

To: Jackson, Ryan[jackson.ryan@epa.gov]
From: Morning Energy
Sent: Fri 11/3/2017 2:03:53 PM
Subject: POLITICO's Morning Energy: Murray benefits big league under Perry grid plan — Oil's big tax bill win — FERC back at full strength after Senate confirmations — Lamar Smith announces retirement

By Anthony Adragna | 11/03/2017 10:00 AM EDT

With help from Ben Lefebvre, Darius Dixon, Nick Juliano and Esther Whieldon

ONE REALLY BIG FAN OF PERRY'S PUSH: Energy Secretary Rick Perry's push to require power markets to cover the costs to run coal and nuclear plants that are being squeezed economically has earned a powerful supporter in President Donald Trump's orbit in the form of coal magnate Bob Murray, Pro's Darius Dixon and Eric Wolff [report](#). The proposal, which must be approved by FERC, would be mostly limited to plants in a stretch of the Midwest and Northeast where Murray's mining company, Murray Energy, is the predominant supplier. One stretch of the Rust Belt and Appalachia, overseen by an electricity market called the PJM Interconnection, accounts for roughly 44 percent of Murray's sales and Perry's rule was "certainly targeted at the PJM region," said Andy Ott, CEO of PJM.

An unlikely group of allies that includes environmental groups, the natural gas, wind and solar industries and the American Petroleum Institute has vocally opposed Perry's plan. "Customers get less than nothing while a few companies and their investors get a whole lot of something," Nora Mead Brownell, a Republican former electricity regulator, said of Perry's plan. "Money that gets spent there doesn't get invested in doing what you really need to do, which is upgrading the grid." Perry argues his proposal is an effort to ensure that the power network can withstand threats like terrorist attacks or severe weather.

Among the nation's roughly 280,000 megawatts of coal-fired power, Perry's rule is tightly written to affect only about 40,000 megawatts, according to POLITICO's analysis. Murray Energy acknowledged in written comments it has a "vital and critical interest" in whether the plan flies. "Given the current threats to those resources, Murray Energy, along with other coal producers and related industries ... is threatened with bankruptcy and significant economic harm if those resources are forced out of the market by unreasonable and unsupportable market pricing mechanisms," it wrote. Since Trump's swearing-in, Murray has made personal pleas for help in face-to-face meetings with Trump and DOE officials, including Perry and Brian McCormack, Perry's chief of staff.

WELCOME TO FRIDAY! I'm your host Anthony Adragna, and your state attorneys general turned senators are: Luther Strange, Sheldon Whitehouse, Tom Udall, John Cornyn, Kamala Harris, Heidi Heitkamp, Richard Blumenthal and Catherine Cortez Masto. For today: It was 60 years ago that the Russians sent the first animal into space. What was she and what was her name? Send your tips, energy gossip and comments to aadragna@politico.com, or follow us on Twitter [@AnthonyAdragna](#), [@Morning_Energy](#) and [@POLITICOPro](#).

FOR YOUR AFTERNOON RADAR: Three major scientific reports acknowledging manmade climate change are expected to be released today by the Trump administration, Pro's Emily

Holden reports. They include: two volumes of the National Climate Assessment and a draft of the State of the Carbon Cycle Report. The documents will go against numerous public statements by Trump Cabinet officials refusing to accept mainstream climate science.

OIL'S TAX WIN: Along with keeping most of their existing incentives, multinational oil companies won a new tax break that would cost the government nearly \$3.9 billion over the next decade in the latest GOP tax proposal. The House bill's elimination of a tax on "foreign base company oil related income" received relatively little attention in the initial flurry of tax-bill coverage Thursday, and it caught even some seasoned policy-watchers off guard. The tax typically applies to income from refineries, pipelines and other assets near multinational oil companies' overseas operations, according to a research note from ClearView Energy Partners. The industry has long complained that it is being treated unfairly compared to other types of industries, such as manufacturing. "FBCORI surprised us, but it appears to reinforce the pro-fossil bent of House Republican leadership," ClearView analysts wrote Thursday night.

Two thumbs up: The oil industry also loves the 20 percent corporate rate outlined in the proposal and is happy to see no changes to two provisions that favor its high-capital, low-operating-cost business model (the intangible drilling cost deduction and well depletion allowance, for those paying attention at home). Meanwhile, a pair of credits/deductions the House plan does jettison won't shave too much off the bottom line for most companies, industry folks tell ME. In a statement, API President Jack Gerard said "significant proposals, like lowering the corporate tax rate and strong cost-recovery provisions, will help ensure that our tax system is smart, fair and pro-growth to benefit American consumers, businesses, and the economy."

Horse-trading ahead: Release of the House bill is a starting point for tough negotiations in the weeks and months to come, in which energy provisions will, admittedly, play a relatively minor role. One House idea already encountering headwinds from the upper chamber is the proposal to slash the value of the production tax credit. "The wind energy production tax credit is already being phased out under a compromise brokered in 2015. It shouldn't be re-opened," Sen. Chuck Grassley said in a statement. "I'm working within the Senate Finance Committee to see that the commitment made to a multi-year phase-out remains intact."

