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P R O C E E D I N G S

(8:05 p.m.)

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2
3 MR. SARKUS: Good evening. We're going to
4 get started with tonight's program. Welcome to the
5 2019 Fall Meeting of the National Coal Council. Thank
6 you for being here, and thank you to everyone who
7 helped organize tonight's program. Special thanks go
8 to NCC Chair Danny Gray, Vice Chair Randy Atkins, and
9 all the members of the executive committee for their
10 leadership, and to Janet Gellici --

11 (Applause.)

12 MR. SARKUS: -- and Hiranthie Stanford as
13 always --

14 (Applause.)

15 MR. SARKUS: -- as always, for their hard
16 work on behalf of the Council. I also want to welcome
17 our distinguished guest, the Honorable Neil
18 Chatterjee, who chairs the Federal Energy Regulatory
19 Commission, or FERC, and who took time out of his busy
20 schedule to provide the keynote remarks tonight.

21 We're extremely honored to have Chairman Chatterjee
22 with us tonight, and I know we're all looking forward
23 to hearing his thoughts and insights.

24 Chairman Chatterjee, thank you for joining
25 us this evening. I know you're probably eager to get

1 started, so I'll be brief. Much has happened since we
2 met last in April. You finalized the report on Coal
3 in a New Carbon Age in May. I know Secretary Perry
4 and Assistant Secretary Steve Winberg both appreciated
5 the work that went into that report as well as your
6 recommendations. And we're looking forward to the
7 next NCC study on Smart Policies in Support of Coal
8 Generation, which will be co-chaired by Kipp
9 Coddington and John Harju.

10 For our part at the Department of Energy,
11 we're ramping up our efforts to strengthen coal, to
12 ensure its critical place in the nation's grid through
13 our work on existing plants, also our Coal FIRST,
14 which stands for Flexible, Innovative, Resilient,
15 Small, and Transformative -- our Coal FIRST
16 initiative, and carbon capture utilization and
17 storage, or CCUS. And we're also working to help
18 create new value streams and new ways to utilize this
19 vast resource.

20 So with the Coal Council's work, with our
21 R&D and collaboration with our other partners, with
22 input from industry, with a friendlier regulatory
23 environment, and with a president who is committed to
24 the future of coal, we have a unique opportunity to
25 explore and develop exciting pathways to help us

1 preserve this vital energy resource. We'll hear about
2 some of these pathways during the meeting tomorrow,
3 and we'll hear from National Energy Technology
4 Laboratory Director Brian Anderson about the lab's
5 efforts. So we're going to have an informative and
6 productive meeting tomorrow.

7 For tonight, I'd like to now ask Danny Gray
8 to introduce our keynote speaker. Thank you.

9 (Applause.)

10 MR. GRAY: Thanks, Tom.

11 As we get started, I would like to
12 acknowledge all of our guests, which includes members
13 of the press. We appreciate everybody, including the
14 members of the National Coal Council and, obviously,
15 our distinguished guest. Tonight I have the great
16 pleasure to introduce the Federal Energy Regulatory
17 Commission Chairman Neil Chatterjee.

18 Many energy insiders say that Neil is
19 serving during one of the most dynamic periods within
20 the U.S. electric utility industry. With the current
21 continuous change in generation mix and the system
22 stresses imposed by the reduced reserve margins,
23 generation intermittency, and system reliability and
24 resilience, every decision at FERC takes on a growing
25 significance.

1 Chairman Neil Chatterjee was nominated to
2 FERC by President Donald J. Trump in May 2017 and
3 confirmed by the U.S. Senate in August of 2017. He
4 served as chairman from August 2017 until December and
5 was again named chairman in October 2018. Prior to
6 joining the commission, he was energy policy advisor
7 for Senate Majority Leader Mitch McConnell.

8 Over the years, Chairman Chatterjee has
9 played an integral role in the passage of major
10 energy, highway, and agriculture legislation. Prior
11 to serving Leader McConnell, Chairman Chatterjee
12 worked as a principal with government relations with
13 the National Rural Electric Coop Association, and as
14 an aide to House Republican Conference Chairwoman
15 Deborah Pryce, Republican from Ohio. He began his
16 career in D.C. with the House Committee on Ways and
17 Means.

18 A native of Lexington, Kentucky, he is a
19 graduate of St. Lawrence University and the University
20 of Cincinnati College of Law. Chairman Chatterjee is
21 married and has three children, which I'm hoping he
22 gets sufficient time with. So without anything
23 further, I welcome Neil Chatterjee.

24 (Applause.)

25 CHAIRMAN CHATTERJEE: Thank you, Danny, for

1 that kind introduction, and thank you all for the
2 opportunity to be here. It is a delight to be here
3 with you all this evening. The National Coal Council
4 has, for more than three decades, provided expertise
5 and insight for policy makers, so I want to start by
6 acknowledging your work and the important dialogue
7 your work brings about. I appreciate the opportunity
8 to be a part of the conversation here at your fall
9 annual meeting.

