

Energy Insider Interview Series

Questions for Robert F. Powelson

NARUC President & Commissioner, PA Public Utility Commission



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Kim Pizzigrilli is co-chair of the firm's State Government Relations Practice Group. Before joining Buchanan, she spent more than 28 years in state government, with 15 years at executive level positions including as Commissioner on the Pennsylvania Public Utility Commission and as Secretary of the Commonwealth, where she was responsible for the Department of State. Before that, she served the Department of State as Deputy Secretary for Regulatory Programs and began her career in state government with the Pennsylvania Treasury Department and then spent seven years with the Independent Regulatory Review Commission.

1. You were elected as President of the National Association of Regulatory Utility Commissioners (NARUC) back in November. What have you established as goals for your term as President and what will NARUC be focusing on in 2017?

The theme I selected for my NARUC Presidency is *"Infrastructure, Innovation, and Investment: Driving the Future of Regulation."* My main objective with this theme is to examine some of the critical issues facing our regulatory community so that NARUC can stay ahead of the curve when it comes to preparing for the future.

One of my key priorities is to have a broader conversation around modern utility infrastructure investment. The need for infrastructure investment is present in all utility sectors. With the advent of smart meters and increased reliance on renewables, the electric grid is evolving into something that will require intense capital investments over the next decade, as well as forward-thinking regulatory policies to support it. In the natural gas industry, the tragic events in San Bruno, Allentown, and Manhattan remind us how important it is to modernize and replace aging natural gas pipes. Additionally, the situation in Flint, Michigan highlights the need to ensure that our drinking water systems are up-to-date.

The good news is that President Trump has announced a \$1 trillion infrastructure plan that will help drive this conversation. As the NARUC community, it is our responsibility to ensure that Congress and other key stakeholders understand that utility infrastructure should be a part of any investment package.

Ensuring that our nation's utilities have well-maintained and resilient infrastructure is not only important for safety and reliability reasons, but it also critical for a strong national economy. State utility commissions are at the epicenter of this issue because regulators are uniquely positioned to provide the proper signals to encourage investment infrastructure at the generation, transmission and distribution levels.

Innovation is also part of my theme because as we upgrade and invest in our nation's utility infrastructure, there are endless opportunities for innovation both in front and behind the meter. Although you cannot regulate innovation, regulators need to know how to embrace it, or risk becoming a regulatory dinosaur. If harnessed correctly, innovation in the utility industry can not only improve the customer experience by making a safer and more reliable system, but also save energy and result in utility service that is more productive and efficient.

That is why I have chosen *Infrastructure, Innovation, and Investment* as my theme. Tackling these issues is an ambitious goal, but I am confident that with the collaboration and partnership of the NARUC members, we will successfully execute this vision. To date, the agenda is off to a great start with the Congressional leaders and the White House, so hopefully there will be more good news on the horizon.

2. As President, you recently led the February NARUC Winter Meeting in Washington, D.C. which had record attendance. What was the focus of the panels specifically relating to the energy industry, natural gas and electric markets?

We had a very successful February NARUC meeting, which saw record attendance of more than 1,600 registrants. Notable panels included a kickoff general session featuring Congressman Greg Walden, chair of the U.S. House Energy and Commerce Committee, who rolled out his agenda for the coming year. Also, Acting Chair of the Federal Energy Regulatory Commission, Cheryl LaFleur, answered questions about her views on grid security, markets, and pipeline siting. Acting Chair LaFleur was also very proud to showcase her New England Patriots Super Bowl jersey at the meeting. Finally, Congressman Bill Shuster, Chairman of the U.S. House Transportation and Infrastructure Committee, outlined priorities for addressing infrastructure issues and transportation matters. We were pleased to have Chairman Shuster in attendance because he played a key role in helping NARUC with our amendments to the 2016 Safe Pipes Act.

My theme, of Infrastructure, Innovation, and Investment, was reflected in the discussion topics of many sessions throughout the February meeting. For example, Monday's General Session panel was entitled "21st Century Utilities: The Role of Infrastructure, Innovation, and Investment," and featured speakers from the electric, water, natural gas, and telecommunications industries.

3. As President of NARUC, you are balancing the needs of 50 states, District of Columbia, Puerto Rico and the Virgin Islands which all have very different priorities. But you're coming from Pennsylvania which has a very diverse energy fuel mix. Has this provided you with an advantage as you work to lead NARUC?

