



COMMITTEE ON
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Pallone Blasts Perry's FERC Proposal at Energy Hearing

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Washington, D.C. – Energy and Commerce Ranking Member Frank Pallone, Jr. (D-NJ) delivered the following opening remarks today at a Subcommittee on Energy hearing on, "Powering America: Consumer-Oriented Perspectives to Improve the Nation's Electricity Markets:"

Mr. Chairman, I want to commend you and Mr. Rush for putting together today's hearing to examine consumer perspectives and concerns with respect to electricity. We have an outstanding set of witnesses, including the Director of New Jersey's Division of Rate Counsel, Stefanie Brand, who is here representing the National Association of State Utility Consumer Advocates. I've had the pleasure of working with Ms. Brand, who has served in her role in both Republican and Democratic administrations, and I can tell you that she is a fierce, thoughtful, and successful advocate for our state's ratepayers.

This is an extremely important topic to delve into and it couldn't come at a more critical time, particularly given Energy Secretary Perry's ill-conceived and wholly unjustified effort to commandeer the Federal Energy Regulatory Commission's (FERC's) rulemaking process to provide unduly preferential and discriminatory rates to coal and nuclear generators. If adopted by FERC, it will certainly result in increased costs to consumers with no significant benefit and it will mark the beginning of the end of competitive electricity markets.

I understand the concerns around closures of non-economic coal and nuclear power plants. Nuclear plants, in particular, not only employ hundreds or thousands of people and provide financial benefits to the communities that surround them, but they provide large amounts of carbon-free energy that help make it possible to meet our nation's climate goals.

However, Secretary Perry's proposal represents an unprecedented attempt to usurp policy-making functions that belong to Congress and the states. His proposal is not about regulation and markets—which is what the Federal Power Act tasks FERC with—it's about

subsidizing certain players in the electricity market at the expense of consumers and other generators who compete against the fuel types favored by the rule. Regardless of whether you believe that is a useful or harmful proposition, it is clearly a policy change that is far outside of FERC's purview. As former FERC Chairman Norman Bay recently noted, in order to move forward on the Secretary's proposal, FERC would have to find its own current rules to be "unjust and unreasonable" and then find that the new rules favoring coal and nuclear generation are "just and reasonable." That's a kind of backflip that even the most flexible Olympic gymnast would have a hard time pulling off.

Worse still, this is a proposal that is not supported by the facts or even by the Secretary's own grid reliability report –and that's a view shared by many on both sides of the aisle. For instance, the R Street Institute rightly called the proposal "an arbitrary backdoor subsidy to coal and nuclear plants that risks undermining electrical competition throughout the United States" and going on to say that "consumers would ultimately bear a hefty and unnecessary bill from any such draconian intervention." Meanwhile, Gerry Cauley, president of the organization tasked by law with overseeing the grid's reliability, recently declared that "the state of reliability in North America remains strong, and the trend line shows continuing improvement year over year." Moreover, much of the Secretary's proposal seems to be anchored to the idea that somehow renewables and even natural gas-fired generation are somehow a threat to a reliable grid. I have certainly been a critic of natural gas overbuild and pipeline safety, but even I have not expressed doubt about the reliability of our nation's natural gas system the way this Administration has in its efforts to justify subsidies for coal and other favored fuels.

Not only has there been no empirical evidence to date to support the Secretary's proposal, in the modern history of electricity in this nation, there has not been a significant blackout caused by a lack of generation adequacy. In fact, according to a 2004 report by the Bush Administration, the largest blackout in US history was caused not by a lack of resources, but rather by management and programming failures by a single Ohio utility, First Energy, which led to actions that turned what should have been a localized situation into an event affecting some 50 million people. That had nothing to do with generation mix.

And, it is critical to note that in that situation, nuclear baseload power did not contribute to the stability of the grid, with nine nuclear power reactors shut down as a result of the loss of backup power.

As I stated at our reliability hearing, I firmly believe that it is time to start looking at reliability in new and different ways. The technology has transformed dramatically over the past 10 years or so, perhaps faster than our policies and our rate-making models have been able to keep up with. We should carefully reexamine the old approaches to reliability, resiliency and ratemaking to seriously consider whether our long-term interests are better served by charting a new course.

Unfortunately, the Secretary's proposal is a power play designed to move things in precisely the opposite direction. He wants to move us away from a modern, balanced fuel mix, lower

consumer costs and fewer environmental externalities and back toward a time when coal was king and consumers had no control.

I urge FERC to reject this proposal and hope that all my colleagues, on both sides of the aisle, will join me in helping move our policies forward toward a more resilient, reliable, and cost effective grid that benefits all consumer classes and the environment.

Thank you, I yield back.

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