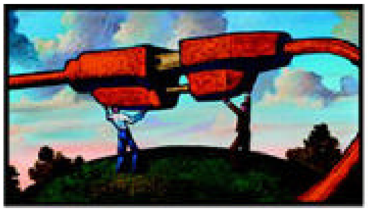

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Overseer's Undercurrent: FERC's New Faces

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The security guards had been alerted ahead of time. They watched us carefully as we gathered the great hallway entrance of the Federal Energy Regulatory Commission. One by one, we empti pockets, paused, then passed through the metal detector to sign in for a numbered visitor's bad Then in several smaller groups, we took elevators to the fifth floor, all the while being monitored suspicious activity.

When a member of the group split off to use a lavatory, I saw one guard silently signal another follow her and watch the door. Can't have any journalists poking around the hallways and cubicl

Such is the mood in Washington, D.C., these days. Concrete barriers surround the Capitol, and uniformed officers seem to outnumber tourists on the now-blocked streets that flank the White House. And what could be more suspicious than a gaggle of reporters?

I was helping to shepherd 30 energy-beat reporters and business editors who had traveled from across the land to be part of the "Energy, Cost, and Crisis" seminar sponsored by the Knight Cer for Specialized Journalism. This was the seventh Knight Center program that I've helped plan anc the third visit to FERC made by similar groups over the past five years.

I'll confess right now. I still have a FERC visitor's badge from three years ago when I inadverten turned in my Knight Center name tag instead. I was half worried that my name might appear on some watch list, that I'd be discovered and taken aside for extra security precautions.

My paranoia aside, FERC's media staff (every single one of whom shadowed our movements thro the building) had gone out of their way to arrange this tour of the Market Monitoring Room (MMI Staff also introduced us to each of the five commissioners, including three newly appointed members.

Federal regulators were presented to us individually; commissioners Suedeen Kelly, Jon Wellingh and Marc Spitzer joined us in the MMR for a few minutes each. We then were herded off to a nearby conference room to meet with agency chair Joe Kelliher and commissioner Phil Moeller.

Circuit readers know that Wellinghoff (Nevada), Spitzer (Arizona), and Moeller (Washington Stat by way of D.C.) are the newest faces on the commission, and that together with Kelly (New Mexico) they represent an unprecedented Western majority on the FERC panel. This has becom something of a running joke among the regulators and a source of speculation about "what it all means" among the Knight Fellows. Most of them came from places like Dallas, St. Louis, and Lexington, and never had much reason to even consider FERC in their local coverage of utility ra and gasoline price hikes.

"Is this some form of political payback by President Bush?" one reporter asked. "Does this mean FERC will finally make sure that refunds are paid to Western utilities from the power crisis?" quer another.

"No" and "No comment; that's a pending matter" are about the two least-welcomed responses t one can give to a reporter, but FERC members graciously tap-danced around an answer. "We're hired to look after the national interest," said Moeller. "But you bring with you the knowledge of where you've been and what you've done."

They were more forthcoming when asked about substantive matters, like FERC's new powers for market enforcement and liquefied natural gas siting.

Yet I didn't hear any real news during my courtesy visits until Kelliher said, "FERC is poised to ta some market enforcement actions in the near future" (see "Undercurrent" in Circuit, July 7, 2006

Unlike my media colleagues, I've known each of the FERC members, except Kelliher, for several years as a result of covering the Western energy scene. Anyone from the West already understands that the Northwest's energy interests are distinct from those of the Southwest, an that Nevada is quite a different market than New Mexico or Arizona, despite the fact that we ar part of one big interconnected grid.

As a mentor, I was especially keen on making sure the Knight group was able to meet the regulators to get a sense of how their individual personalities may meld (or not) to offer fresh perspectives on both the big issues and the minutiae that they will be dealing with at FERC.

Here are some observations about the newest members of FERC and what each brings to the jol

As apparently laid-back as Jon Wellinghoff is in conversation, he is in a hurry to make some mark the agency. "I only have 22 months left," he is fond of saying even though he has barely arrivec fill out an unexpired term. His priorities will include raising FERC's consciousness about renewable resources, distributed resources, demand-response technologies, and combined heat and power Equally foreign may be Wellinghoff's background as a consumer advocate in an agency that has much of the past two decades been run by market-oriented deregulators. "I'm not saying marke aren't good for consumers," he told our group. "I've learned that if everybody gets to play, and we give equal access, then markets could be good for consumers, if there's adequate monitoring the markets."

"I'm inspired particularly by transmission," said Phil Moeller, citing the well-documented lack of infrastructure investment. This is familiar territory to Moeller, who has worked as a staffer for former Washington state senator Slade Gorton, as well as for Calpine and Alliant Energy. He'll als be devoting time to the hydroelectric relicensing cases that are currently flooding FERC's docke Of concern is the now-immense power of federal resource agencies to impose conditions on licer and other requirements tacked onto settlements. "There's talk of a new policy on settlements," said. It's become common that hydro settlements include "things that may or may not be relate our jurisdiction." In any event, "We'll be taking a fresh look at hydro," Moeller promised.

Marc Spitzer declares himself a former politician, but he still gives a pretty good stump speech about Western populism that he practiced while running for a seat on the Arizona Corporation Commission. Though a free-market Republican, Spitzer was a deciding vote when Arizona pulled back from its restructuring policies as a result of the California market meltdown. He professes sympathy for others who were adversely affected by the crisis. "People in the Northwest are stil very upset and angry, and we need to channel that anger," he said. When asked whether he wo support reregulating retail markets, his "states' rights" colors glowed. "I don't think it's the feder government's role to decide if Ohio or other states should have retail competition," he said. "Tha should be up to the states to decide."

While I also have thoughts about Joe Kelliher and Suedeen Kelly, I've run out of room to express them. I will say that I think this is the most diverse FERC panel I've encountered during my year reporting about this once-obscure federal agency. But it may also prove to have the most relev body of experience for dealing with the issues we'll be facing in the next few years.

How they all work together is something we'll have to wait and see - the first meeting of the ne
FERC will be next Thursday, September 21.

Wellinghoff told me he might bring a working scale-model of a Stirling heat-recovery engine to illustrate his interest in bringing the next generation of energy technologies into the markets gui
by FERC.

Arthur O'Donnell