

**Summary of Testimony of
Pat Wood, III
Chairman, Federal Energy Regulatory Commission
Before the Subcommittee on Energy and Air Quality
Of the Committee on Energy and Commerce
United States House of Representatives
March 5, 2003**

Dependable, affordable, competitive wholesale energy markets require three key elements – adequate infrastructure, balanced market rules and vigilant oversight. The Commission is pursuing initiatives on each of these elements.

For example, the Commission has acted to safeguard information about our energy infrastructure, held conferences to assess infrastructure adequacy in different regions, proposed to limit the sharing of cash assets between regulated and unregulated affiliates in ways that could harm utility customers and formed a new office focused solely on market oversight and enforcement.

For wholesale electric energy markets, the Commission is proposing to adopt: a platform of market elements shared by the best-functioning markets in the world; financial incentives for building new transmission facilities or operating transmission facilities independently from generation owners; and standardized rules for interconnecting new generation to the transmission grid.

The Commission also intends to act soon on the proceedings involving the energy crisis of 2000-01 in California and the West, including the refund proceedings, the evidence of market manipulation, the long-term power contracts and the alleged withholding of natural gas transportation capacity.

For natural gas markets, the Commission has significantly expedited its processing of pipeline construction applications. We also stand ready to process any application(s) to build a pipeline for transporting Alaskan natural gas. In addition, the Commission has acted to encourage greater development of Liquefied Natural Gas (LNG) facilities, which would increase the availability of gas supplies in the United States.

The Commission also has proposed ways to streamline the process of licensing hydroelectric projects. Our intent is to craft a more efficient and timely process while balancing stakeholder interests and improving the quality of decisionmaking.

The draft legislation under consideration today would benefit energy customers in a number of ways. I support the FERC-related parts of the draft legislation, with only minor modifications.

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I. Background

I appreciate the opportunity to testify on the current status of energy markets under the jurisdiction of the Federal Energy Regulatory Commission (FERC or the Commission). Today, I would like to focus particularly on natural gas data reporting, the Alaskan Natural Gas Transportation System, wholesale electricity markets and hydroelectric licensing.

Dependable, affordable, competitive wholesale energy markets require three key elements – adequate infrastructure, balanced market rules and vigilant oversight. Weakness in any one element can harm markets, American energy customers, and ultimately the entire U.S. economy. The Commission is pursuing a number of initiatives to establish the framework needed to spur investment in much-needed infrastructure, to support the most efficient and competitive wholesale marketplace, and to adequately monitor the marketplace so customers continue to derive benefits from energy markets. Achieving these goals restores confidence to investors and customers by promoting greater transparency and regulatory certainty.

This FERC's commitment to prevent future market abuses, and to remedy past ones, is now a firmly established part of our agency's mission, and we will continue to

strengthen our present coordination with other federal agencies to ensure that we effectively regulate energy industries so that customers and investors are fully protected.

Additionally, the Commission is moving aggressively to take steps within its authority to remedy problems in the California and Western energy markets. The Commission has learned many lessons from the Western energy crisis in 2000-01, which caused unacceptable harm to ratepayers and demonstrated the consequences of poorly designed wholesale markets. We also have learned lessons from successful wholesale market reforms in the East. The Commission remains convinced that customers are best served by moving forward to complete the transition of the wholesale power business to competition. We are drawing from markets that work well to develop a national platform for competitive wholesale energy markets.

While the Commission is taking steps within its authority to encourage needed electric and natural gas infrastructure and to bring stability and regulatory certainty to energy markets, there are several actions that the Congress could take to help us do our job more effectively and to ensure adequate protection of energy customers. In my view, the three most important steps that Congress can take are these: first, clarify FERC's authority to obtain market information necessary for price discovery and effective monitoring of natural gas and electric markets; second, increase civil and criminal penalties for violations of the Federal Power Act (FPA) and Natural Gas Act (NGA) or our rules and regulations thereunder; and, third, take the steps required to make the

Alaska Natural Gas Pipeline project a reality in this decade. With respect to the Alaska Natural Gas Pipeline project, in particular, I would observe that this enormous project is of such national significance that Congress may want to consider focused financial support in any legislation. Chairman Barton's proposed legislation would take a number of steps in these areas as well as provide support for the continued evolution of strong competitive wholesale energy markets to meet our future energy needs.

