for example, in PJM, where they have parts of 13 states, if 13 different states all have different uncoordinated implementation plans and PJM, under the authority of FERC, has to kind of mesh them together, I think that could be more of an implementation challenge, and the EPA recognized that they really favor regional solutions where they can be reached, and I think that's for that reason.

Monica Trauzzi: We're already hearing from state regulators some concerns about reliability and other issues relating to the Clean Power Plan. What is that sweet spot between the concerns of regulators and the Obama administration's aggressive climate goals?

Cheryl LaFleur: Well, really all energy issues -- I mean, since I've been involved for more than 30 years, really come down to balancing reliability and security, cost to the customer and the impact on the environment and I think what the EPA tried to do is give the states a sufficient number of tools so they could make the best decisions in what's most cost-effective and works well for their state. Obviously a lot of that is still ahead of us.

Monica Trauzzi: So in its draft, does EPA hit those three goals, or do you think we need to see some changes?

Cheryl LaFleur: I think EPA is primarily charged with setting the environmental aspirations, and they have to do so within the law that governs them. I think, in terms of reliability, that's where FERC also has a role as -- just as way back in the '70s, I guess, with the Arab oil embargo and the whole fleet changed from oil to coal and nuclear. That changes the grid. That changes the way the system works, and the system works in a more complicated way now with all the regional markets. That's where FERC has a big role to play, I think, to make sure reliability is sustained. Anytime you're making a change in where you get your electricity, there's a lot involved.

Monica Trauzzi: Moving on to Order 1000, the D.C. Circuit Court of Appeals upheld the order this summer and that addresses transmission planning and the role of states. What does that ruling mean for future actions by the commission?

Cheryl LaFleur: Well, I think it was a very important ruling for us. Order 1000 is really probably the largest policy action that the commission's taken in the four years since I've been on it, and it really contemplated that the nation's going to need a lot of new transmission investment and set up a structure that required that that transmission be planned and cost-allocated on a regional basis. We've been operating as if Order 1000 was going to be approved, so we've been continuing to take up compliance filings of the different regions, but now that we have the clarity of the court order, I think that will help the implementation step.

Monica Trauzzi: Let's talk about LNG exports for a moment. The Department of Energy has established a new process now for LNG export facility approvals. Does it make FERC even more relevant in that process and should we expect some changes in the pacing of approvals?

Cheryl LaFleur: Well, I don't think that the DOE process change will directly change the FERC approval process because we never queued the cases. We staff each of them and let them go forward in parallel, and the fact that the DOE might do things in a different order shouldn't change the timing of what we do. I

think, honestly, what it will do is we'll have even more scrutiny of what FERC is doing when because that now has, is partly a driver of when the DOE acts.

Monica Trauzzi: So you have another eight months, I think it is, as chair. What are you, what's your wish list of agenda items you'd like to have accomplished?

Cheryl LaFleur: Well, ever since I've been act ... after I step down as chair, I will have been acting chair or chair for 17 months, I believe, and one of the things I've tried to do is really, in a time, you had said considerable turmoil, really keep the work of the commission moving forward, get the orders out, provide the clarity of policy and decision on the record that the people who rely on us need. In terms of substantive priorities for this nine months, I'm really looking very hard at the competitive markets when a big investment cycle in this country, make sure that they're attracting the capital we need for reliability.

Monica Trauzzi: One final question. Talk to me about morale about the commission right now, both among commissioners and on the staff level. How would you qualify it?

Cheryl LaFleur: Well, it's tough to ask the person in the, at the top to have a clear view of the whole organization, but I think that the clarity of decision that we now have, knowing that I'm chairman and then Norman will be chairman, is good for the commission. We've been through an unparalleled year of not knowing what was going to happen next, so I think that we're in a better place now.

Monica Trauzzi: All right, chairman, thanks for joining me today.

Cheryl LaFleur: Thank you.

Monica Trauzzi: And thanks for watching. We'll see you back here tomorrow.