10 Before I start my talk, I have to give the
11 usual lawyerly disclaimers. The views I express here
12 are my own opinions and don't necessarily reflect
13 those of my fellow commissioners or FERC staff, and
14 our ex parte communication rules prevent me from
15 discussing any contested proceedings currently before
16 the Commission. With that, I will turn to the issues
17 that I would like to speak about this evening.

18 At FERC, we regulate the nation's wholesale
19 electricity markets, natural gas infrastructure,
20 pipeline transportation rates, and the security of the
21 electricity grid. In my two years at FERC, I've come
22 to really internalize how the work we do affects
23 nearly every corner of America, and every facet of our
24 economy. Energy is the lifeblood of our economy. It
25 heats people's homes, lights our streets, and fuels

1 our transportation networks. And energy provides
2 jobs. More than 6.7 million Americans work in the
3 energy industry, and that number continues to
4 increase. It is an exciting time to be at the helm of
5 FERC and to be focused on policies that help unleash
6 the power of our energy economy.

7 As you all well know, our energy economy is
8 in a period of significant change. Right now, we at
9 FERC, like many of you all, are grappling with a set
10 of highly complex issues that stem from our nation's
11 rapidly evolving energy landscape. Though we are a
12 fuel-neutral economic regulator, the changing fuel mix
13 affects nearly every aspect of our work, creating many
14 regulatory opportunities but also many challenges.
15 Tonight, I'd like to dive a little deeper into what
16 this looks like from where I sit, and where I see both
17 those opportunities and challenges.

18 The coal industry has been and remains an
19 important part of the picture. Coal generation
20 historically has been part of the backbone of our
21 electricity grid. According to EIA, in 2018, coal-
22 fired generation still made up more than a quarter of
23 the U.S. generation mix. But as you know, we are
24 seeing some rapid changes. The shale revolution has
25 created an abundant supply of cheap natural gas in

1 America, and our nation's natural gas production has
2 hit historic levels.

3 In 2018, generation from natural gas made up
4 about 35 percent of our electricity supply. In 2017,
5 the U.S. became a net exporter of natural gas for the
6 first time in more than 60 years. Our LNG export
7 capacity is expected to nearly double in 2019.
8 America's rising prominence as an exporter of LNG is
9 geopolitically significant, as we now have the
10 opportunity and the ability to compete with other
11 powerful and, in some cases, adversarial nations, and
12 to build upon our international partnerships.

13 In addition to the shale revolution, we've
14 seen the rise of renewable generation resources across
15 the country. While there's no question that state
16 renewable portfolio standards and federal and state
17 subsidiaries have played a significant role in this
18 area, a lot of the rise of late has been driven by
19 market forces and an improving business case for
20 renewables. We've seen the capital costs of renewable
21 generation fall, and we've seen a growing market
22 demand for carbon-free power. As just one example,
23 the City of San Diego set a goal of being 100 percent
24 renewable by 2035. And as part of their commitment to
25 corporate sustainability, two-thirds of Fortune 100

1 companies are procuring renewable energy.

2 Factors like the shale revolution and the
3 growth of renewables have converged to create benefits
4 for the U.S. and for American consumers, but there can
5 be no doubt that these rapid changes in our fuel mix
6 have also created some real challenges. In
7 particular, the shifts we are seeing have made it
8 harder for some traditional generation sources -- and
9 here, I am specifically talking about coal and nuclear
10 generators -- to compete in the marketplace.

11 Focusing on coal, the EIA reports that
12 between 2010 and the first quarter of 2019, U.S.
13 companies announced the retirement of well over 500
14 coal-fired power units, amounting to more than 100
15 gigawatts of capacity. In 2018, most of the
16 retirements in U.S. organized markets came from coal,
17 while the largest shares of generation additions came
18 from a combination of natural gas and renewable
19 resources. I know this isn't news to anyone in this
20 room, and it also won't be news to you that these
21 retirements have real impacts.

22 To start, plant retirements can, in some
23 circumstances, have implications for the reliability
24 of our grid. When traditional generation sources are
25 replaced with intermittent resources, grid operators

1 are presented with new challenges. A 2014 study by
2 the Texas grid operator ERCOT warned that accelerated
3 coal plant retirements in Texas would pose reliability
4 challenges, noting that coal resources can provide
5 essential reliability services, including reactive
6 power, voltage support, frequency response, and
7 ramping capability.

8 Texas has indeed seen a spate of coal
9 retirements. And if you follow the energy headlines,
10 you'll know that this summer, during a recent heat
11 wave, ERCOT experienced its all-time peak electricity
12 demand. Although ERCOT was able to manage its system
13 and maintain reliability, the fact remains plant
14 retirements can test the flexibility of the grid.

15 There are also infrastructure costs that can
16 arise. In order for wind and solar to fill the gap
17 left behind when traditional sources retire, there can
18 be the need for substantial investments. Wind in
19 particular, but also solar, tends to be located in
20 remote areas. So to bring that generation online and
21 into demand centers, there often needs to be
22 substantial investment in the transmission system. I
23 think these types of costs will continue to be a part
24 of the conversation as energy leaders consider the
25 impacts of change in our fuel mix.