II. Initiatives in Energy Markets Generally

While the natural gas and electricity industries differ in some ways, they share many issues. For example, both raise the issue of how we can safeguard our energy infrastructure against terrorists. Both also raise issues on the need for dependable, transparent accounting and the separation of utility operations financed by captive customers from unregulated ventures. On these issues and others, the Commission has taken a cross-industry approach to protect the interests of our Nation's energy customers.

Critical Energy Infrastructure Information (CEII) - On February 21, 2003, the Commission issued a final rule to protect the American public by safeguarding certain information about the Nation's energy infrastructure. Within a month of the terrorist attacks of September 11, 2001, the Commission began a public proceeding to examine its CEII policies. The final rule defines CEII and establishes a timely procedure for the

public to request and obtain such information, which encompasses only a small portion of the information available from the Commission.

Regional Infrastructure Conferences - In the past 20 months, the Commission held conferences to address infrastructure concerns across the country – California, the Northeast, Southeast, Midwest and West. The aim of these conferences was to conduct in-depth studies of the broad conditions of the area's energy infrastructure, and to understand the issues in each region. These conferences featured informative presentations on the state of each region's energy infrastructure (electric power plants, fuel sources, hydroelectric facilities, gas pipelines, electric transmission system, and other relevant information), demographic and energy load forecasts, and were attended by state energy regulators as well as industry members and concerned citizens.

Proposed Rules on Regulation of Cash Management Practices - In August 2002, the Commission proposed requirements for participation by public utilities and natural gas pipelines in cash management programs in order to prevent the abuse of such programs. Such abuse could occur where cash from Commission-regulated utility subsidiaries is transferred to the parent holding company and then used to finance unregulated activities by non-utility subsidiaries. The Commission has received comments on this proposal and I expect that we will act on this matter very soon.

Proposed Rulemaking on Affiliate Standards of Conduct - In September 2001, the Commission proposed to revise its restrictions on the relationship between regulated

transmission providers and their energy affiliates. The Commission proposed, for example, to broaden the definition of an affiliate to include newer types of affiliates, including those operating trading platforms. The proposed standards of conduct would rely on three principles to prevent transmission market power from being exercised in commodity markets: (1) separating employees engaged in transmission services from those engaged in commodity marketing services; (2) ensuring that all transmission customers, affiliated and non-affiliated, are treated on a non-discriminatory basis; and (3) prohibiting a transmission provider from granting its energy affiliate an undue preference over non-affiliates by sharing confidential or transmission information. The Commission also proposed to eliminate the differences between the Commission's rules for natural gas companies and electric utilities. The Commission intends to adopt final rules soon.

Final Rule on Accounting - In October 2002, the Commission issued a final rule on accounting and reporting of financial instruments, comprehensive income, derivatives and hedging activities. The final rule directs public utilities, licensees, natural gas companies and oil pipelines to report changes in the fair value of certain investment securities, derivatives and hedging activities. The new rules will enhance the transparency of financial information and facilitate a better understanding of the nature and extent to which derivatives and hedging activities are used by regulated companies and the impact these transactions may have on the companies' financial condition.

Industry Financial Condition Conferences - In January and February the Commission hosted two conferences on financial conditions in the energy markets. At these conferences, a number of factors were cited as causing the current financial problems. FERC is continuing to explore solutions to the financial conditions in the energy sector.

Office of Market Oversight and Investigations (OMOI) - In order to better understand natural gas, oil and power markets and to swiftly remedy market rule violations and abuse of market power, the Commission created the new Office of Market Oversight and Investigations (OMOI). In August 2002, OMOI became a formal, functioning office within the Commission, reporting directly to the Commissioners. OMOI serves as an early warning system to alert the Commission when market problems develop, and allows the Commission to analyze and address any problems more quickly. OMOI has begun an aggressive program of outreach to a wide variety of entities including: other federal, state and provincial regulatory agencies, state consumer advocates, industry participants, academic institutions and think tanks, financial institutions (such as ratings agencies), and Market Monitoring Units (MMUs) at Regional Transmission Organizations (RTOs) and Independent System Operators.

III. Initiatives in the Electric Energy Market

The Commission has begun or continued work on numerous efforts to improve the performance, transparency and oversight of the wholesale electricity markets. These efforts, aimed at ensuring that electric energy customers receive adequate supplies at reasonable prices, include the following.