Absolutely! Coming from a diverse energy production state, I have a great appreciation for the role that the energy industry has on my state's economy. I certainly saw firsthand how the natural gas industry can transform a state's economic competitiveness. The Commonwealth of Pennsylvania, which is now the second largest gas production state in the nation, has seen a modern day economic renaissance take place thanks to the Marcellus Shale. Pennsylvania has also seen great successes with our competitive electricity markets, where customers now have access to more innovative product offerings and greater choices with respect to the generation of their electricity.

However, the diversification of the energy industry is not just a Pennsylvania phenomenon. It is the new 21st century energy landscape here in America. Just consider these facts for a moment: energy productivity in the U.S. has increased 10 percent from 2011 to 2016; wind and solar capacity has increased over 600 percent since 2007; and natural gas is now contributing close to 35 percent of the electricity mix in the U.S. This is happening across the 50 state compact and

will continue to drive real GDP growth and job creation, which is a win-win-win in my book.

An awareness of the importance of fuel diversity has helped me in my role as NARUC president. While there are certainly a lot of competing ideas and interests among NARUC members, the meetings are a chance for regulators to share best practices and lessons learned and to inform others on how to tackle similar issues. NARUC has always been a non-partisan, collaborative organization and one that is bonded by our shared values of ensuring that utilities provide safe, reliable, and affordable utility service. So in that respect, it has been easy to find common ground amongst member states.

4. You took office right after the Presidential election and so your term is unique in that it will span parts of two different administrations. What kind of challenges or opportunities has that situation presented? Any insight into the future of the Clean Power Plan?

The fact that my Presidency has spanned two Administrations has presented a great opportunity for NARUC. As an association, we were able to be fully engaged from the beginning of a new Presidency and had the opportunity to outline to the Trump Administration our issues and priorities. Fortunately one of NARUC's major priorities – investment in infrastructure – aligns well with the President's goals. We are also hopeful that the new Presidency will open the door to a renewed relationship with key federal agencies, such as the Environmental Protection Agency (EPA) and Pipeline and Hazardous Materials Safety Administration (PHMSA). In my view, this is long overdue and I am personally happy to see leaders, such as former Texas Governor Rick Perry, being selected to run key energy agencies, like the Department of Energy.

With respect to the Clean Power Plan (CPP), President Trump made it clear when he signed the Executive Order last week that the directive was for the EPA to dismantle the plan. The turbulence that the CPP created within the states was another example of the disconnect between the EPA and NARUC on this important issue. Going forward, NARUC's role will be one of a convener of state views. NARUC also aims to continue its cooperative working relationship with the EPA and other key federal stakeholders. However, there is a lot of fatigue associated with how the EPA rolled out and presented the CPP to the states. Some argue that between the CPP and the EPA's Waters of the United States (WOTUS) rulemaking, there were a lot of missteps by the EPA in adopting the rules without proper input from the states. With the new Administration, we are hoping to see some positive changes in that respect, as well as increased investment in clean technologies such as market-based renewables, clean coal, battery storage, and new nuclear investments in small modular reactors.

5. One objective that the Trump administration has stressed is a heavy investment in infrastructure. While details of a plan are still being worked out, are you encouraged by the general position the President is taking on this issue and what it could mean for the states?

Without a doubt, I am encouraged by the President's commitment to invest in our nation's aging infrastructure. Let's face it, for the past 30 years the U.S. has lacked a coherent national energy policy, and one consequence is that the nation's utility infrastructure has not gotten the attention it needs. This is a problem because I think we would all agree that no modern nation has ever achieved economic prosperity or a high quality of life without adequate investment in infrastructure.

It is projected that by the year 2030, annual requirements for spending on electricity, roads, rail, telecommunications and water will average 3.5% of global GDP. In the electric sector alone in the U.S., we are looking at \$3 trillion in spending requirements over the next decade. In the water sector, that number is upwards of \$1 trillion by 2035. Our competitors (like China and India) are spending almost 10% of their GDP on infrastructure improvements, while the U.S. lags behind at less than 2 percent currently.

It is clear that encouraging sound financial investment in our nation's utility infrastructure is an important issue, which is why it is a central theme of my NARUC presidency. The utility sector must be a key player in this conversation to ensure that the focus is not only on highways, bridges, and airports. At this year's NARUC meetings, I am encouraging committees embrace the theme of infrastructure investment and to start the conversation on this important topic.