1 Beyond these types of impacts, it is not
2 lost on me that plant retirements affect jobs and
3 communities. I am from Kentucky, so as you can
4 imagine, these issues really hit home for me. I have
5 seen firsthand, through my experience as a Kentuckian
6 as well as the time that I spent with Senate Majority
7 Leader Mitch McConnell, in Kentucky the devastating
8 impacts that the retirement of coal-fired plants and
9 the mines that feed them can have in communities.
10 Oftentimes in these communities, there are not
11 alternative forms of employment. There's not a Burger
12 King or a Walmart for 30 miles.

13 And the only assets that people in these
14 communities have are their homes, and oftentimes these
15 are multi-generational homes, as these families have
16 seen their parents and their grandparents and their
17 great-grandparents work in the mines and in the
18 related industries before them. And when the mines
19 close and the plants that they feed shut down, those
20 homes tend to lose all value, because nobody wants to
21 move to an area without hope for economic prosperity.

22 And these experiences are not just limited to my
23 native Commonwealth of Kentucky.

24 Last year, I had the opportunity to go to
25 Colstrip, Montana. I believe I was the first FERC

1 commissioner to ever visit Colstrip, Montana. I was
2 there with Senator Daines, the senator from Montana,
3 as well as Congressman Gianforte, the representative
4 in the U.S. House. And they were kind enough to have
5 me participate in a town hall meeting in Colstrip,
6 where people in that community are seeing the
7 realities of what will happen if the power plant in
8 Colstrip were to shut down, and the mine that is
9 located right there were to follow suit.

10 And as we faced difficult questions at the
11 town hall meeting, and we did our best to answer them,
12 when the meeting was over, most of the interest in the
13 room went to question Senator Daines and Congressman
14 Gianforte, so I had a moment to myself while I waited
15 for them to conduct their interviews. And there were
16 two police officers in the room that came and
17 approached me, and they were simply there to provide
18 protection for the Senator and the Congressman during
19 the event.

20 And they pulled me aside and said, "Hey,
21 look. We don't pretend to understand the complexities
22 of the policy issues that you're dealing with, but we
23 just want to let you know how much it means to us in
24 Montana to know that somebody in Washington, D.C.
25 actually cares about, and is thinking about

1 communities like this." And that, to me, was the most
2 powerful takeaway I had from that entire visit, to see
3 the genuine impact of the energy transition, and the
4 realities that the benefits of that transition, which
5 there are many, are not being felt evenly.

6 Far too often, I think leaders here in the
7 Beltway bubble fail to fully appreciate how the policy
8 choices that we make affect workers, families, and
9 local economies throughout the U.S. I want to
10 actually do something about that. Later this fall,
11 October 21st to be specific, I'm actually hosting an
12 energy event which I am calling EnVision, E-N, capital
13 V, Vision. I am partnering with the University of
14 Kentucky to host an event in my hometown of Lexington,
15 with the goal of bringing together thought leaders
16 from government, academia, industry, advocacy groups,
17 environmental groups, consumer groups, and unions, to
18 have a conversation about solutions, and to have it
19 outside of Washington.

20 And I think this is important on so many
21 fronts, because as somebody who participates in this
22 dialogue here in Washington and around the country,
23 there can be so much focus on the benefits of the
24 energy transition, that it can be lost on people that
25 there are consequences. And I want people who are

1 participating in this national and international
2 dialogue that we're having on energy to meet with
3 Kentuckians, and to look them in the eyes and hear
4 their stories, to hear that because they are clinging
5 onto coal, and coal mining, and coal-fired generation,
6 and the direct and indirect jobs that are tied to that
7 vocation, doesn't mean that they don't care about the
8 environment, doesn't mean that they are not concerned
9 about climate change, but the recognition that this
10 transition is having a challenging impact on
11 communities and real people and real lives, and that
12 can't just be swept underneath the rug, as we focus on
13 the tough policy challenges that are in front of us.

14 But I similarly want to invite people
15 throughout the energy economy to come to Kentuckians
16 so that Kentuckians can see that there is opportunity
17 in this energy transition, and that there are folks
18 who are working to innovate and to focus on our energy
19 future. I've had conversations tonight about people
20 who are working in a space in clean energy, in carbon
21 capture, in looking at alternative uses for coal, and
22 I want to bring these folks to Kentucky so that
23 Kentuckians can learn from them about what
24 opportunities there may be in this energy transition.

25 So as we're having these conversations, it's

1 helpful to maintain perspective on the sometimes
2 limited role that we at FERC can play when it comes to
3 the challenging fuel mix. What do I mean by that?
4 Well, at FERC, our authorities are provided in our
5 governing statutes. On the electric side, that's the
6 Federal Power Act, which limits us to considering
7 whether rates are just and reasonable, and the
8 reliable operation of the grid.