Proposed Rulemaking on Standard Market Design - On July 31, 2002, the Commission issued proposed rules on a standard market design for wholesale electric energy markets, including a comprehensive plan for mitigating market power and market manipulation. The proposed rules are intended to provide certainty to all market participants, encourage new infrastructure investment, promote fair competition and prevent a repeat of the mistakes made previously in California. The proposed rules would remedy remaining undue discrimination in the use of the Nation's interstate transmission grid and also provide a solid platform to ensure that wholesale markets produce just and reasonable rates for customers.

Experience in the United States and abroad has shown that successful power markets have certain core features in common. These include an independent grid operator; a single transmission tariff; a long-term bilateral contract market; an available short-term spot market with transparent prices; regional transmission planning; locational price signals; transmission rights; and, appropriate mitigation rules to protect against the exercise of market power.

This platform of market features works in hydro-based systems like Scandinavia, South America and New Zealand. It works in areas where generation may be distant from population centers as well as areas with highly networked transmission grids. It works with thermal- and stability-limited systems. It respects treaties, contracts, and various forms of state regulation. It is essentially what has already been developed in both the more mature power markets in the Northeast, mid-Atlantic, Midwest and Texas, as well as in those markets developing in the West and South.

Importantly, this platform leaves plenty of room for regional variation. In our RTO dockets, we concluded that certain functions are needed to make wholesale power markets work, but they need not be done the same in every part of the country. These functions include, for example, transmission planning, resource adequacy, mitigation techniques, and RTO governance.

A platform based on these core features includes a strong customer protection plan. It checks generation market power through mitigated prices when necessary. It solves transmission market power through structural separation between transmission owners and generators. It fully protects existing wholesale contracts and native load service. On the infrastructure side, it encourages and eases entry of new generation into the market, facilitates new transmission construction, and promotes demand-side bidding as a check on supplier market power.

The Commission has engaged in extensive public outreach both prior to the issuance of the proposal and since that time. We continue to listen to all constituencies in developing final rules. The Commission anticipates issuing, and obtaining public comment on, a white paper reflecting our reaction to the over 1,000 filed comments and 300+ meetings we have held since last August. Due to their necessary breadth, the proposed rules have received much attention. Getting these rules right, and thus increasing the benefits to customers from competitive bulk power markets, is a priority for the Commission.

Proposed Policy Statement on Rate Incentives for Transmission Independence and Expansion - On January 15, 2003, the Commission issued a proposed policy statement to allow a higher return on equity when a utility participates in an RTO, sells its RTO-operated transmission asset to an independent company, or pursues additional measures that promote efficient operation and expansion of the transmission grid. Under the proposal, a utility's return on equity could be increased by 50 basis points for joining a Commission-approved RTO, 150 basis points for selling RTO-operated transmission assets to an independent company and 100 basis points for investing in new transmission facilities found appropriate pursuant to an RTO planning process. This proposed policy would further the Commission's goal of achieving a robust infrastructure for the future and bringing lower prices and cost savings to all customers. The proposed policy would help encourage needed investment in transmission infrastructure and improve grid

performance. Comments are due early this month. This policy supports, and is consistent with, the transmission tax incentives and other language in the proposed legislation.

Information Filing Requirements - Improving market transparency requires detailed reporting on transactions. On April 25, 2002, the Commission issued a final rule (Order No. 2001) to enhance public access to information on public utility services and sales by requiring public utilities to electronically file quarterly reports. This final rule is intended to equalize reporting requirements for traditional utilities and power marketers, making information more easily available to the public and helping to streamline compliance with the filing requirements of FPA section 205. The data contained in the new Electric Quarterly Report will provide greater price transparency, promote competition, enhance confidence in the fairness of the markets and provide a better means to detect and discourage discriminatory practices.

Proposed Rulemakings on Standardized Generator Interconnections – The Commission recently has undertaken two rulemakings to standardize agreements and procedures for generators seeking to interconnect and participate in the wholesale market. The first applies to large generators (i.e., those producing over 20 megawatts) and was the subject of proposed rules issued April 24, 2002. The second applies to small generators (i.e., those producing no more than 20 megawatts), and was the subject of an advanced notice of proposed rulemaking issued August 16, 2002. Each rulemaking will produce a set of standard generator interconnection procedures, which describe the procedural steps

for studying and securing a requested interconnection, and a standard generator interconnection agreement for use by interconnection providers and customers. The Commission expects that these rulemakings will help ensure that reliability needs will be met, provide greater certainty to generators wishing to participate in the wholesale market, and, importantly, shorten the time needed to get a project brought on line.

