



Industrial Energy Consumers of America

The Voice of the Industrial Energy Consumers

1155 15th Street, NW, Suite 500 • Washington, D.C. 20005
Telephone 202-223-1420 • Fax 202-530-0659 • www.ieca-us.org

December 20, 2012

The Honorable Jon Wellinghoff
Chairman
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Dear Chairman Wellinghoff:

There is growing evidence of potential electric reliability and natural gas deliverability issues that stem from coal-fired electric generation unit retirements and natural gas pipeline capacity sufficiency at peak demand. While the North American Electric Reliability Council (NERC) is taking steps to analyze for potential electricity reliability problems nationwide, we do not see action by the Federal Energy Regulatory Commission (FERC) to provide a national analysis of natural gas pipeline sufficiency. This gap in oversight could undermine reliability of both the electric and natural gas markets. And, both of these markets could benefit from FERC guidance on how to accelerate build-out of pipeline infrastructure to meet the accelerating demand from the electric and industrial sectors.

The Industrial Energy Consumers of America (IECA) is a nonpartisan association of leading manufacturing companies with \$1 trillion in annual sales and with more than 1.3 million employees worldwide. Member companies are substantial consumers of natural gas as a fuel and feedstock, natural gas power generation, and crude oil for refineries. IECA membership represents a diverse set of industries including: chemical, plastics, steel, aluminum, paper, food processing, fertilizer, insulation, glass, industrial gases, pharmaceutical, brewing, cement, agricultural equipment, and auto.

The Northeast is already experiencing the natural gas pipeline capacity sufficiency problem and a recent MISO study confirms our concerns. We urge the FERC to quickly assess, monitor and report on the sufficiency of natural gas pipeline capacity at expected new peak demand levels. Such a review could enable the accelerated build-out of pipeline infrastructure needed to avoid reliability problems for both electric generators and industrial facilities. The interruption or curtailment of natural gas deliveries to industrial facilities is both a safety and cost issue. Such interruption can cost each industrial facility tens of millions of dollars per day.

To its credit, in 2012, the FERC opened a docket (AD12-12) for comment and held regional meetings concerning natural gas and electricity market coordination. FERC recently issued a relevant staff report on November 15, 2012 and announced a technical conference on industry communications and scheduling. The North American Electricity Reliability Corporation (NERC) also recently released its 2012 Long-Term Reliability Assessment on November 29, 2012. Soon a NERC report is due on Natural Gas and Electricity Interdependency. Through these organizations and their relevant processes and reports, manufacturers have a growing concern about electricity and natural gas reliability over the near- and mid-term (i.e., next 6 years).

In support of these concerns, IECA cites the Midwest ISO natural gas pipeline sufficiency study dated July 6, 2012. In that study, 65% of the pipelines in that region are deemed to have insufficient capacity to meet expected coal-fired generation unit retirements with natural gas generation over the next 5 to 6 years. The reason is that the timeline for Utility MAT implementation is far shorter than the time necessary to build additional natural gas pipeline capacity to meet the rising demand for natural gas-fired generation. Since a large proportion of gas supply presently goes to industrial demand in that region, there is concern that industrial gas use will be interrupted or curtailed. Additionally, electricity reliability is at risk.

Manufacturers in other organized markets have reason for concern as well. Recently PJM, NYISO and the ISO-NE, have undertaken an effort to study gas pipeline sufficiency. But that effort appears to be well behind MISO. One major pipeline in the Mid Atlantic (NiSource) recently made a presentation indicating little or no additional capacity for gas-fired generation on its system. Notably, all gas pipeline sufficiency studies are focused only on electricity reliability.

The industrial sector is a major stakeholder on these important issues, consuming one fourth of U.S. electricity and one-third of the natural gas. We respectfully request FERC to take additional steps to safeguard reliability and ensure that the industrial sector concerns are considered in all studies and evaluations. We look forward to working with you.

Sincerely,

Paul N. Cicio
President

cc: The Honorable Philip D. Moeller
The Honorable John R. Norris
The Honorable Cheryl A. LaFleur
The Honorable Tony Clark
The Honorable Lisa Jackson
The Honorable Ron Wyden
The Honorable Lisa Murkowski
The Honorable Barbara Boxer
The Honorable David Vitter
The Honorable Fred Upton
The Honorable Henry Waxman