FULL HOUSE: For the first time in more than two years, when Phil Moeller left the agency, FERC is on the path to having all five leadership seats filed again. Kevin McIntyre, President Donald Trump's pick to lead the agency, and Democratic commissioner Rich Glick, were confirmed Thursday afternoon. The pair still need to be officially sworn in to seal the deal, but they're both locals so we expect them to take the oath pretty soon. McIntyre and Glick have terms running through 2023 and 2022, respectively.

The hot potato: FERC Chairman Neil Chatterjee passes the baton. During Kentucky native's brief tenure in the agency's center seat, Perry lobbed - as former FERC Chairman Pat Wood has called it - "a scud missile of the NOPR" at regulators, directing them to act on a controversial plan to prop up coal and nuclear power plants. FERC is taking reply comments through Tuesday, and the agency is expected to stick to the Dec. 11 deadline to take some "final action." Given the particularly political lens FERC has been seen through over the past few months, FERC World

will also be trying to read between the lines of McIntyre's staffing decisions and how he addresses the agency's independence.

Filling out DOE: The Senate sent Perry a few extra hands to run the Energy Department. Paul Dabbar and Mark Menezes were confirmed as undersecretaries of science and energy, respectively. Steven Winberg, Trump's pick to lead the agency's fossil energy office, also got a thumbs-up from lawmakers.

Attractions yet to come: William Wehrum's nomination to run EPA's air office may get a Senate floor vote as soon as next week after Senate Majority Leader [Mitch McConnell](#) filed cloture Thursday, Pro's Alex Guillén [reports](#).

Oh, and: Trump announced late Thursday his nomination of Linda Capuano, a fellow at Rice University's Baker Institute for Public Policy's Center for Energy Studies, to run the Energy Information Administration. She's previously been a vice president at both Marathon Oil Co. and Advanced Energy Industries. Biography [here](#).

SCIENCE CHAIRMAN CALLS IT QUILTS: Noting his House Science chairmanship runs out next year, [Lamar Smith](#) [announced](#) his retirement Thursday. Since ascending to the top of the science panel in 2013, the controversial Texan has [tussled](#) with academics, scientific organizations and government regulators, with Obama-era figures from the National Science Foundation, EPA and DOE among those who ended up in his crosshairs. The vocal climate science skeptic undermined the Obama administration's efforts to address climate change and elevated the minority of scientists who question that human activity drives the problem to equal footing as others. Pro's Darius Dixon has more [here](#).

Smith's take: "The time is the right time. No regrets. Well, I should quote Frank Sinatra in 'My Way' where he said 'regrets I have a few but too few to mention,'" he told reporters.

Science organizations and green groups welcome his exit: Andrew Rosenberg with the Union of Concerned Scientists expressed hope his exit would allow the science community to rebuild its relationship with Congress. "I hope that the next representative to serve as chair will return this committee to its intended purpose-strengthening America's scientific enterprise, providing thoughtful and constructive oversight of federal policy and protecting the health and safety of the people Congress is supposed to serve," he said.

Who might the next chairman be? Current Vice Chairman [Frank Lucas](#) didn't rule out a bid to succeed Smith but noted Financial Services Chairman [Jeb Hensarling](#) is also departing Congress. "Life's all about options, right?" he quipped to reporters.

IT'S LAW: Trump signed into law legislation [S. 190 \(115\)](#) that exempts certain equipment that needs to remain on at all times from energy use restrictions for an additional six years.

STOP ME IF YOU'VE HEARD THIS BEFORE: Two corn-state Republican EPW senators - [Deb Fischer](#) and [Joni Ernst](#) - are publicly undecided about Kathleen Hartnett White's nomination to run the White House Council on Environmental Quality after meeting with her over past

critical comments toward the Renewable Fuel Standard. "I am withholding judgement right now," Fischer told reporters Thursday. A spokeswoman for Ernst said she plans to ask additional questions on White's views at her Nov. 8 confirmation hearing. Remember: Just one Republican defection sinks a nomination in the tightly divided EPW panel.

What has White said about the RFS? She has been far more vocally opposed than even Bill Wehrum, whose selection to run the air office was briefly delayed over the issue. Back in July 2013, she wrote: "It is time to repeal the renewable fuel standard - not to expand or entrench this market distortion." White also wrote its importance to the Iowa presidential caucuses explains the durability of the "counterproductive and ethically dubious" RFS in her book. She's repeatedly argued biofuels are creating a "global food crisis" and urged Congress to end the program's "destructive food-as-fuel folly."

