

FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, DC 20426

OFFICE OF THE CHAIRMAN

May 13, 2009

The Honorable Joe Barton  
Ranking Member  
Committee on Energy and Commerce  
U.S. House of Representatives  
Washington, D.C. 20515-6115

Dear Representative Barton:

Thank you for your letter of May 8, 2009 seeking clarification of my recent comments regarding possible future scenarios for the United States electric energy system. As Congress considers carbon dioxide legislation, you note that it is important for Congress to be informed regarding the realistic availability and cost of renewable resources. You state that it is critical for American consumers and businesses to have access to reliable, efficient and affordable energy. I agree with these fundamental goals and assure you they are my priorities as Chairman of FERC. As you requested, I have provided clarification of my comments and the data I have relied upon in support of them.

There is no doubt that the Nation currently requires our existing coal and nuclear generation facilities to ensure a reliable supply of electric energy. As you note, approximately 70% of the electricity generated in this country comes from those resources. Given the current pace of development of new energy resources and the state of the transmission grid, it is likely that the country will continue to rely heavily on coal and nuclear resources for a number of years to come. But decisions about whether to invest in new coal and nuclear generation facilities or any other electric system supply or demand alternatives will be made as a result of market forces. In other words, these decisions will be made by private sector resource developers, non-profit electric utilities and their governing boards, and investor-owned utilities and their state regulators, informed by the choices Congress makes with respect to carbon regulation policy. Should Congress decide to enact carbon regulation and/or renewable energy standard legislation, those policy choices will impact the cost of fossil-fuel resources and, as a result, the decisions made to acquire new energy resources to meet future energy demand. My comments reflect one long-term scenario that could occur depending upon market forces and other relevant factors.

In the short-term, I believe that FERC has two responsibilities. First, FERC must ensure that electric markets are fair and efficient and that they provide for the openness and transparency for all resources to compete on an equal footing. This means that barriers to the interconnection and delivery into markets of cost-effective renewable resources should be eliminated, and there should be no undue discrimination in facilitating the integration of those resources. The desired result is to promote competition in markets to allow all supply and demand resources to effectively compete, thereby keeping consumer costs of energy affordable. Second, FERC has the responsibility to enforce standards that require all users, owners and operators of the grid to maintain transmission operations and transmission infrastructure in a manner that will ensure a stable and reliable supply of electricity. Thus, as entities comply with any new carbon or renewable energy standard legislation enacted by Congress and the states, compliance with and enforcement of the Commission-approved standards will protect the reliability of our Nation's power grid.

The Commission stands ready to take direction from Congress in any new legislation. To the extent Congress calls on the Commission to implement any new responsibilities related to carbon reduction, it will proceed in an open and transparent manner, seeking the input of regulated entities, consumers, state commissions and other stakeholders, as has always been the case at FERC.

Please refer to the attachment for specific responses to your questions. I appreciate the opportunity to provide this information. Please do not hesitate to contact me if I can be of service as you consider this important legislation.

Sincerely,



Jon Wellinghoff  
Chairman

cc: The Honorable Henry A. Waxman, Chairman  
The Honorable Bart Stupak, Chairman  
Subcommittee on Oversight and Investigations



## Attachment

1. Were the reported statements in the article accurate and/or were they taken out of context?

While the statements were accurately transcribed, they were taken out of context. My comments were offered as one possible long-term energy scenario in which the relative cost of resources could result in renewable resources becoming the most cost-effective option for developers and state and local regulators. As new sources of electricity are brought to market, all resources will compete and those that are not cost-effective will not be developed. While a number of promising renewable technologies exist, the degree to which these resources can be deployed on a large scale in a cost-effective way will be determined by the market, informed by federal and state law. My comments reflect my belief that load reductions are economically achievable through energy efficiency, demand response, waste heat recovery, and other distributed resources. Development of these resources, along with development of location-constrained renewable resources such as wind, solar, geothermal (including geo-pressure resources in deep geological formations in Texas), biomass, and hydrokinetic resources, may result in these resources being more cost-effective than new incremental nuclear and coal resources.

2. If the statements in the article to the effect that you believe there may be no need for any new nuclear or coal plants in the U.S. are accurate, what data, assumptions, analyses and/or documentation were you relying upon? Please identify and provide copies of any supporting documentation upon which you were relying to support such statements.

The scenario I identified is one among many scenarios that various groups have posited. Predicting the future of energy markets is something that should be approached with caution, as variation in one of many important assumptions can dramatically affect the outcome. Many of these scenarios are based on state and federal policy decisions that are not currently settled. These variables make it impossible to accurately predict the resource mix that will serve the Nation's consumers over the next several years and further. As I have said previously, the Commission's role is to ensure that whatever policy decisions are implemented, electric markets allow all resources to compete on an equal footing and the reliability of the power grid is protected. That being said, the future energy scenario I discussed is based on a number of sources.<sup>1</sup>

---

<sup>1</sup> For example, see June 2008 FERC Staff Presentation, Increasing Costs in Electric Markets, available at <http://www.ferc.gov/EventCalendar/Files/20080619114705-A-3.pdf>; Moody's Corporate Finance May 2008 Special Comment, New Nuclear Generating Capacity; Electric Power Research Institute, Assessment of Achievable Potential from Energy Efficiency and Demand Response Programs in the U.S (2010-2030), 1016987 (January 2009); U.S. Department

3. If the statement in the article to the effect that you believe that wind will ultimately be “the cheapest thing to do” is accurate, by what date do you believe that this statement would be true, in what region(s) of the country would it be true, and upon what data, assumptions, analyses and/or documentation were you relying to support such a statement? In your view, would wind be the cheapest alternative for all regions of the country?

It is not possible, given the current state of uncertainty surrounding carbon regulation, the current state of development of wind and other renewable resources, and the current state of the grid, to precisely predict when or whether wind or other renewable resources will be the least-cost resources for dispatch in the loading order in each region of the country. But there are scenarios that show it is likely that wind will continue to be economically competitive in the future in most regions given its comparatively low capital costs and zero fuel costs. Thus, it is reasonable to consider a scenario where wind will be positioned as the least expensive, potentially large-scale electric supply resource.

4. Has FERC prepared any analyses, projections or other documentation concluding that there will not be any need for new nuclear or coal plants to be constructed in the coming years? If so, please identify and provide copies of those documents.

No.

---

of Energy, DOE Solar Energy Program Overview: Market Trends, Strategy, R&D Pipeline, Next Steps (2007), available at:

[www1.eere.energy.gov/solar/solar\\_america/pdfs/solar\\_energy\\_comp\\_overview\\_0807.pdf](http://www1.eere.energy.gov/solar/solar_america/pdfs/solar_energy_comp_overview_0807.pdf);  
Pacific Northwest National Laboratories, GridWise: The Benefits of a Transformed Energy System. PNNL-14396 (2003); U.S. Department of Energy, 20% Wind Energy by 2030 Increasing Wind Energy’s Contribution to U.S. Electricity Supply, DOE/GO-102008-2567 (2008); *see also* Google, Clean Energy 2030, available at <http://knol.google.com/k/-/15x31uzlqeo5n/1#>.