



The Our American States podcast—produced by the National Conference of State Legislatures—is where you hear compelling conversations that tell the story of America’s state legislatures, the people in them, the politics that compel them, and the important work of democracy.



You can subscribe through iTunes or Google Play.

### **Top Energy Official Talks Technology, Security | OAS Episode 58**

Gene: Welcome to “Our American States,” a podcast of meaningful conversations that tell the story of America’s state legislatures, the people in them, the politics that compel them, and the important work of democracy. For the National Conference of State Legislatures, I’m your host, Gene Rose.

In this episode of “Our American States,” we talk with one of the country’s top energy officials in the federal government.

It’s easy, in the tasks that we do every day, to take energy for granted. From turning on the first light in the morning, fixing a meal, taking a hot shower, and for me—working on a computer nearly every day—we generally accept that the energy we need is going to be there. And we often become upset when it’s not.

For policymakers, though, the regulation and oversight of energy is a series of complex issues. It’s often difficult for states to make decisions on any changes and to consider new choices. But for the Federal Energy Regulatory Commission, or FERC, they are responsible for regulating retail electricity and have to approve all interstate transmission of natural gas, oil, electricity, and pipeline projects.

FERC was created by Congress in 1920, and is an independent agency. Its jurisdiction is a big consideration for states that are looking at new energy infrastructure projects and how current markets are regulated. And, of course, most states are.

Our guest on this episode is FERC Chairman Neil Chatterjee. We ask him about natural gas, electricity and coal. But you will hear a common theme from him, and that’s the security of the nation’s energy sources. He’s a strong proponent of the rights of states in the federal system, but recognizes that with energy grids crossing state lines that it’s going to take some coordination and cooperation to keep our energy secure.

*Time Marker (TM): 2:00*

We started by asking the chairman about the biggest opportunity in the energy field today. He says it’s technology, but it might also be the nation’s biggest challenge.

Neil: With that opportunity that comes with technological innovation comes a downside risk, and one of the big challenges that we're facing is that the downside of all that technological innovation is increased vulnerability to cyberattacks. And that is something that as we focus on the reliability and security of the grid, we want to ensure that these new technologies can flourish, but that we maintain that reliability and security. And it requires just a constant, vigilant effort to ensure that our cyber defenses are up to par.

*TM: 2:49*

Gene: OK, let's jump into some of those energy sources. The electricity markets that you oversee are primarily regional entities incorporating many different states and many different interests. When they were originally created it seems like the primary drivers were getting the lowest priced power possible. But with states increasingly enacting policies that prioritize other factors, whether that's clean energy, zero carbon, reliability, resiliency, how do you see state policies and the markets playing out in these regional arenas?

Neil: That's a real challenge and it's something that is very much at the forefront of the commission's attention and activities today. Look, I'm a big believer in these markets and in the benefits that they have provided consumers, as I mentioned earlier, in terms of greater efficiencies and lower costs.

But I'm also a big believer in states' rights and I fundamentally believe that states and local governments ought to be able to make critical decisions about their energy futures. And these two principles, which I hold near and dear to my heart, are colliding right now. As you mentioned, states are taking certain actions in their local interests, but those actions are having impacts in the broader wholesale market.

And the commission is currently looking at ... we have a number of matters before us to see how we can sort of calibrate and balance and navigate this collision. We want, and everybody I think wants functioning, effective markets, but we want to try and find out if there is a way to accommodate these state policies without hurting these markets.

*TM: 4:34*

Gene: OK, let's move on to natural gas, given the increased role that it's playing in the electric sector. What do you see as the primary considerations to be taken into account as the regulator, and difficulty in citing and permitting new pipelines affecting gas development and usage, how great is that difficulty?

Neil: Well, the permitting process at the commission is something that we are currently in the process of reviewing. Under my predecessor, former Chairman Kevin McIntyre, last year he opened up a review of our certificate policy statement process to basically examine how we can go about the permitting process and see if there are ways we can find greater efficiencies without sacrificing safety or environmental compliance.

We haven't reviewed our policy since 1999 and so I think as a matter of good governance, it's always good to be able to go back and see if there are ways that you can do things better. And so we will continue to work on our permitting process.

And to the first part of your question talking about the increased role that gas is now playing in the electric sector, it's really been a game changer in the space. And one of the things that I have been particularly focused on is the physical and cyber security of pipeline. Twenty years ago, if a single gas pipeline went out, the power generators might not have really been that negatively impacted. Today, where you might have eight or nine generators tied to a single gas pipeline, if there were an outage, that could have significant consequences. And so that's an issue that is foremost of mine here.

*TM: 6:08*

Gene: Chairman, we know you're a proud Kentucky native. You're no stranger to the legislative arena, having worked for Senate Majority Leader Mitch McConnell. With that background you are very familiar with the coal industry as well. In your role at FERC, what do you see as the future of coal in this country?

Neil: So, I am a Kentuckian. I grew up seeing firsthand the benefits and the cultural ties that Kentucky has to coal and coal-fired generation. I've also seen firsthand, particularly in working for Senator McConnell, the devastating consequences that can happen in Appalachian communities when the power plants that burn coal and the mines that feed them shut them.

That said, here at the Federal Energy Regulatory Commission, we are fuel neutral, we are technology neutral; we do not favor one source over the other. We look to ensure the integrity of our markets and look out for the reliability and the resilience of the grid.

