



COMMITTEE ON
ENERGY & COMMERCE
DEMOCRATS
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FOR IMMEDIATE RELEASE
September 6, 2017

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Pallone's Remarks at Energy Subcommittee Hearing on PURPA

Washington, D.C. – *Energy and Commerce Ranking Member Frank Pallone, Jr. (D-NJ) delivered the following opening remarks today at an Energy Subcommittee hearing on, "Powering America: Reevaluating PURPA's Objectives and its Effects on Today's Consumers:"*

Mr. Chairman, a lot has changed in the electricity sector since Congress passed section 210 of the Public Utilities Regulatory Policies Act in 1978. And, more changes are still to come. However, a number of the goals of PURPA are still valid today. In particular, the goals of increasing competition, encouraging development and deployment of more clean and efficient electricity generation, and ensuring equitable, affordable rates for consumers are still important. PURPA has been successful in encouraging competition, fostering electricity market development, and in bringing new generation and efficiency technologies onto the grid. As a result, we now have a more competitive and diversified electricity sector.

Of course, PURPA alone is not the only driver of change in the electricity sector. State policies on renewable energy and energy efficiency, expanded wholesale markets, technological change, growth of natural gas supplies, and changes in consumer expectations and demand all are reshaping this sector.

I expect we will hear a variety of opinions today about the need for further PURPA reform and the direction that any administrative or legislative reforms should take. The Federal Energy Regulatory Commission recently examined this issue at a technical conference. I believe a number of our witnesses participated, and even a few Members weighed in on that conference, including myself and Ranking Member Rush.

I realize some of our Members believe that the statute needs to be revised, particularly on issues like estimation of avoided costs, the mandatory purchase requirement, and FERC's definition of a qualifying facility as it relates to the distance between facilities. However, the Energy Policy Act of 2005, as passed by this committee under Chairman Barton and signed into law by President Bush, provided significant changes to section 210. Those changes allowed utilities in competitive areas to avoid the mandatory purchase obligations. The law also provided greater discretion for state utility commissions to establish methods for

determining avoided costs and the duration of power purchase agreements. This change allowed states even greater flexibility to address their individual situations. For example, the State of Idaho, which we will hear from today, made radical changes to its standard contract and avoided cost calculation. These are changes that I do not support, but they reinforce the fact that many different outcomes are possible under the current PURPA structure.

We will likely hear about the fact that some markets today are saturated with electric generation. This is due primarily to reduced costs of new generation technologies and the fact that electricity demand is flat in many markets. There is also a real issue in some regions today where competition now exists among different generation assets that are all trying to earn sufficient revenue within markets where rates are stable or falling due to flat demand. In some areas, I suspect there is a reluctance to add new, more efficient, cleaner energy resources into areas where existing fossil and nuclear generation assets are struggling financially. But, when Congress made the decision to encourage more competition and the development of wholesale markets, there were bound to be winners and losers in those markets to the larger benefit of the consumer.

Consumer preferences, state policies, technological change, and economic trends are favoring renewable resources over traditional fossil and nuclear generation. This transition is bringing us a cleaner, more efficient grid. These are positive developments, and I would not want to see this Committee reversing course on competitive market development without a much more serious and longer consideration of the impacts of such a move away from competition. FERC has authority to make some changes in their implementation of PURPA. The recent technical conference provided the Commission with information to evaluate the effectiveness of its implementation and enforcement of PURPA.

We have an excellent panel of witnesses here this morning. I look forward to hearing their testimony. Thank you, again, Mr. Chairman for holding this important hearing and for working with us on this series of bipartisan hearings on the current status of the electricity sector.

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