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October 5, 2017

Chairman Neil Chatterjee
Commissioner Cheryl A. LaFleur
Commissioner Robert F. Powelson
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

RE: Grid Reliability and Resilience Pricing, Docket No. RM18-1-000

Dear Chairman Chatterjee, Commissioner LaFleur, and Commissioner Powelson,

As you may be aware, on April 14, 2017, I sent a letter to President Trump encouraging him to direct the Department of Energy to examine the reliability and resilience of our nation's electric grid in the face of ongoing coal-fired and nuclear baseload generation retirements. I was encouraged by the staff report which Secretary Perry released on August 23, 2017, as well as the subsequent notice of proposed rulemaking (NOPR) which the Secretary issued under Section 403 of the Department of Energy Act on September 29, 2017.

West Virginia has a longstanding history of being a net energy exporter. It remains the second highest coal-producing state in the nation. I believe that West Virginia's contributions to the energy security of our nation are significant and must be preserved for the sake of reliability and resilience. However, in recent years, a perfect storm of factors have led to coal-fired baseload power plants from being unable to compete in regional electric markets, particularly deregulated or competitive markets. Those factors include:

- Significant regulatory burdens;
- Market rules that disadvantage traditional baseload resources;
- The onset of the shale revolution and resulting low natural gas prices; and
- Multiple state and federal subsidies and mandates that lend themselves to negative bidding in these markets.

Coal-fired and nuclear retirements continue and the specter of the Polar Vortex of 2014 remains. As DOE notes in its NOPR, in order to keep the lights on during that extreme cold weather event, one utility reported running 89% of its coal-fired units that were slated for retirement and a second utility reported running 75% of its plants scheduled for closure.

Furthermore, in December of 2016, the North American Electric Reliability council (NERC) issued a white paper on "essential reliability services" in response to the immense changes to the bulk power system (BPS) in recent years. NERC notes that "the rate of this transformation in certain areas is impacting planning and operation of the BPS… These changes in the generation resource mix and technologies are altering the operational characteristics of the grid and will challenge system planners to maintain reliability, thereby raising issues that need to be further

examined." NERC goes on to state that "Maintaining reliability is embodied in the predictability, controllability, and responsiveness of the resource mix." Coal-fired and nuclear units offer that predictability. These units provide voltage support, frequency services, and months of on-site fuel resources. These units are, therefore, fuel secure and more resilient to extreme weather events and cyberattacks.

As you undertake this rulemaking within your statutory obligations under section 205 and 206 of the Federal Power Act to ensure just and reasonable rates, I encourage you to ensure that coal-fired and nuclear baseload units, which make our electric delivery system more resilient and provide essential reliability services, are appropriately valued and compensated for their beneficial attributes.

Careful consideration of these challenges is critical to the economy and security of the country and of my home state of West Virginia. I am happy to discuss this matter further and appreciate your consideration.

Regards,

Joe Manchin III
United States Senator

Cc: The Honorable Rick Perry