



# FEDERAL ENERGY REGULATORY COMMISSION

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Commissioner Philip D. Moeller

## Statement of Commissioner Philip D. Moeller on Cost of Electric Generation Staff Presentation

"The gathering storm of higher energy prices has been building for several years. Anecdotal information suggests that costs are rapidly increasing for both fuel and building new power plants, and today's presentation shows that the evidence of rising prices is more than anecdotal. None of us at the FERC want higher prices, and my experience here has shown that we all work hard to ensure that prices are just and reasonable.

Regulators and the energy industry need to focus on consumer education, as the consumers of energy need to understand the consequences of their consumption decisions. With more knowledge, consumers will be better able to judge for themselves the tradeoffs that they incur when making different decisions on how much energy to consume. For example, energy efficient light bulbs can reduce energy consumption, but the savings from using such light bulbs can be lost by purchasing an energy-intensive entertainment system, such as a new plasma television. Consumers need to see accurate price signals, and proposals that I have heard for the "smart grid" can go a long way toward removing any disconnects between consumption decisions made by consumers and the consequences of their decisions on the electricity network.

Regulators also need to ensure that prices in the marketplace accurately reflect the costs of delivering electricity. Prices must be just and reasonable, and regulators should not strive to keep prices artificially low by burdening the consumers of tomorrow with costs incurred today. Regulators must guard against efforts by companies to seek above-market earnings by taking improper advantage of rapid cost increases. Command and control efforts cannot manage supply and demand as accurately as competition, especially in rising price environments. Now is not the time to reduce competitive pressures in the wholesale electric markets, as any such decrease in competition will lead to higher costs.

I support efforts to use demand-side resources as a method of minimizing total electricity costs to consumers. Yet we cannot assume that only demand-side efforts are cost effective, nor can we ignore supply-side efforts. We should let all resources compete on a comparable basis, and that probably means that the lowest cost balance of supply and demand will contain a combination of new resources from both the demand and supply sides. In fact, if we do not carefully ensure that demand-side resources are lowest cost, the poor will be hurt the most. That is, the rich will always be able to afford electricity, but it is the poor who will be forced to consume less if demand-side reductions result in higher prices.

I also encourage renewable resources to play a greater role in delivering low-cost energy in the future. Let's make certain that we understand both the costs and benefits of the various types of renewable resources. The costs of integrating these new resources should not be ignored, as problems will become worse if we pretend that they do not exist. If we can recognize the challenges that wind resources and other renewable technologies place on managing electricity networks, then I am confident that we will



## STATEMENT

successfully integrate renewables in a way that makes electricity both reliable and reasonable in cost.

The key to integrating supply and demand is the network of interstate transmission lines that cross this nation. Interstate transmission lines are often the best method for delivering electric power at the lowest cost. For that reason, when discussing the benefits and costs of various supply and demand options, we should not forget that transmission investments can often provide the best solution. The Commission has statutory authority to grant incentives for the building of transmission, and granting those incentives often makes sense as a way to build transmission lines that can lower total costs to consumers.

In conclusion, the challenges that we face in this rising price environment are challenges that we can successfully overcome. Inflation in energy costs takes real dollars out of the pockets of consumers, dollars that can be better used elsewhere. Consumer education, accurate price signals, competition, and acknowledging both the costs and advantages of our alternatives comprise the critical components of our efforts to keeping prices lower than they might otherwise be – now and in the future.”