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TESTIMONY OF

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Before the
SUBCOMMITTEE ON ENERGY AND POWER
COMMITTEE ON ENERGY AND COMMERCE
UNITED STATES HOUSE OF REPRESENTATIVES

on
"DISCUSSION DRAFT ADDRESSING ENERGY RELIABILITY AND SECURITY"
MAY 19, 2015

Thank you for inviting me to testify before the Subcommittee/Committee today. I am honored to appear on this panel of distinguished witnesses and appreciate the opportunity to address the important issues facing the electricity sector as the country pursues key national priorities.

My name is John Di Stasio, and I am the President of the Large Public Power Council, also known as "LPPC." Before I assumed this role earlier this year, I was the CEO of the Sacramento Municipal Utility District, which is a public power system located in Northern California.

LPPC is an organization of the twenty-five largest public utilities which provide electricity to 30 million electric consumers across thirteen states, from Washington State to Florida and Arizona to New York, as well as the island of Puerto Rico. By definition, LPPC member companies are not-for-profit entities with a (state or municipal chartered) responsibility to provide reliable, affordable electricity in their service areas.

LPPC members are also dedicated to protecting the environment and the health and welfare of the communities we serve. Currently about 36 percent of LPPC member-owned supply is carbon-free, including wind, solar, nuclear and hydro and this number is expected to grow by 10 percentage points in the next 10 years. Over that same time period, LPPC members are also projected to purchase an additional 5,000 MW of carbon-free power which will comprise 90 percent of members' supply purchases. Additionally, LPPC members have very active energy efficiency programs. Some of our members have the highest levels of end use energy efficiency in the country. We are clearly in the midst of a transition to a cleaner supply mix and a more dynamic electric system.

I commend the Subcommittee/Committee for holding this hearing and I appreciate its focus on critical issues facing the U.S. electricity industry today as we pursue this transition. Electric utilities face a confluence of challenges requiring them to balance needs that have not previously converged, both individually and as part of an interconnected grid. As the utilities work to reduce their carbon emissions or implement other key changes to their electric utility systems, they are seeking ways to do so while maintaining reliability and affordability of electricity for their consumers.

As the Members of the Subcommittee/Committee are vitally aware, a significant aspect of this transition process is the need to anticipate changes that will be required in order to meet environmental, reliability, resiliency and security goals - whether they be state

or federal in origin. As we transition to a very different supply mix, significant changes in power flows across states and regions and an enhanced focus on resiliency it is important to assess reliability prospectively and periodically as the transition progresses. The move to different base load generation and integration of growing intermittent resources is technically achievable, but requires thoughtful planning, implementation, and coordination across systems and regions. Raising the standing of reliability reviews in future federal regulatory proposals will serve to prevent or limit unnecessary risks to the bulk electric system and the unnecessary costs that come with a lack of thoughtful planning.

Current reliability provisions in the Federal Power Act clearly did not envision a transformation of the U.S. electric power sector affecting the entire supply mix and power flows across the bulk electric system. This transformation will not end in the next 15 years given the physical characteristics of the grid. It is likely to be with us for many decades to come as we seek to reduce carbon and deal with other important priorities in the future. An appropriate upfront reliability assurance mechanism will serve us well in that long transition.

Based on my thirty years' experience in the industry, I have no doubt that our electric utility industry will meet these challenges. My central message for the Subcommittee/Committee today is that as a society, we have choices as to how we manage reliability risks and other major challenges during this transitional period. We either get there smoothly, with minimal disruption, and at a reasonable cost to the

consumer through proactive upfront planning -- or we rely on after the fact corrective measures that will likely string out the time involved and unnecessarily increase the cost of getting us to the same place.

I have the following points in this regard:

- LPPC systems are consumer-owned so we are directly accountable to the consumers and communities we serve. They are affected by our actions, so we seek to balance reliability, affordability and environmental stewardship. We are committed to support the quality of life in our communities environmentally and economically.
- All reliability issues can be overcome with time and money, but assuring reliability prospectively, while major changes are under consideration, will prevent unnecessary delays and additional costs for consumers related to stranded investments and re-work after the fact. After-the-fact reliability review mechanisms are also vital, but they are triggered by emergencies or unforeseen conditions as opposed to preventing them in the first place.
- The optimal path forward is a balanced approach focused on a portfolio that enables the reliability, affordability and environmental stewardship. To assure this each element must have appropriate weight in the evaluation for the best overall solution.

- The members of LPPC are committed to reliability and resiliency and recognize an increased responsibility in that regard given a digital world and a variety of emerging risks. We work closely with the federal government in a variety of ways to address proactively these challenges and we are committed to do so going forward.

I also want to thank Chairman Upton for the discussion draft released May 7, 2015. LPPC's members are reviewing the legislative language in detail, and would be pleased to work with Members of the Subcommittee and the full Committee to provide more specific input as the language is further refined. For the moment, I would like to underscore LPPC's support for developing a "reliability assurance mechanism" that incorporates reliability considerations into the agency rulemaking processes without delaying the implementation of the new federal rules. I think the challenge is to find a way to dovetail these policy considerations so as to bring the best aspects of our environmental and electric power policies into harmony. We will be working through this transitional period for some time and now is the right time to put things on sound decisional footing.

With that, I thank the Chairman and Members of the Subcommittee/Committee for their attention, and I would be happy to address any questions you may have for me.

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As the Members of the Subcommittee/Committee are vitally aware, a significant aspect of the nation's transition to a cleaner supply mix and more dynamic electric system is the need to anticipate changes that will be required in order to meet environmental, reliability, resiliency and security goals - whether they be state or federal in origin. As we transition to a different supply mix, significant changes in power flows across states and regions and an enhanced focus on resiliency it is important to assess reliability prospectively and periodically as the transition progresses. Raising the standing of reliability reviews in future federal regulatory proposals will serve to prevent or limit unnecessary risks to the bulk electric system and the unnecessary costs that come with a lack of thoughtful planning.

To that end, I would offer the following key points:

- LPPC systems are consumer-owned so we are directly accountable to the consumers and communities we serve. We seek to balance reliability, affordability and environmental stewardship. We are committed to support the quality of life in our communities environmentally and economically.
- All reliability issues can be overcome with time and money, but assuring reliability prospectively, while major changes are under consideration, will prevent unnecessary delays and additional costs for consumers related to stranded investments and re-work after the fact.
- The optimal path forward is a balanced approach focused on a portfolio that enables the reliability, affordability and environmental stewardship. To assure this each element must have appropriate weight in the evaluation for the best overall solution.
- The members of LPPC are committed to reliability and resiliency and recognize an increased responsibility in that regard given a digital world and a variety of emerging risks. We work closely with the federal government in a variety of ways to address proactively these challenges and we are committed to do so going forward.