RTO Insider
Your Eyes and Ears on the Organized Electric Markets
ISO-NE ■ MISO ■ NYISO ■ PJM ■ SPP

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FERC OKs $1,800 Offer Cap in PJM

By Suzanne Herel

The Federal Energy Regulatory Commission on Friday granted PJM's request to increase the cost-based energy offer cap to $1,800/MWh through March.

"We find that PJM has demonstrated that the current offer cap of $1,000/MWh in PJM is unjust and unreasonable for the winter months," FERC said in its order, which became effective immediately (EL15-31). PJM had requested the Tariff revision go into effect Jan. 9.

Any cost-based offer, regardless of fuel type, will be eligible to set the LMP, the ruling said, rejecting a request by the Independent Market Monitor that it be restricted to natural gas.

"We find that restricting the proposal to natural gas costs alone would be unduly preferential to those sellers whose electricity is from natural gas-fired generation," the order said.

Meanwhile, the commission said, it is "exploring potential improvements to mar-

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Presque Isle Sale Would End SSR Costs, Clear Path for Wisconsin Energy-Integrys Deal

By Chris O'Malley

Electric customers in Michigan's Upper Peninsula would receive a rate cut and Michigan regulators would drop their objections to Wisconsin Energy's acquisition of Integrys Energy Group under an agreement announced by company officials and Michigan Gov. Rick Snyder last week.

Under the deal, Integrys' Wisconsin Public Service Corp. and Wisconsin Energy's We Energies subsidiary would sell their electric

distribution assets serving 28,000 U.P. customers to Upper Peninsula Power Co. for an undisclosed price.

The sale also would include We's 400-MW coal-fired Presque Isle generator, which is operating under a costly system support agreement (SSR) to prevent its retirement. UPPCO said it would "step into" the utilities' existing rates, except that the SSR would be eliminated, likely in July.

If the deal is approved, it would relieve U.P. ratepayers from the estimated $97 million

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Falling Oil Prices, Wind Exports Raise Concerns about SPP Transmission Expansion

By Rich Heidorn Jr.

DALLAS — SPP members last week approved spending $270 million on transmission improvements over the next five years, but not before stakeholders expressed misgivings about the investment — which comes after the RTO spent $1.8 billion on upgrades in 2014.

Several members of the Markets & Operations Policy Committee complained that the spending was benefitting wind exporters rather than internal loads and that the RTO's load projections — driven in part by oil and gas producers — might prove too high.

Members also rescinded approval for a controversial project in the Ozarks in the face of falling demand projections and split one project in two, agreeing to consider generation alternatives to a local voltage problem.

Doubts about Load Projections

Burton Crawford of Kansas City Power and Light declined to

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Also in this issue:

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FERC NEWS

FERC Sets Feb. 19 Deadline on Price Formation Comments

The Federal Energy Regulatory Commission will accept comments until Feb. 19 on price formation in RTO and ISO energy and ancillary services markets.

"With proper price formation, the RTO/ISO would ideally not need to commit any additional resources beyond those resources scheduled economically through the market processes, and load would reduce consumption in response to price signals such that market prices would reflect the value of electricity consumption without the need to curtail load administratively," the commission said in its notice (AD14-14).

"In reality, RTO/ISO energy and ancillary services market outcomes are impacted by a number of technical and operational considerations. … Notwithstanding the foregoing technical limitations and operational realities, the commission believes there may be opportunities for RTOs/ISOs to improve the energy and ancillary service price formation process."

The commission held technical workshops on the subject Sept. 8 (uplift workshop); Oct. 28 (shortage pricing/mitigation workshop) and Dec. 9 (operator actions workshop). (See *PJM Under Scrutiny at FERC Uplift Hearing*.)

The commission's notice solicits questions in 12 categories:

- Offer Caps
- Transparency
- Pricing Fast-Start Resources
- Settlement Intervals
- New Products to Incent Flexibility
- Operating Reserve Zones
- Uplift Allocation
- Market and Modeling Enhancements
- Shortage Prices
- Transient Shortage Events
- Interchange Uncertainty
- Next Steps

FERC Files *EPSA* DR Appeal with Supreme Court

PJM Files Contingency Plan with FERC

The Federal Energy Regulatory Commission yesterday asked the Supreme Court to overturn an appellate court ruling voiding its authority to regulate the rules used by RTOs to pay for demand response, a day after PJM filed a contingency plan for including DR in the upcoming capacity auction.

The 59-page petition for a writ of certiorari, filed by attorneys for FERC and the U.S. Department of Justice, said the D.C. Circuit Court of Appeals erred in its May 23 ruling (*Electric Power Supply Association v. Federal Energy Regulatory Commission*) that FERC lacked authority under the Federal Power Act to issue Order 745. The order requires RTOs to pay DR providers the same way they pay generators in energy markets — through LMPs.

"FERC's conclusion that it has the authority [and the responsibility] to regulate the compensation paid by wholesale-market operators for demand-response commitments — and recouped in the wholesale rate set in the auction markets run by those operators — is the best and indeed only sensible reading of the statutory text," FERC said.

The petition said the Supreme Court should take the case because of the growing importance of demand response.