Fears of a repeat from some: Jim Inhofe told ME "there's reason to suspect" the bloc of biofuels backers might withhold support for White over her RFS stance and called their efforts to impede the Wehrum nomination "a little extreme." But Chairman John Barrasso, as always, projected confidence when asked if he worried they'd derail the confirmation process: "I'm committed to the president's nominees and we're going to go ahead with the hearing next week."

WITH SOME HELP FROM HIS FRIENDS: In the 24 hours before he sent his hotly anticipated national monument report to the White House, Interior Secretary Ryan Zinke called just one non-GOP lawmaker - Maine Independent Sen. Angus King, Pro's Esther Whieldon reports, citing copies of Zinke's August and September calendars. Among those he called on Aug. 23 were Sens. Orrin Hatch, Dean Heller and Murkowski, Reps. Rob Bishop and Greg Walden, and the Republican governors of Utah, Maine and New Mexico.

Speaking of which, six green groups are suing Interior and the White House Council on Environmental Quality for copies of Zinke's national monuments report and related review records. The suit, filed Thursday by Earthjustice on behalf of the Sierra Club, Natural Resources Defense Council, The Wilderness Society and three other groups, say the agency has not responded to their public records requests.

MORE QUESTIONS ON WHITEFISH: Senate Homeland Security ranking member Claire McCaskill released a set of letters to FEMA, the Army Corps of Engineers and Whitefish Energy seeking additional information on the now-cancelled grid restoration contract. Among other things, she alleges the Puerto Rican utility may have already used FEMA funds to pay Whitefish, notes the Army Corps also considered using the tiny Montana-based company and questions a similar \$200 million contract with Oklahoma-based Cobra Acquisitions.

9/11 invoked in EPA's Puerto Rican response: New York Rep. Jerry Nadler slammed EPA's assurances that drinking water around Superfund sites in Puerto Rico is safe to drink as "eerily similar" to the agency's response following the 9/11 terrorist attacks. "This is exactly what we got from EPA after 9/11... and thousands of people are sick and hundreds of people are dead because [air quality levels] weren't fine. And that's why I'm skeptical," he said. Video here.

MAIL CALL! GET SERIOUS ABOUT TRANSPORTATION-RELATED EMISSIONS:

The New England Power Generators Association, along with several environmental and science groups, asked four governors - Massachusetts' Charlie Baker, Connecticut's Dan Malloy, Rhode Island's Gina Raimondo and Vermont's Phi Scott - to develop and implement a "regional, market-based policy" to address greenhouse gas emissions from the transportation sector. Letter link [here](#).

Waiver please? Pennsylvania Gov. Tom Wolf asked Pruitt in a [letter](#) Thursday to waiver RFS volume requirements. "I request that you reduce the 2017 and 2018 volumes to a level that avoids the severe economic harm experienced by the Northeast region of the United States as a result of the high costs of purchasing RINs to comply with the RFS," he wrote.

Higher park fees? Please no! Ninety House Democrats, led by Arizona's [Tom O'Halleran](#), sent Zinke a [letter](#) Thursday urging him not to follow through with plans to raise entrance fees to 17 national parks. "Raising the entrance fees to these popular destinations will make our public lands inaccessible to hardworking families, and it will devastate tribal and rural economies that support tourism," they wrote.

NEW SCIENTIST WHISTLEBLOWER HOTLINE LAUNCHED: 314 Action invited 36,638 government scientists at EPA, NASA and the National Science Foundation to anonymously report examples of science being undermined. Website with more information [here](#).

PRICE SHOCKER! Resources for the Future released a study Thursday finding releases from the Strategic Petroleum Reserve can have substantial effects on oil prices and spreads. Link [here](#).

POINTS FOR HONESTY: Via Rolling Stone's [Matt Laslo](#): "I don't think frankly that you need an EPA period," Rep. [Liz Cheney](#) tells me... "98% of the environmental regulation being done effectively at the state level that's where it ought to be," Cheney continued

WHO'S GRAMIN': Jack Gerard, the president and chief executive of the American Petroleum Institute, has joined Instagram, which the association says makes him the first head of a Washington trade group who's active on the platform. You can check out his Instas of children and the Oval Office [here](#) (h/t POLITICO Influence).

QUICK HITS:

- The Puerto Rico Contract's Lack Of Transparency? It's Not Unusual. [International Business Times](#).

- EPA's Pruitt and staff to attend chemical industry meeting at luxury resort next week. [Washington Post](#).

- Clash emerges over Puerto Rico power restoration. [AP](#).

- Kentucky coal report shows no sustained job rebound so far under Trump. [Lexington Herald-Leader](#).

- US coal's upturn favours open-pit mines in western states. [Financial Times](#).

- Trump Team to Promote Fossil Fuels and Nuclear Power at Bonn Climate Talks. [New York Times](#).

THAT'S ALL FOR ME!

To view online:

<https://www.politico.com/tipsheets/morning-energy/2017/11/03/murray-benefits-big-league-under-perry-grid-plan-223167>

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