Policy on Conditioning Public Utilities' Issuances of Securities - To prevent public utilities from borrowing substantial amounts of money and diverting the proceeds to finance non-utility businesses, the Commission issued an order on February 21, 2003, announcing a policy placing conditions on all new issuances of secured and unsecured debt authorized by the Commission under FPA section 204. These conditions state, for example, that a public utility seeking authorization to issue debt secured by utility assets must use the proceeds of the debt for only utility purposes. Similarly, if the assets securing such debt are divested or "spun off," the debt must "follow" the asset and be divested or "spun off" as well.

At its core, the policy ensures that any encumbrance of utility assets is used for utility purposes. This policy should ensure that future issuances of debt are compatible with the public interest and will not impair a public utility's ability to perform its duties and provide appropriate ratepayer protection. These concerns also lead me to believe that FERC should have authority under the Natural Gas Act similar to FPA section 204.

IV. Pending California-Related Proceedings

In addition to the initiatives described above, there are several proceedings related to the Western energy crisis in 2000-01 currently pending before the Commission. These proceedings are discussed below.

On February 13, 2002, in Docket No. PA02-2-000, the Commission formally announced a fact-finding investigation into whether any entity had manipulated electric energy or natural gas prices in the West since January 1, 2000. In conducting this investigation, Commission staff has coordinated closely with staff from the Department of Justice, the Securities and Exchange Commission, the Commodity Futures Trading Commission, and the Department of Labor. On August 13, 2002, Commission staff released an initial report of its investigation. Based on the staff report, the Commission initiated formal enforcement proceedings under FPA Section 206 regarding possible misconduct by a number of utilities. These proceedings are pending before administrative law judges.

A public written report dealing with all aspects of this staff investigation is on schedule to be released later this month. The Commission will consider all relevant evidence from this investigation once we receive the final report. The Commission also has set up a process which has allowed the parties in the California proceedings to conduct discovery on market manipulation in the same time period. Parties submitted

additional evidence and proposed new and/or modified findings of fact on March 3, 2003. Reply submissions are due on March 20, 2003.

With respect to the California refund proceeding for calculating the amount of overcharges from October 2000 through June 2001, the Administrative Law Judge (ALJ) issued his proposed findings in December 2002. The Commission is currently reviewing the ALJ's proposed findings.

The Commission is also currently reviewing the recommendations and proposed findings issued by an ALJ regarding whether rates charged for spot market bilateral sales in the Pacific Northwest for the period December 2000 through June 2001 were unjust and unreasonable. Also, in recent weeks, the Commission has received several decisions by ALJs on complaints seeking to modify long-term contracts for the sale of wholesale power in California or the West. Finally, the Commission is reviewing an ALJ's decision on whether El Paso Natural Gas Company and its affiliates exercised market power in order to drive up natural gas prices at the California border in 2000-01.

The Commission will act on all of these matters soon. Then, customers can receive all appropriate refunds, utilities can have regulatory certainty and all of us can focus on the important goal of preventing this from ever happening again.

V. Initiatives in the Natural Gas Market

As with the electric energy markets, the Commission has launched numerous initiatives designed to improve the performance, transparency and oversight of the natural gas markets. These initiatives include the following.

Liquefied Natural Gas (LNG) Facilities - To help meet the Nation's increasing demand for natural gas, the Commission in December 2002 charted a new course for the treatment of LNG facilities. The Commission allowed the Hackberry LNG facility in Lake Charles, Louisiana, to provide terminalling services without a FERC tariff and rate schedules, similar to the approach used for natural gas production facilities. The Commission retains authority over all siting and environmental aspects of onshore LNG facilities. We anticipate that the new policy will stimulate the development of new LNG terminals by accommodating various business models and will ultimately result in increased gas supplies in the United States. Since issuing the Hackberry decision, the Commission has been in various stages of discussions and application processing with about ten companies pursuing some 20 different LNG import terminal locations with a total potential daily send-out of about 12 Bcf. This amount is at least twice the projected capacity of an Alaskan gas pipeline.

Emergency Reconstruction of Pipelines - The Commission has proposed rules on emergency reconstruction of interstate natural gas facilities when immediate action is required to restore natural gas service due to a sudden, unanticipated natural event or a

deliberate effort to disrupt natural gas service. The Commission is currently reviewing comments received in February 2003.