9 My regulatory philosophy is that we must
10 take pains as leaders and policy makers at an
11 administrative agency to stay squarely within our
12 statutory authority. That's pretty basic, and it's
13 how the U.S. Constitution is designed. If we go too
14 far, the courts will uphold the law and invalidate our
15 action. And if we can't go as far as we need, because
16 our statutory authority is limited, then it is up to
17 Congress to change our authority.

18 Our governing statutes, unfortunately, don't
19 allow us to take things like community impacts into
20 consideration in the work that we do. So when a coal
21 plant shuts down, and that has ripple effects
22 throughout a local economy, that's just not something
23 that we can lawfully take into account in the
24 decisions that we make. As a native Kentuckian, that
25 is sometimes tough, as you can imagine.

1 In the same vein, our governing statutes
2 don't allow us to pick and choose the sources of
3 generation in the markets that we oversee. That
4 authority lies with the states. As a conservative, I
5 support states' rights to make choices about the
6 generation resources that serve their communities.
7 But at the same time, I'm also a big believer in the
8 power of markets in ensuring that our wholesale
9 markets remain competitive and fuel-neutral.

10 So it's fair to say that some of the most
11 intricate and thorny policy issues that we face at the
12 Commission arise at the intersection of state policies
13 and FERC jurisdictional markets. We are actively
14 grappling with these difficult issues on a number of
15 fronts at the Commission. But let me just say the
16 stakeholders, including many of you, have been active
17 in weighing in with comments in our dockets. We rely
18 on that active engagement to do our jobs.

19 Stakeholders are constantly sharing with us
20 important insights on everything from fuel-neutral
21 ways for our markets to value the attributes that
22 generation resources bring to the table, to better
23 ways to incorporate intermittent resources, to better
24 ways to navigate the grid's increasing pipeline
25 dependence. Though I want to be sure to leave plenty

1 of time for questions at the end of my talk here this
2 evening, before my time is done I do want to touch on
3 a few other policy initiatives that we at FERC are
4 keenly focused on.

5 I will briefly turn to a critical issue that
6 was, in some sense, a baptism by fire for me as a new
7 member of FERC, and that is the issue of grid
8 resilience. You may recall that Department of Energy
9 Secretary Rick Perry sent FERC a proposed rulemaking
10 in late 2017, just a few months after I joined the
11 commission. That proposal would have provided
12 payments to most coal and nuclear generators.

13 As I've mentioned, issues surrounding the
14 fate of coal plants hit home for me, given my roots.
15 I really kicked the tires on this issue and considered
16 it from all angles. I considered whether short-term
17 payments for coal and nuclear plants were appropriate.

18 But after closely studying the issues, I joined my
19 colleagues in concluding that what we needed was a
20 longer-term effort to assess grid resilience.

21 Although we unanimously found that DOE's
22 proposal didn't meet the requirements of the Federal
23 Power Act, the Commission agreed that Secretary Perry
24 raised important questions about the resilience of the
25 grid. That's why, in our order setting aside the DOE

1 proposal, we established a new proceeding to evaluate
2 that question further.

3 Secretary Perry started us down an important
4 path, and we created a forum in which we can carefully
5 consider what threats the grid should be designed to
6 withstand, what actions we can take to improve grid
7 resilience, and how we can create the right ecosystem
8 for investments in resilience. We received reams of
9 comments in the docket, and we are closely considering
10 them. Though I don't want to get ahead of my
11 colleagues, I'll say that FERC is currently and
12 diligently working on this multi-faceted issue.

13 Another issue that's closely connected to
14 the resilience debate, and also top of mind when it
15 comes to topics this group may be following, is fuel
16 security. The security of the fuel supply chain has
17 become an increased area of focus given our growing
18 dependence on natural gas. Issues surrounding fuel
19 security have long been a focus in the New England
20 region. But now other regions are actively engaged in
21 analyzing and addressing fuel security issues.

22 What's happening in PJM is a good example.
23 Late last year, PJM completed the first phase of its
24 efforts to study fuel supply security. PJM aimed to
25 stress-test its system and identify fuel-related

1 vulnerabilities under a range of conditions, including
2 extreme weather, customer demand, generator
3 retirements, and fuel availability. PJM concluded
4 that while its system is currently reliable, more work
5 remains, and it will work to consider market-based
6 ways to tackle long-term fuel security concerns.

7 PJM is entering the next phase of this
8 effort and, with input from federal agencies and
9 pipelines, it will work to analyze threat scenarios
10 and the duration and scale of potential grid impacts.

11 I applaud efforts like this to analyze and confront
12 threats to the grid, and to examine how to harness
13 market forces to bolster fuel security.

14 I want to close by touching on a top policy
15 priority of mine, and that is PURPA reform. It's a
16 somewhat wonky topic, but to me the core question is
17 pretty simple. Can we at FERC better harness market
18 forces? I am committed to doing what I can to bring
19 FERC's policies under the Public Utilities Regulatory
20 Policies Act, or PURPA, into the modern era. PURPA
21 was enacted back in 1978. That's more than four
22 decades ago, at a time when our nation was facing an
23 oil crisis. It was enacted to promote energy
24 conservation, and create opportunities for domestic
25 energy sources like renewables to flourish.