But one of the reasons that I wanted to do this podcast is that while FERC is fuel neutral, and it would not be appropriate for us to favor one fuel source over the other, it is entirely appropriate for state legislatures, for federal legislators to fight for their constituencies. And I know that as these debates go on and we look at what the future of coal-fired generation is, it will be incumbent upon legislators at the state and federal level to do what they can.

But we here at the Commission, we call it balls and strikes based on the record and the evidence before us, and we don't favor one fuel source over another.

*TM: 7:45*

Gene: For the people that don't know about you, can you give us a little bit more about your history and background and what led you up to your current title?

Neil: Absolutely. Well, my two loves in life as a kid were sports and politics and my athletic career ended in the eighth grade when I stopped growing. And so I thought I wanted to pursue a career in politics and public policy. Got a great opportunity coming out of law school to intern with the House Committee on Ways and Means, and then transitioned from there to work for a congresswoman who represented the Columbus, Ohio area. That's where I sort of developed an interest in background in energy and electricity policy based on the portfolio that I had there.

I spent a little bit of time working for the National Rural Electric Cooperative Association and did frequently interact with NCSL and the members there during my time representing America's not-for-profit Rural Electric Cooperative. Then I got my dream opportunity to work for my home

state senator, Senator McConnell, who went on of course to be the United States Senate Majority Leader. And it was the experience of my lifetime and I learned a tremendous amount, and also was blessed that he saw fit to push me forward for a seat at the Federal Energy Regulatory Commission.

I've been here now for about a year and a half, having served temporarily as chairman until Kevin McIntyre got through the Senate confirmation process. I spent about a year serving as a commissioner and then unfortunately as Chairman McIntyre's health started to fail, I was reinstalled as chairman.

But it's a job that I wake up every morning trying to do what's right and be an earnest public servant, and I have the additional weight of wanting to ensure that the legacy that Chairman McIntyre put into place, that I can execute on that legacy because he likewise was an earnest, genuine public servant who wanted to do what he thought was in the best interests of the public.

And I think if I can carry out the initiatives that he put into place, that will secure his legacy, but will reflect well on myself and be good for the country, and I'm grateful for the chance.

*TM: 10:03*

Gene: Why don't you explain to people what FERC does on a daily basis?

Neil: We oversee the wholesale electricity markets and assess and evaluate the permitting of energy infrastructure. And there are a number of offices here at the commission which focus on everything from electric reliability, to legal matters, to electric markets, to energy projects.

And so working with my colleagues, working with the fantastic staff here at the commission ... Our role is somewhat legislative, but it's more quasi-judicial. We deal with policy matters, but at the end of the day we're constrained by the statutes that govern the agency and we make our decisions based on the rule of law.

There's no doubt that the profile and the significance of the agency has been elevated in recent years as the importance of the issues that we have before us are really coming to the forefront, and it's an exciting place to be at an exciting time and a transformative time in the energy landscape.

*TM: 11:07*

Gene: You've mentioned cybersecurity a couple of times already and it's obviously an issue that state legislatures are deeply involved in. So, when it comes to the security of the nation's energy sources, what do you view as the ideal relationship between states and the federal government in addressing this critical topic?

Neil: We've got to work together. We've all got to work together: the federal government, state government, industry, stakeholders, consumers, employees. The threat of cybersecurity and the potential negative implications of a cyberattack on the grid could have severe consequences and it is going to take a collective effort to stay ahead of what is an ever-evolving threat.

We have standards here at the commission, but I view those standards to be the floor, not the ceiling. We have to do much more than standards and that really will involve all of us collectively working together, sharing information and making sure that our policies and procedures are in place and are constantly being evolved to stay ahead of this threat.

*TM: 12:11*

Gene: Is there a way for the states to do a better job of communicating with you in terms of the actions that they might be taking?

Neil: Communications thus far have been effective. Our Office of Electric Reliability, our Office of Energy Infrastructure Security work very closely with our state and federal partners. The Department of Energy currently is running something called the Electric Sector Coordinating Counsel, which brings stakeholders from all across the spectrum together to kind of stay ahead of these issues.

So, I think we're doing a good job to date, but we can always do better, and I think, again, my reason for participating in a forum like this is to bring awareness to these issues and to continue that open dialogue, that necessary dialogue with our friends at the state legislative level.

*TM: 12:59*

Gene: So, we've discussed a lot of issues here today, Mr. Chairman, in a short time period. What final counsel would you give to America's state legislatures regarding these complex energy issues that you oversee?

Neil: I thank them for their service and for their interest and focus on these complicated energy matters. It's been a pleasure to meet legislators from around the country in my time here at the commission and when I was in the Senate and with the electric cooperatives.

There are some real leaders in this space at the state legislative level. I want to single out a good friend of mine, Tom Sloan, a recently retired representative from Kansas. He was a genuine intellectual force in the space. And I'd advise folks to give a guy like Tom a call because he really dug into these very, very complicated issues and was effective not just at the state level in Kansas, but using his position to help educate and draw interest from legislators in other states. And I think that kind of education and communication is going to be essential to all of us going forward as we tackle these complex issues.

*TM: 14:03*

Gene: Mr. Chairman, we really appreciate you taking the time to be a guest on "Our American States" today.

Neil: Thank you so much for having me.

Gene: The National Conference of State Legislatures has several resources for state legislatures on energy policy. To view information online, go to [www.ncsl.org/research/energy](http://www.ncsl.org/research/energy).

For NCSL, this is Gene Rose. Thanks for listening.