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## FERC commissioners recommend against subsidizing coal and nuclear power plants in oversight hearing

June 12, 2018

The Senate Committee on Energy and Natural Resources held a formal oversight hearing for the Federal Energy Regulatory Commission (FERC) on June 12, 2018, with all five commissioners present for the first time in a decade.

FERC is responsible for regulating the interstate transmission of electricity, oil, and natural gas, and plays an integral role in reviewing proposals to build natural gas pipelines and liquefied natural gas (LNG) terminals and providing licenses for hydroelectric power projects. In her opening statement, Committee Chairman Lisa Murkowski (R-AK) recognized that a full FERC hearing had become essential due to significant changes in the bulk power system over the past decade driven by developments in energy technologies, in addition to four new commissioners serving and an array of consequential issues in the news.

Most of the hearing focused on a leaked draft memo from the Department of Energy (DOE) about the Trump administration's plan to subsidize coal and nuclear power plants nearing retirement. The rationale provided in this memo is that coal and nuclear power plants provide a secure and stable supply of base load power and that, with the replacement of coal and nuclear plants by natural gas and renewables, the national power system is exposed to new cyber and physical security threats. During the hearing, the commissioners recommended that rather than subsidizing retiring coal and nuclear energy plants Congress should consider assigning mandatory security standards for natural gas pipelines. When asked by Chairman Murkowski, all five commissioners agreed that as the United States grid has transitioned to using more natural gas and renewable energy, the quality of service and security has not been compromised. Later in the hearing, Senator Barrasso asked if coal and nuclear sources were still critical for energy reliability, to which FERC Chairman Kevin McIntyre stated that FERC takes an "all of the above" electricity generation approach where coal will remain in the mix as long as energy rates are competitive with other sources. Commissioner Richard Glick noted that early estimates project that the cost of subsidizing retiring coal and nuclear plants would increase consumer electricity rates by \$30 billion to \$65 billion annually, which would countervail the commissioners' efforts to keep these rates low. The hearing also addressed the current state of FERC's policies under the Public Utility Regulatory Policies Act of 1978 (PURPA, P.L. 95-617), which promotes the conservation of electricity and energy efficiency by designating special rates and regulatory treatments for qualifying facilities. Responding to senators' questions about whether regulations for these qualifying facilities reflect the energy state of the country, Chairman McIntyre mentioned that he recently re-initiated a broad review of FERC's policies under PURPA as a starting point to address any issues that may exist. Commissioner Robert Powelson added that this review is particularly important because PURPA is not currently recognizing new or developing energy technologies, such as electricity storage and oxidized fuel cells. Members of Congress have also introduced bills that would update PURPA, including the Update PURPA Act (S. 2776) and the PURPA Modernization Act of 2017 (H.R. 4476).

*Sources: Bloomberg News; E&E News; Federal Energy Regulatory Commission; Government Publishing Office; Library of Congress; U.S. Senate, Committee on Energy and Natural Resources.*

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