1 At the time, wind and solar generation were
2 fledgling technologies, so policy makers wanted to
3 level the playing field, and they created a regulatory
4 regime that provided opportunities for renewable
5 sources to be compensated based on utilities' avoided
6 costs. PURPA was, by and large, a success in spurring
7 the growth in new generation. But it was tailored to
8 a different era. Now that renewables are better able
9 to compete in our dynamic energy marketplace, I
10 believe we need to update our policies to reflect
11 today's reality and reconsider what a level playing
12 field looks like in 2019.

13 While I think there's broad consensus that
14 some changes in our PURPA policies are needed, there
15 are certainly differing views about what those changes
16 should look like. To me, the key questions are how
17 can we introduce more flexibility and market-driven
18 pricing, and how can we continue to meet our
19 legislative mandate while also protecting customers
20 and competition? I think this issue really
21 illustrates that we can't be satisfied with regulatory
22 frameworks designed for a previous era. We have to
23 keep our eyes focused on what today's markets and what
24 the markets of the future require because, again, I
25 believe that market forces are and should be the

1 driver of changes in our energy landscape.

2 I will stop there to be sure that we have
3 plenty of time for your questions. I want to thank
4 you all again for your work and for being a part of
5 this important conversation. And with that, I am
6 happy to open the floor and take any questions that
7 you all may have. Thank you.

8 (Applause.)

9 MS. GELLICI: Thank you, Chairman
10 Chatterjee. I'd ask anyone who has questions to
11 kindly identify yourselves as you speak up. We are a
12 FACA organization, so we are on record tonight with
13 questions. Thank you so much for the passion,
14 obviously, that you have for our industry and for what
15 you're doing for our industry, so that obviously has
16 come through tonight, I think.

17 I guess I would like to start out the
18 questions by asking if there is something that we
19 should be focusing on as an organization to help with
20 some of the conversations that we have around
21 resiliency. Are there efforts under way to identify
22 some attributes that are associated with resiliency?
23 And are there things that we can help FERC with in
24 terms of identifying those?

25 CHAIRMAN CHATTERJEE: Thank you for the

1 question. It's a very important question and is at
2 the core of what we are doing, and so to build out a
3 little bit on where we are going in the resilience
4 docket, one of the things that we need to identify --
5 and we actually posed this question in opening the new
6 docket on grid resilience -- is what is resilience?
7 We've been talking a lot about it, and I will say the
8 credit really goes to Secretary Perry for raising the
9 issue.

10 Prior to the fall of 2017, I was in myriad
11 energy conversations talking about the reliability of
12 the grid, but you didn't really hear much about this
13 construct of grid resilience. While the notice of
14 proposed rulemaking that Secretary Perry and DOE put
15 forward -- as I mentioned, unfortunately, my
16 colleagues and I didn't feel it met legal muster under
17 the Federal Power Act -- the questions that he raised
18 are real and significant. And we have had a robust
19 dialogue over the past couple of years to the point
20 that almost every conversation I now have, people talk
21 in one sentence about both the reliability and the
22 resilience of the grid, and the importance of both.

23 And so what we are looking to do in our
24 resilience docket is first identify what is grid
25 resilience. What are the attributes that we need to

1 value to have a resilient grid? So that's a really
2 important question to answer. Many of you have
3 participated in that docket. I think we have a robust
4 record, and I'm hopeful that we can identify that
5 answer working with my colleagues.

6 Once that question is answered, what is
7 resilience, what are the attributes that we need to
8 value for resilience, we then have to do an analysis
9 to see is there a threat to resilience in the grid.
10 Are there regions or areas of the country where, if
11 the pace of retirements continues, resilience may be
12 threatened? We may find after doing an analysis that
13 that's not an issue, or we may find that there is
14 cause for concern in certain regions of the country.
15 If we find the former, that there is no threat to grid
16 resilience, then we've answered the question. If we
17 find the latter, that there may be potential threats
18 to what we have defined as the key attributes for
19 resilience in the grid, we then must set about on what
20 to do to address that.

21 As I have mentioned throughout my remarks
22 today, and throughout my tenure at the Commission, my
23 preference, and I think the preference of my
24 colleagues, would be whatever solutions we embarked
25 upon, should we find that there's a need to go down

1 this path, be market-based. And so throughout that
2 incredibly complex process, feedback and input is
3 essential.

4 When the initial Department of Energy notice
5 of proposed rulemaking was submitted to the
6 Commission, we had a thin record in this regard. The
7 record is now far more robust, and it's thanks to many
8 of you all for helping us build out that record. We
9 at the Commission are committed to taking actions that
10 are based on evidence, that are based on science, that
11 are based on the record, and it is really, really
12 important that stakeholders weigh in and help us flesh
13 out that record so that we can make the competent,
14 well-informed, well-supported decisions that are
15 required under our statutory obligations.