6. The Executive Committee of NARUC has established new work groups of Commissioners to advance innovation and connect military personnel to job opportunities. Can you discuss the goals of both of these working groups and how they may impact the energy industry?

One of my first action-items as NARUC President was to create two new Task Forces. The first is a Task Force on Military Workforce Development, which will be Chaired by Commissioner Judith W. Jagdmann of the Virginia Corporation Commission. The Military Task Force will examine best practices for hiring veterans in utility work. This partnership has the potential to benefit everyone. Our nation's utility workforce is aging and we need to make sure utilities are prepared and that the new generation is ready to take on the challenges of the future. Investing in people – in the brain trust that will carry us forward to the next generation – is an essential investment that cannot be overlooked. Rather than being reactionary on this, I want NARUC to be a proactive

force in helping utilities address their aging workforce issue. There are many ways to get at this issue, one of which is to encourage utilities to partner with and hire our nation's veterans. Many veterans have skills that translate well into utility work, and tapping into that resource would be a win-win for all involved. I'm also excited to see the support coming from organized labor, the utility industry, as well as a number of our workforce training resources to support this important Task Force initiative.

The second new NARUC Task Force will focus on innovation under the leadership of Chairman Brien Sheahan of the Illinois Commerce Commission. In creating this Task Force, my goal was to encourage NARUC members to embrace the abundance of new technology that is available in the utility sector. With all of the innovation and creative thinking taking place in the utility arena today – from increased data analytics, to cloud based software, to new forms of energy storage – NARUC is the perfect place to examine these trends and determine which ones have longevity and should be pursued. Over the next year, NARUC will focus on bringing the thought-leaders in technology to NARUC and showcasing some of the newest technologies in the utility realm. The Task Force on Innovation will also develop criteria for a NARUC Innovation Award. The criteria for this award will be announced at the July 2017 committee meetings, along with an invitation for nominations. Based on the turnout at the winter meeting in Washington, D.C., this taskforce is off to a fabulous start and there is a lot of excitement heading into the summer meeting in San Diego, California.

7. Cyber security is a critical issue for state commissions and utilities -- can you highlight NARUC's efforts to assist the industry in preparing against cyber attacks?

NARUC has been very proactive in addressing cybersecurity issues. In January 2017, NARUC released a third edition of *Cybersecurity for State Regulators*. Produced by NARUC's Research Lab, with funding from the U.S. Department of Energy (DOE), the primer has become an indispensable manual for state public utility commissions. Since its first release in 2012, many state commissions have used the primer to engage with utilities using a series of sample questions to explore how utilities are making prudent investments in cyber-preparedness. This primer is important to regulators because it serves as a practical guide for state commissions to engage proactively and strategically with regulated industries.

In conjunction with the release of previous editions of the primer, NARUC's Research Lab provided more than 60 cybersecurity training sessions to regulators across North America. For this edition, NARUC will partner with the DOE to roll out new online and on-site training sessions to every U.S.

state in 2017 and 2018. So although cybersecurity is a big issue for states to tackle, I am proud that NARUC has been a proactive partner in helping regulators get at this problem.

We are fortunate to have Richard Mroz, the President of the New Jersey Board of Public Utilities, leading our Critical Infrastructure Committee effort, which is driving the discussion on cyber security issues for NARUC. President Mroz has been one the key thought leaders on this important topic. I would also be remiss in not mentioning Joseph H. McClelland, the Director of FERC's Office of Energy Infrastructure Security, who has been an invaluable resource for NARUC member states on cybersecurity issues.

8. What opportunities do you see ahead for the energy industry and consumers as we look towards infrastructure improvements, build out of pipelines and new technologies?

We are on the brink of a very exciting time in the energy industry. The way we generate, distribute and transmit power is changing rapidly before our eyes. With the advent of smart meters, battery storage, cloud based computing, and microgrids, the industry is not what it was 20 years ago. However, all of this new technology presents great opportunities for utilities, generators, and most importantly, consumers. In this rapidly changing world, state commissions must be sure that the regulatory framework continues to evolve with the times, and that we never lose sight of the most important goal, which is reliable and affordable utility service. We also have an obligation to ensure that this development takes place with a steadfast commitment to environmental stewardship, safety, and community engagement. Ultimately, before us is the opportunity to develop a new energy reality that is centered around energy independence, grid resiliency, cleaner generation, and world-class utility infrastructure. If we succeed in delivering that value proposition to customers – we will be the generation that got it right for the next one.