Reporting on Natural Gas Data - As part of its fact-finding investigation on electric energy and natural gas prices in the West since January 1, 2000, Commission staff gathered information that raised doubts about the accuracy of information reported in many wholesale natural gas price indices. Current industry practice is for the trade press to gather price information by polling traders. The markets cannot function efficiently without accurate wholesale price information. Although the industry and the trade press are now taking steps to improve the dependability of the natural gas price indices, it is unclear whether these steps are sufficient to restore customer, investor and counterparty confidence.

Quicker Processing of Proposals to Build or Expand Pipelines - The Commission has improved the efficiency of its pipeline certificate process, and we have a number of initiatives underway to achieve even greater streamlining. During the period beginning in January 2001, the Commission authorized just under 16 Billion cubic feet per day (Bcfd) of new pipeline capacity, raising total daily deliverability to 131 Bcfd. Of these additions, over 50 percent is earmarked for electric generation, with the greatest growth in that sector occurring in the Southeast and West. On average, these certificate applications took about 200 days to process, a marked improvement over the average turn-around time of nearly 300 days some years ago.

While our current inventory of pending projects is relatively low compared to the recent past, we anticipate increasing activity in the future. In preparation, we are pursuing several streamlining initiatives that combine early identification and resolution of issues, concurrent consideration by other agencies and increased opportunities for stakeholder involvement. One such initiative is the National Environmental Policy Act (NEPA) Pre-Filing Process, which entails a more interactive NEPA process well in advance of the application being filed, with earlier, more direct involvement by FERC staff, other agencies and landowners, resulting in an overall time savings to obtain a certificate.

Also, in accordance with the President's National Energy Policy, which among other things calls for actions to expedite energy-related projects, the Commission and nine other federal agencies (the Departments of the Army, Agriculture, Commerce, Energy, the Interior, Transportation, the Environmental Protection Agency, the Advisory Council on Historic Preservation, and the Council on Environmental Quality) in August 2002 signed an interagency agreement, providing that the Commission will be the lead agency for environmental review of interstate natural gas pipelines under the Natural Gas Act, that there will be early interagency communication to determine schedules, identify issues, and share information, that alternative routes and mitigation measures will be developed jointly, and that necessary permits will be issued jointly. The agencies

completed an implementation plan for the agreement in November 2002, and have established a working group, chaired by the Commission, to oversee implementation.

VI. Initiatives Regarding Hydroelectric Licensing

The licensing of non-federal hydroelectric projects under Part I of the FPA is the Commission's original mission, and still a vital aspect of the Commission's efforts to ensure workable, competitive energy markets. My fellow Commissioners and I are well aware of the need to ensure that our licensing processes are in tune with the need of today's markets for regulatory certainty and more efficient decisionmaking on this important part of the Nation's energy mix. In keeping with these considerations, the Commission on February 20, 2003, issued a notice of proposed rulemaking presenting a comprehensive plan that will result in more efficient and timely processing of hydroelectric licenses while also balancing stakeholder interests and improving the quality of decisionmaking.

The proposal, referred to as the "integrated" process, would become the Commission's primary licensing process, with the existing alternative licensing process (ALP) and the traditional process remaining as options for applicants in certain situations.

The highlights of the proposed rule are:

- increased assistance by Commission staff to potential applicants and stakeholders during the development of license applications;

- greater coordination among the Commission and federal and state agencies with mandatory conditioning authority;
- carrying out the Commission's environmental scoping process in conjunction with the applicant's pre-filing consultation;
- increased public participation in the pre-filing consultation process;
- establishing schedules and deadlines for all participants, including Commission staff;
- development of a Commission-approved study plan by the applicant, with informal resolution to study disagreements, followed by mandatory, binding study dispute resolution, if necessary;
- elimination of the need for post-application study requests; and
- creation of a new Commission Tribal Liaison, to be the point of contact for Native Americans' concerns regardless of the proceeding or issue.

In addition, the traditional licensing process would be modified by increasing public participation, and by establishing mandatory, binding dispute resolution for necessary studies.

Before issuing the proposed rule, Commission staff held regional forums around the country, as well as drafting sessions in Washington, D.C., to discuss the licensing process with stakeholders and to collaboratively draft regulatory language. We plan to obtain further public input through regional workshops to be held around the country in

March and April 2003 to discuss stakeholder reaction to the proposed rule. A four-day drafting session is scheduled in April in Washington to draft language for the final rule.