16 MS. GELLICI: So we have our marching
17 orders, it sounds like, in support of this. So during
18 your remarks, you raised the issue of some of the new
19 markets for coal, and while I know it's not directly
20 in the purview of FERC to talk about these things or
21 address these things, I think for us as a coal
22 industry, we're looking to some of those new markets
23 for coal as being supportive of the industry.

24 So I'm curious as to whether you see any
25 kind of intersection or relationship between what FERC

1 does and maybe some of these new markets for coal.
2 We've just completed a report for Secretary Perry on
3 some of the new opportunities coming out for coal
4 outside of power generation. Is there some
5 intersection there or some relationship there that you
6 see that's important?

7 CHAIRMAN CHATTERJEE: There's not really an
8 intersection between the Commission as an economic
9 regulator and the new markets for coal. But as a
10 Kentuckian, I'm happy to see that you guys are
11 embarking upon this. One of the reasons that I was
12 drawn to the University of Kentucky to host the event,
13 the EnVision summit, that I'm hosting in October, is
14 that the University of Kentucky has been a real leader
15 in this space, working with coal communities and the
16 coal industry in Kentucky, to find these alternative
17 markets for coal.

18 And they've done tremendous research,
19 ranging from the power side, where they are looking at
20 ways to do carbon capture in affordable,
21 technologically efficient ways, to ranging from -- we
22 were having a dialogue earlier -- something as
23 commercially viable as -- a lot of people I've seen in
24 the Washington, D.C. area and elsewhere who have the
25 means are renovating their garages. They're putting

1 these fancy floors in their garage. I can't speak too
2 specifically to it because I can't afford it, but I've
3 seen others who have this.

4 (Laughter.)

5 CHAIRMAN CHATTERJEE: And at the University
6 of Kentucky, what they have found is they can make
7 composite materials out of coal that can fulfill that
8 material need. And so again, no direct role for the
9 Commission in this area, but as somebody who really
10 cares about these communities, I am encouraged to know
11 that people are focusing on ways that we can offer a
12 lifeline and some economic hope to these people that I
13 really care about.

14 MS. GELLICI: Okay. Another marching order.
15 Get your garage floors reconditioned here with coal.
16 So are there any questions? So I see Mark in the
17 back. If you will just speak up. I see Mark Carr
18 who has a question. Mark?

19 MR. CARR: Nobody's ever accused me of
20 speaking softly, so that won't be an issue. I'd
21 invite you and your Kentucky conference -- Kentucky
22 has the longest coastline on the Ohio, on the
23 Mississippi, and so I invite you to reach out to the
24 coal transportation community, of which there are a
25 number of places, such as Paducah and others, to

1 participate in the conference.

2 CHAIRMAN CHATTERJEE: Thank you for that
3 recommendation. I'm well aware during my service to
4 Leader McConnell, where I was his transportation
5 advisor, that -- and a lot of people are shocked to
6 hear what you just said, that Kentucky is actually the
7 epicenter -- Paducah, Kentucky is the absolute
8 epicenter of our country's inland waterways network,
9 and I've got great relationships with folks in that
10 area, and I believe we have reached out to them to
11 participate, so thank you very much for that.

12 MR. CODDINGTON: So, Mr. Chairman --

13 MS. GELLICI: Kipp Coddington? I'm sorry,
14 I'm just getting on the record, Kipp Coddington.
15 Thank you.

16 MR. CODDINGTON: So Kipp Coddington with the
17 University of Wyoming- first of all, thank you for
18 your leadership, Mr. Chairman. Thank you for being
19 here. Also speaking on behalf of West Virginia
20 University, the University of North Dakota, and the
21 University of Wyoming, we'd be pleased to come to this
22 event at the University of Kentucky. My question is
23 this--

24 CHAIRMAN CHATTERJEE: Yeah, we would never
25 play any of you in basketball, so we'd have to have

1 you for this.

2 MR. CODDINGTON: Right, so I am trying to
3 understand the jurisdictional role for trying to
4 quantify and monetize the attributes provided by the
5 existing coal fleet, and whether that is a matter of
6 federal jurisdiction or state jurisdiction. So in the
7 western United States, there is no RTO. There is no
8 ISO. Pacific North (phonetic) is trying to sort
9 issues with six state PSCs.

10 So going to your question of this federal
11 and state role, so if you were trying to look at the
12 existing coal fleet, is there an amendment to the
13 Federal Power Act that would -- if there was a magic
14 bullet to the Federal Power Act that would address
15 that, or is this ultimately an issue of state law, or
16 is it actually both? That's what I'm trying to
17 understand.

18 CHAIRMAN CHATTERJEE: So that's a
19 complicated question, and I would need a lot more
20 detail about what exactly it was that you guys were
21 trying to achieve in Wyoming. I'm not certain -- are
22 you asking if an amendment to the Federal Power Act
23 would give the Commission the -- well, again, to
24 direct an RTO or the ISO or a state commission to use
25 a certain type of, I guess -- what is it that you were

1 trying to achieve through the amendment?

