



COMMITTEE ON
ENERGY & COMMERCE
DEMOCRATS
RANKING MEMBER FRANK PALLONE, JR.

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Pallone Remarks at Energy Hearing with Secretary Perry

“There is certainly a lot for us to discuss today, particularly your recent proposal to upend competitive electricity markets”

Washington, D.C. – *Energy and Commerce Committee Ranking Member Frank Pallone, Jr. (D-NJ) delivered the following opening remarks today at a Subcommittee on Energy hearing with Department of Energy Secretary Rick Perry titled, “Department of Energy Missions and Management Priorities,”*

Thank you, Mr. Chairman, for scheduling today’s hearing analyzing the mission and management of the Department of Energy. I welcome Secretary Perry to the Committee. We are pleased to finally have you here. After all, it is now the middle of October and you are the first cabinet member we’ve had before us this year. I hope this is the start of a trend and we will be seeing more agency witnesses before us to discuss the policies and proposals being put forth by the Trump Administration.

Mr. Secretary, you have been invited here today to discuss your vision for the Department of Energy. I look forward to hearing your testimony and engaging on the critical issues your Department currently faces.

And there is certainly a lot for us to discuss today, particularly your recent proposal to upend competitive electricity markets by providing unduly preferential rates to coal and other baseload generation. I have many concerns with this proposal, starting with the fact that this is chiefly a policy matter that should be left to Congress and the states.

Nevertheless, the substance of the proposal has serious flaws. Under the guise of a crisis of grid reliability, this proposal props up coal and nuclear generation with the goal of protecting “fuel secure” plants that have 90 days of fuel stored on site. But let’s take a moment to look at the problem this is purporting to solve. DOE’s own grid report issued earlier this year stated that electricity markets are, and I quote, “currently functioning as designed to ensure reliability and minimize the short-term costs of wholesale electricity.” Furthermore, a recent study of major electricity outages found that, between 2012 and 2016 less than a fraction of one percent were due to fuel supply problems. The majority of outages are actually caused

by severe weather impacting the distribution system –a problem exacerbated by climate change.

So, this leads me to question the motivation behind the proposal and, to that end, I am sending you a letter today (enclosed below) asking for a detailed accounting of the process you used to develop this proposal, including the records of the meetings you and your staff had and the taxpayer funds spent developing a proposal that seems directed at helping a select group of favored energy sources. It is an ironic proposal considering EPA Administrator Pruitt stated as part of his announcement in rolling back the Clean Power Plan, and I'm quoting again, "Regulatory power should not be used by any regulatory body to pick winners and losers." But, Mr. Secretary that's exactly what you are doing here. You are distorting the market, damaging the environment, and delivering preferential treatment to favored industries. At the end of the day, killing off competitive electricity markets just to save generation assets that are no longer economical will lead to higher prices for consumers.

If you are truly concerned about reliability and resilience, then the discussion we need to have should center around the nearly 90 percent of U.S. Citizens in Puerto Rico and the U.S. Virgin Islands who are without power. The electricity grid in Puerto Rico and much of the U.S. Virgin Islands is badly damaged, and we must rebuild them to be stronger and more resilient than before Maria struck. We cannot simply replace outdated infrastructure with the same materials and the same technologies as we did after Hurricane Sandy. This is an opportunity to modernize the grid in these areas so they are more prepared for the next major storm that will inevitably strike. All of this requires Congressional action, and the federal government must act now so Puerto Rico and the Virgin Islands can rebuild stronger. This morning, after seeing the President's latest tweets, I'm concerned that the President simply does not understand the scope of the devastation in Puerto Rico, and will follow through on his threats to remove FEMA from the island well before it has recovered. .

Finally, I continue to be concerned by the amount of money this administration is spending when it comes to non-commercial travel for members of the cabinet and their staff. When the reports first came to light regarding your colleagues at HHS and EPA, I asked the Inspector Generals at those agencies to conduct an investigation. They agreed – and those investigations are taking place. Today, in light of the \$50,000 you have spent in taxpayer dollars for non-commercial travel, I am making a similar request to the Energy Department's Inspector General. This is of particular concern given the extreme budget cuts the Trump Administration proposed for the upcoming fiscal year including successful programs that help every day Americans.

Mr. Secretary, I appreciate your willingness to testify before our Committee today and hope to work with you going forward. This type of hearing is a critical to making our government work better, and I hope we will see you here again soon.

Full Text of Pallone's letter to Secretary Perry on the FERC proposal:

October 12, 2017
The Honorable Rick Perry
Secretary
U.S. Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

Dear Secretary Perry:

I write to request additional details regarding the development of the Department of Energy's (DOE) recent efforts to direct the Federal Energy Regulatory Commission (FERC) to provide unduly preferential and discriminatory rates to generators of electricity who use coal and nuclear energy as fuel sources. This proposal represents a major unjustified policy shift that threatens the continued viability of competitive electricity markets just as those markets are finally starting to benefit all consumer classes and the environment.

On September 28, pursuant to the Secretary's authority under section 403 of the Department of Energy Organization Act, DOE issued to FERC a directive and proposed rule which allows for the full recovery of costs "of certain eligible units" through "just and reasonable rate tariffs." This proposal serves to guarantee that uneconomic coal and other "baseload" plants can recover costs through tariffs paid by consumers. However, there is no empirical evidence which indicates the proposed rule in fact would serve "to protect the resiliency of the electric grid." In fact, a recent analysis by the Rhodium Group of major electricity outages found that, between 2012 and 2016 only .00007 percent were due to fuel supply problems. Rather, outages are predominantly caused by severe weather impacting the distribution system – a problem exacerbated by climate change. In modern U.S. history there has never been a significant blackout caused by a lack of generation adequacy, and no reliability concern justifies such subsidies for coal and other favored fuels. The Administration should not propose rules which will result in increased costs to consumers without significant public benefit.

Additionally, I am deeply concerned that this proposal, taken together with the Environmental Protection Agency's (EPA) proposed repeal of the Clean Power Plan, will result in significant harm to consumers, other electric generators, and public health. Additionally, climate change continues to present hazards which are increasingly frequent, dangerous, and expensive. These dangers will only be exacerbated by this Administration's attempts to dismantle efforts to control greenhouse gases in the power sector and push forward an unprecedented and unjustified regulatory proposal to promote coal.

To help determine how and why DOE made the decision to commandeer FERC's rulemaking process to provide unduly preferential rates to nuclear and coal generators at a potential cost increase for American consumers, I ask that you provide and address the following:

- 1) A list of DOE staff who planned, drafted, edited, reviewed, or provided substantive comments on the Grid Resiliency Pricing Rule Notice of proposed rulemaking, published in the Federal Register October 10, 2017. Please note the name, title, number of work hours applied to this rulemaking, and whether these individuals are political appointees or career agency employees.
- 2) A list of all DOE expenditures related to the preparation of this proposed rulemaking, including the dollar amount of and receipt disbursements for DOE funds used to prepare the proposed rulemaking.
- 3) Documentation demonstrating compliance with all applicable DOE regulatory development and rulemaking processes, including management review and approvals. Please also provide documentation demonstrating compliance with all applicable legal standards.
- 4) A list of all meetings, including videoconferences and teleconferences, where DOE staff or leadership discussed the proposed rule with outside organizations. For each, include the meeting date, time, and list of participants, identifying participant name, title, and organizational affiliation.

I appreciate your prompt response to these issues. If you have questions, please do not hesitate to contact Rick Kessler or Jon Monger of the Democratic Committee staff at (202) 225-3641.

Sincerely,

Frank Pallone, Jr.
Ranking Member

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