

## Testimony



**STATEMENT OF GOV. JOHN  
HOEVEN  
BEFORE THE COMMITTEE ON  
GOVERNMENTAL AFFAIRS  
UNITED STATES SENATE  
ON  
THE ROLE OF THE FEDERAL  
ENERGY REGULATORY  
COMMISSION ASSOCIATED  
WITH THE RESTRUCTURING OF  
ENERGY INDUSTRIES**

Mr. Chairman, thank you for holding this hearing today. I want to thank you and the other members of this Committee for the opportunity to testify. My comments today will focus on the President's leadership in setting the right direction for energy policy. His plan calls for a market-based approach that will stimulate supply, promote conservation, and enable North Dakota and other states to meet the

country's energy needs.

North Dakota exports 75 percent of the electricity generated in our state. We are encouraging the construction of new and efficient generation and the development of environmentally friendly, renewable energy. We have also developed one of only two coal gasification plants in the world.

This diverse and growing energy portfolio will serve North Dakota's needs for a long time into the future, while allowing our excess energy to be exported and help serve other parts of the country. North Dakota is also one of the lowest cost energy producing states in the nation – utilizing coal, natural gas and hydro – a fact we are proud of.

In North Dakota, we have worked hard to ensure we have enough electricity to meet the needs of our consumers and businesses. Our citizens recognize that you cannot maintain economic growth if you lack the electricity infrastructure needed to

encourage economic development and continued growth. We also see energy generation as an important job creator for our state's economy while helping to meet a national need.

In order to assure economic growth, our state has a partnership called *VISION 21*, investing \$ 10 million with any companies that undertake feasibility studies for new clean coal generation plants. This program will seek to access the Clean Coal Program in the Presidents energy policy, if it is authorized by Congress, creating a federal, state, private sector partnership.

For America to move forward and ensure our energy independence, our federal government must utilize market-based policies that will encourage new and efficient infrastructure. We must stimulate private investment in new generation and transmission in order to develop a vibrant regional wholesale market. To do this, I believe the federal government has two roles. One is

leadership and the other is to provide market and regulatory certainty.

### The Need for Leadership

President Bush and Vice-President Cheney have shown our nation the leadership necessary to ensure our future energy independence.

President Bush has developed a long-term national energy policy, while also directing his administration to take steps that can help address short-term problems, like that of the California energy crisis

The President's initiatives to help solve the California energy crisis, include:

Two days after taking office, the Bush Administration extended emergency orders, giving the State time to enact legislation authorizing it to buy power on behalf of Californians.

A month after taking office, the President issued an executive order directing Federal agencies to expedite

permits needed to increase electricity supply in California.

In order to reduce demand, the President issued an executive order directing Federal facilities in California to maximize conservation this summer.

At the Governor's request, Secretary Abraham asked FERC to extend a waiver for qualifying facilities from PURPA fuel requirements, a request that FERC granted.

Four months after taking office, the Administration took the first step towards removing a transmission constraint that has caused repeated blackouts.

For our long-term energy independence the President developed and released the administration's National Energy Policy. Not all of the recommendations are popular, but they all should be considered as part of a comprehensive national energy

strategy. America cannot depend on other countries to meet our energy needs.

### Regulatory Certainty

In order for new investment to begin in some parts of the country and continue in others, we must ensure that there is regulatory certainty at both the state and federal levels.

State legislative and executive agencies must show that they can assure the investment community that rules will be set and followed in an expeditious manner. We must ensure that agencies will make tough decisions, however unpopular, that benefit the good of the entire state and region.

The federal government, both the Congress and the executive branch, must move expeditiously to change the laws and promulgate the rules necessary to move our energy and electric industries forward. The Congress must quickly decide what

laws need to be repealed and modified to ensure a vibrant and efficient market.

The FERC, EPA, Interior and other agencies must implement sound, market-based rules and enforce them to ensure that market participants are playing fair while not gaming the system. The FERC took a step in that direction on Monday. It remains to be seen if that order will work as designed, but we do know that all of their orders and rules must encourage new investment in electricity generation and transmission. Development of new transmission will require a reasonable return on investment and reasonable access to the infrastructure.

### Closing

Given the right type of federal and state regulatory environment, private industry will make the large investments and long-term commitments necessary to build our energy generation and transmission infrastructure.

President Bush has provided a roadmap for the federal government's role, a market-based approach that will help states provide industry with the regulatory certainty needed to move forward.

Though there will continue to be bumps in the road, we are already making progress. The challenges are great, but by working together I am confident we can develop dependable, affordable, and environmentally sound energy for the future.

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