2 MR. CODDINGTON: So if you were trying to
3 preserve coal assets in Wyoming, is that a Federal
4 Power Act amendment? Or an amendment to the Federal
5 Power Act wouldn't have anything to do with the Jim
6 Bridger Power Plant in Rocks, Wyoming?

7 CHAIRMAN CHATTERJEE: Yeah. Again, I don't
8 believe that that is something that would come into
9 our jurisdiction. We are a fuel-neutral market
10 regulator. We cannot make determinations or put our
11 thumb on the scale for one fuel source or another. We
12 cannot, within the markets we oversee -- because this
13 question comes up sometimes -- direct generators to
14 rely on a certain fuel supply. And I don't see how
15 you could amend the Federal Power Act to attain that.

16 I guess I would imagine within state policy you could
17 probably go down that road.

18 I'm thinking off the top of my head. I do
19 believe in SPP -- and I'd have to double check this,
20 but I do believe in SPP there are generators there
21 that have take-or-pay contracts within the markets
22 that we oversee. Again, FERC doesn't play a direct
23 role in that, unless somebody objected to that and
24 filed a complaint at the Commission that it was
25 distorting the markets in SPP. But I think, again, if

1 I'm understanding your question correctly, that's not
2 something that's in FERC's purview. I'm not certain
3 how you could amend the Federal Power Act to open that
4 into FERC's purview. And so my guess is that this is
5 something that would be handled at the state level.
6 I'm sorry I can't --

7 MR. CODDINGTON: Understood, thank you.

8 CHAIRMAN CHATTERJEE: -- offer more
9 specificity. It's a complicated question.

10 MR. ODEN: Jeremy Oden, the Public Service
11 Commission of Alabama. Let me top off of your
12 question regarding RTOs and ISOs. We in the state
13 level don't control that wholesale market (inaudible)
14 ISOs and RTOs (inaudible) for the state if they had to
15 go to the wholesale market. So what is your
16 perspective on those when they start dealing with a
17 state that has non-carbon production or zero percent
18 carbon? How are the ISOs and the RTOs (inaudible) on
19 the market coal-based energy going to be dealing with
20 (inaudible) on the federal or wholesale market?

21 CHAIRMAN CHATTERJEE: So what you're hitting
22 on, and I tried to touch upon it in my remarks without
23 getting into some of the pending contested matters
24 that we have before us, but it's at the heart of the
25 tension that we're seeing in the markets that FERC

1 oversees, and that is this intersection or collision,
2 if you will, of state policies and the functioning of
3 markets.

4 And as I said in my remarks, I really do
5 fundamentally, as a conservative, believe in states'
6 rights and in states' abilities to make decisions
7 about their own energy futures, which is why I think
8 if Wyoming wished to pursue something akin to what you
9 were suggesting, if the Wyoming legislature could pass
10 it and the governor could sign it, that's something
11 that Wyoming could undertake.

12 Where it becomes an issue for FERC is when
13 state actions start to impact the markets that we
14 oversee, and that is the challenge that we are seeing
15 today, without going too far in certain regions of the
16 country, where states are making decisions for various
17 reasons -- some states are trying to prop up nuclear
18 generation. Some states are trying to promote
19 renewables. Some states are trying to help keep coal-
20 fired generation afloat. When those actions impact
21 the wholesale markets that FERC oversees, that is
22 something that has bubbled up to the Commission, and
23 it's really difficult.

24 And there's arguments on both sides. Some
25 would have you believe that in the absence of federal

1 legislation, leadership, on energy issues, it's
2 incumbent upon the states to make these decisions
3 about their own energy futures. Others would say that
4 when you agree to participate in an organized
5 wholesale market that cuts across state lines, you
6 sort of cede your state autonomy at the door, and that
7 it's an unjust and unreasonable result when one
8 state's policies may be having a distorting impact on
9 another state whose constituency doesn't ascribe to
10 those same policies. So it's a really, really
11 challenging question.

12 I, for one, truly believe in markets and in
13 the benefit of markets. I think consumers in the U.S.
14 have seen tremendous efficiencies in cost, in energy
15 efficiency, environmental benefits from these markets,
16 and I would like to see these markets continue to
17 succeed. But it's a difficult economy, because there
18 will be -- there's no easy answer to this.

19 MS. GELLICI: So for those of you who didn't
20 get a chance to hear, that was Commissioner Jeremy
21 Oden.

22 Michelle Bloodworth, if you would come a
23 little bit closer here so we could just hear you and
24 for the court reporter, and then we'll take that
25 question, and then one from Senator Ankney, and then

1 we'll let you go. So thank you.

2 Michelle?

3 MS. BLOODWORTH: (Question/commentary
4 inaudible due to lack of microphone).

5 CHAIRMAN CHATTERJEE: So I think it's
6 important to participate on all those fronts. I think
7 for PJM and PJM stakeholders, to continue to engage in
8 their process, and I commended PJM for stepping up and
9 doing the analysis that they did on fuel security, as
10 did ISO New England, and I'm encouraging other RTOs
11 and ISOs to follow suit. I think we at the Commission
12 -- as I said, I hope, without getting in front of my
13 colleagues, that sooner or later we will see the next
14 steps in our resilience docket, and I also think that
15 what NERC is undertaking is critical.

