

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

April 10, 2013

OFFICE OF THE CHAIRMAN

The Honorable Barbara Mikulski
Chairman
Committee on Appropriations
S128, The Capitol
United States Senate
Washington, D.C. 20510

The Honorable Richard Shelby
Ranking Member
Committee on Appropriations
S146, The Capitol
United States Senate
Washington, D.C. 20510

Dear Chairman Mikulski and Ranking Member Shelby:

I am pleased to provide this statement of actions taken in response to the U.S. Government Accountability Office (GAO) report entitled "EPA Regulations and Electricity: Better Monitoring by Agencies Could Strengthen Efforts to Address Potential Challenges" (GAO Report). On October 16, 2012, I provided an initial statement of actions taken in response to the GAO report to the Senate Committee on Governmental Affairs and the House Committee on Government Operations. As noted below, many of the actions identified in that prior letter relate to on-going regulatory activities undertaken by the FERC. This letter provides an update on those on-going activities.

The initial statement stated that the Commission is publicly committed to working closely with industry, the states and other agencies to address any issues that arise as the electricity industry works to comply with new Environmental Protection Agency (EPA) regulations. The Commission had already implemented a variety of policies effectively implementing the recommendations of the GAO report to ensure that our bulk-power system remains reliable. The Commission continues to assess the actions taken in response to the EPA regulations.

The GAO Report first recommends that FERC, EPA and DOE develop and document a formal, joint process to monitor industry's progress in responding to the EPA regulations. I continue to agree with the goal of open communication and Commission staff continues to engage extensively with staff from the EPA and

DOE on these issues. As acknowledged in the GAO Report, Commission staff has had numerous meetings with staff from the EPA and DOE to discuss the issues involved. Commission staff continues to meet regularly and communicates often with the EPA and the Department of Energy (DOE) on this topic.

As discussed in the initial statement, on May 17, 2012, the Commission issued a policy statement outlining how it will advise the EPA on requests for additional time for electric generators to comply with the EPA mercury and air toxics standards rule. Under EPA's policy, those seeking an Administrative Order to operate in noncompliance with the rule for a fifth year must submit a written request to the EPA and send a copy to the Commission. To date, no electric generator has submitted a request for an additional fifth year.

The policy statement also set forth the expectation that the Commission would monitor the impact of EPA regulations generally on bulk-power system reliability. To fulfill this commitment, Commission staff, along with staff from DOE and EPA, continue to participate in regularly scheduled meetings with reliability and planning authorities to discuss the industry's response to EPA regulations.

The second recommendation in the GAO Report is for me as the Chairman of the Commission to assess the adequacy of existing Regional Transmission Organization (RTO) market rules and similar rules of non-RTO planning authorities. As discussed in the initial statement, the Commission continually assesses the rules of the entities over which it has jurisdiction, and it has specifically explored whether changes are needed to respond to the EPA regulations and we were already fully compliant with GAO's recommendation.

As discussed in the initial statement, the Commission issued a major transmission planning rulemaking which required public utility transmission providers to consider transmission needs driven by public policy requirements. Public policy requirements in this context can include requirements under EPA regulations.¹ Compliance proposals for 15 regions were submitted in the fall of 2012 and are being processed by the Commission. The Commission acted on two of these compliance filings at its February open meeting and three compliance filings at its March open meeting. The Commission continues to evaluate the remaining compliance filings required by other utilities under this rule.

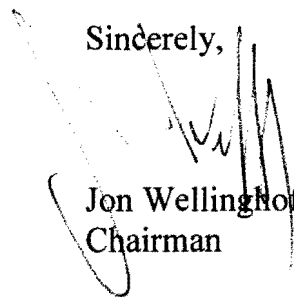
¹ *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 215 (2011).

Also discussed in the initial statement was the Commission's work on coordination between the wholesale natural gas and electric industries. As discussed in the initial statement, the Commission held five regional technical conferences to discuss better coordination between natural gas and electricity markets. In these technical conferences, commenters noted the increased reliance on natural gas as fuel for electric generation is being caused in part by a transition in the generation fleet in response to environmental regulations and lower natural gas prices. On November 15, 2012, Commission staff issued a Staff Report focusing on several topics common across those regional technical conferences. Also on November 15, 2012, based on the information received during the technical conferences the Commission issued an order directing staff to fully explore the two primary issues identified in the conferences through additional, targeted technical conferences. These issues are the respective ability of each industry to share information in furtherance of enhancing gas-electric coordination and scheduling discontinuities between the gas and electric industries. The first conference, concerning communication issues, was held on February 13, 2013. The Commission is currently considering the information provided in that conference. The second, concerning scheduling issues, will be held on April 25, 2013.

In the November 15 Order, the Commission also directed further reporting on the coordination between the natural gas and electric industries. First, the Commission directed Commission staff to report to the Commission on the industries' natural gas and electric coordination activities at least once each quarter for 2013 and 2014. Commission staff delivered its first report at the March 21, 2013 Open Meeting. Second, the Commission directed each regional transmission organization and independent system operator to appear before the Commission on May 16, 2013, and October 17, 2013, to share their experiences from the winter and spring, and summer and fall, respectively.

I appreciate this opportunity to share a summary of the Commission's actions relevant to GAO's report and its approach for future actions. If you have any questions, please contact Mr. Leonard Tao, Director of the Office of External Affairs, at (202) 502-8214.

Sincerely,



Jon Wellinghoff
Chairman

cc: The Honorable Thomas R. Carper
Chairman, Committee on Homeland Security and
Governmental Affairs

The Honorable Tom Coburn
Ranking Member, Committee on Homeland Security and
Governmental Affairs

The Honorable Dianne Feinstein
Chairman, Subcommittee on Energy and
Water Development

The Honorable Lamar Alexander
Ranking Member, Subcommittee on Energy
and Water Development

The Honorable Ron Wyden
Chairman, Committee on Energy and Natural Resources

The Honorable Lisa Murkowski
Ranking Member, Committee on Energy and Natural Resources