VII. Comments on the Draft Legislation

The draft legislation addresses a wide range of energy issues confronting our Nation. I will focus on the issues affecting FERC's responsibilities. On these issues, the draft legislation takes a good approach. I would suggest a few modifications and some additional provisions, as described below. If the Committee wishes, I would be happy to provide, in writing after the hearing, a detailed technical analysis of the legislative language.

Section 7081, Market Transparency Rules - This section would require FERC to issue rules establishing an electronic information system, accessible by the public, specifying the availability and price of wholesale power and transmission services. I support this section because more transparency is needed in energy markets and customers should have access to the broadest range of useful market information.

I note that this section refers to "markets subject to the Commission's jurisdiction," but does not explicitly mention natural gas markets. I suggest modifying this section to clarify the Commission's authority to obtain information on natural gas prices (since these are an important factor in wholesale power prices), or that a separate

section be added to the legislation clarifying FERC's authority under the NGA to obtain such information for purposes of price discovery.

Section 7084, Enforcement - This section would significantly increase the penalties available under the FPA. I have long supported increasing these penalties, and believe the increases proposed here are appropriate. I recommend including similar penalties under the NGA.

Section 7091, Refund Effective Date - This section would eliminate the 60-day wait at the beginning of the refund period under the FPA, so that refunds would be allowed from the date a complaint is filed, instead of only 60 days later. I support this change, and also recommend including a similar provision in the NGA.

Section 7101, Mergers and Other Dispositions - This section would repeal FPA section 203, which requires Commission approval of most mergers and other dispositions involving public utilities. In light of the proposed PUHCA repeal, repealing section 203 without including the public interest review standard in another agency's specific duties may not be good policy. The Commission deals with the electric industry on a daily basis and much more closely than do the federal antitrust agencies. Thus, the Commission is better able to identify and remedy any harmful effects of mergers and other dispositions and to ensure that customers' rates are not adversely affected. Our efforts do not duplicate those actually being performed today by other merger reviewing agencies. The Commission has used its section 203 authority as intended by Congress,

and appropriately, to ensure that mergers and other dispositions are consistent with the public interest.

Sections 2001-14, Alaska Natural Gas Pipeline - Over the last several years, there has been much renewed interest, in both the private and public sectors, in the development of the transportation infrastructure needed to bring Alaskan natural gas, including supplies from Alaska's North Slope, to markets in the Lower 48 states. The importance of Alaskan natural gas supplies is obvious; indeed, it is impossible to envision the 30-35 Tcf annual domestic market that the Department of Energy has estimated may exist by 2020 without Alaskan natural gas. Although there are currently no applications before the Commission regarding an Alaska natural gas transportation project, the need for Alaskan natural gas in the Lower 48 market is only going to increase.

We will make every effort to process and act upon any applications for Alaska gas transportation projects as efficiently as possible, working with the applicants, other federal and state agencies, Native Americans, shippers, end users, and other interested parties, to ensure timely, reasonable decisions. Over the past two years, the Commission staff has participated in the Interagency Alaska Natural Gas Task Force, along with representatives of the Departments of Energy, State, Interior, and Transportation, in order to prepare, to the extent possible, for streamlined government action on an application for an Alaska gas pipeline.

I strongly support the goals of this legislation, which provides a statutory framework for the expedited approval, construction, and initial operation of an Alaska natural gas transportation project. The bill helpfully resolves some significant questions with respect to potential projects. There are some matters that may benefit from additional clarification, such as the extent to which the Commission would need to interact with the proposed Federal Coordinator as it reviews and acts on any certificate application. I would be happy to provide the Committee with more detailed comments on this and other provisions of this Subtitle.

I can assure you that any application ultimately filed with the Commission, will be reviewed thoroughly, promptly, and fairly, with the public interest firmly in mind, and with a clear understanding of how important Alaska natural gas is to our Nation's long-term energy security. With respect to the Alaska Natural Gas Pipeline project, in particular, I would observe that this enormous project is of such national significance that Congress may want to consider focused financial support in any legislation.

VIII. Conclusion

Events of the past three years have demonstrated the critical role that energy plays in our Nation's economic well-being. I appreciate the opportunity to contribute to your debate on the best ways to ensure that this crucial industry continues to support the many

demands placed on it by our citizens, and I will be happy to answer any questions you may have.