16 And so I think you've got to participate in
17 all of those dockets. I think on all fronts what I
18 want to emphasize -- and this is what the challenge is
19 to this, because it's a complex issue, and it's a
20 sensitive issue. There's such a heightened sense of
21 politicization in Washington that people will try and
22 read the tea leaves. So you've just laid out three
23 different initiatives that are being undertaken, and
24 I'm certain there are people that will try and read
25 between the lines and say, "Oh, this is how they're

1 going to backdoor get the DOE NOPR through."

2 And all of these efforts, the NERC effort,
3 the FERC resilience initiative, and what PJM did as
4 the first step of their fuel security analysis, these
5 were all careful, thoughtful, analytical, evidence-
6 based approaches. And I encourage you guys to help in
7 all of these areas to build out that record so that
8 ultimately whatever actions are taken, we can all have
9 confidence that they were based on evidence, on
10 science, on the records before the various entities.

11 And I think that's essential for the
12 credibility of whatever steps that we take at FERC, or
13 that NERC takes, or that PJM takes. The more robust
14 records you have, the more that we are asking these
15 tough questions, the less you are susceptible to
16 people trying to criticize you for, "Well, you put
17 your thumb on the scale for one fuel source over
18 another," or, "You tried to politicize an effort."

19 MS. BLOODWORTH: (Inaudible, no microphone)

20 CHAIRMAN CHATTERJEE: And that's why your
21 voice, as well as others in the room, is so important
22 to our building out that record.

23 MS. BLOODWORTH: Thank you.

24 MS. GELLICI: Thank you, Michelle.

25 One last question, if you'll be so gracious.

1 CHAIRMAN CHATTERJEE: Sure.

2 SENATOR ANKNEY: So Senator Duane Ankney
3 from the State of Montana.

4 SENATOR ANKNEY: (Question/commentary
5 inaudible, no microphone)

6 MS. GELLICI: Thank you.

7 CHAIRMAN CHATTERJEE: Thank you.

8 MS. GELLICI: Chairman Chatterjee, thank you
9 so much for being with us today, and you're very
10 gracious with your time. Thank you so much for being
11 here.

12 (Applause.)

13 MS. GELLICI: I'm going to turn the program
14 back over to Tom Sarkus, who is such a humble person
15 that he never introduced himself, so I'll take a
16 minute to introduce and thank Tom Sarkus with the
17 National Energy Technology Lab for M.C.'ing tonight.
18 Tom is our deputy designated federal officer for the
19 National Coal Council. It's a lot of work, and we are
20 very grateful for your efforts.

21 Thank you, Tom. Greatly appreciate that.

22 (Applause.)

23 MR. SARKUS: Thank you, Janet. It's always
24 my pleasure to help the Council.

25 And thank you, Chairman Chatterjee, for your

1 excellent remarks.

2 I work for the Department of Energy, and as
3 such I'm fortunate to travel across the country, and I
4 first visited Colstrip 25 years ago as part of a major
5 coal beneficiation project that we had. So I know
6 what it means to communities like Colstrip, Gillette,
7 Carbondale, Beckley, Waynesburg, Wilsonville, and we
8 can't just let these communities go by the wayside or
9 to be destroyed or even hurt.

10 So I know you have a lot on your plate,
11 Commissioner Chatterjee, so thank you again for taking
12 time out to spend with us tonight.

13 Again, thank you all for being here tonight.

14 Before we wrap up, I just want to go over a little
15 business. We will reconvene tomorrow morning at 8:30
16 in the Thurgood Marshall Ballroom Southwest, which is
17 right next door. During the meeting tomorrow, we'll
18 start off with keynote presentations by Dr. Brian
19 Anderson, director of the National Energy Technology
20 Laboratory, or NETL, and Hal Quinn, president and
21 chief executive officer of the National Mining
22 Association, or NMA. Then after a short break, we'll
23 hear some industry presentations, and adjourn at
24 12:15. So we'll have a pretty packed agenda tomorrow,
25 and it promises to be a very productive meeting.

1 In the meantime, I hope you all have a good
2 evening, and I'll see you at 8:30 tomorrow morning.

3 (Applause.)

4 (Whereupon, at 9:00 p.m., the meeting in the
5 above-entitled matter adjourned, to reconvene at 8:30
6 a.m. September 12, 2019, the following day.)

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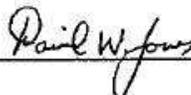
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REPORTER'S CERTIFICATE

DOCKET NO.: N/A
CASE TITLE: National Coal Council Meeting
HEARING DATE: September 11, 2019
LOCATION: Washington, D.C.

I hereby certify that the proceedings and evidence are contained fully and accurately on the tapes and notes reported by me at the hearing in the above case before the United States Department of Energy.

Date: September 13, 2019



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