"Even read most narrowly — as invalidating only FERC's authority to regulate the level of compensation paid by wholesale-market operators to demand-response providers in energy markets — the decision … threatens significant damage to the nation's wholesale-electricity markets," FERC said.

FERC said its regulation of DR participation in wholesale markets "is essential to the commission fulfilling its statutory responsibility to ensure that [wholesale] rates are just and reasonable" and that the *EPSA* ruling also threatens the participation of DR in wholesale capacity markets.

"Because the court concluded categorically that '[d]emand response is part of the retail market,' and determined that the FPA 'unambiguously restricts FERC from regulating the retail market,' its holding throws into serious question whether FERC may review any of the rules established by wholesale-market operators to govern demand-response participation — or perhaps even whether it has authority to permit the participation of demand-response providers in wholesale-electricity markets at all," FERC said.

PJM Filing

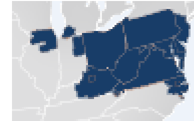
On Wednesday, PJM submitted to FERC its contingency plan to incorporate DR in May's Base Residual Auction if the Supreme Court rejects the petition and allows the ruling to stand (ER15-852).

General Counsel Vince Duane outlined the plan Dec. 18 to the Markets and Reliability Committee. (See *PJM to File Post-EPSA Demand Response Contingency Plan with FERC*.) It would allow a load-serving entity "or other wholesale entity" to submit demand-side bids — "wholesale load reductions" — causing PJM to procure less capacity in the BRA.

PJM requested a response from FERC by April 1. If the court agrees to hear the case, PJM would withdraw the filing.

Duane said last month that PJM can expect a decision on whether the court will take the case in March or April.

PJM NEWS



NJ BPU Staff Reaches Settlement on Exelon-Pepco Merger

Consumer Advocate Pushes for More Concessions

By Ted Caddell

The New Jersey Board of Public Utilities staff has recommended approval of Exelon's $6.8 billion acquisition of Pepco Holdings Inc. in a settlement that would give Atlantic City Electric customers $62 million in rate credits.

The settlement, announced yesterday, came as the board was holding public hearings on the merger. If approved by the BPU, Exelon would need only approval from regulators in Delaware, Maryland and D.C. for a deal that would result in a company with more than 8 million customers from Illinois to the Atlantic.

Pepco Holdings, headquartered D.C., includes Atlantic City Electric, the Pepco utility serving the District, and Delmarva Power & Light, with customers in Delaware and Maryland.

The $62 million in rate credits amounts to almost $114 for each of Atlantic City Electric's 545,000 customers. The settlement also includes:

- An energy-efficiency program that would provide $15 million over five years;
- Reliability commitments exceeding BPU requirements;
- Promises to hire 60 union employees, protect wages and benefits and keep a headquarters at Mays Landing, N.J.; and
- Charitable contributions equal to Atlantic City Electric's $709,000 annual giving for 10 years.

Rate Counsel Rejects Settlement

While the settlement with the BPU staff is a major step toward final approval in New Jersey, it was not signed by New Jersey's consumer advocate, the Division of Rate Counsel.

Rate Counsel Stefanie Brand told a BPU evidentiary hearing yesterday that she did not sign the settlement because it includes no limit on the post-merger transition costs Atlantic City Electric can seek or any "stay out" — a period of time when the company is prevented from seeking a rate increase.

About 100 people attended a Maryland Public Service Commission hearing on the merger at the Montgomery County Council building in Rockville on Jan. 13.

"Without express limitation on the level of post-merger transition costs recoverable by Atlantic in a future proceeding, costs associated with the merger — such as installing new computer systems or severance payments that would not have been incurred by Atlantic but for the merger — may be sought by the company in Atlantic's next base rate case without limitation," Brand said. "In other words, the $62 million of benefits to Atlantic's customers may be offset or totally wiped out."

Brand also criticized the settlement's claims that it would require Exelon to improve Atlantic City Electric's reliability performance.

The settlement says the company would forfeit 50 basis points in the next electric distribution base rate case filed after January 2021 if it fails to meet a System Average Interruption Frequency Index (SAIFI) of 1.05 interruptions per customer per year or a Customer Average Interruption Duration Index (CAIDI) not to exceed 100 minutes.

Brand said the thresholds represent no improvement over the commitments the company made in the Reliability Investment Program as part of its 2009 base rate case. Brand said the company already has met the 100-minute target and would likely meet the SAIFI goal before the program's expiration in 2016.

Brand also said the "most favored nation" clause in the settlement — an assurance that New Jersey will benefit from any additional concessions achieved by states yet to approve the merger — was too narrow.

"The decision to approve the merger in New Jersey is not a slam dunk," Bruce Burcat, executive director of the Mid Atlantic Renewable Energy Coalition (MAREC), said in an interview. "The board will now have to consider the concerns of the non-signing parties and decide whether to approve the joint stipulation."

Burcat's group didn't oppose the settlement. In return, Burcat said, Exelon has agreed not to oppose MAREC's request that the BPU open a docket to order Atlantic City Electric to use a competitive process for the procurement of a portion of its obligations under New Jersey's Renewable Portfolio Standards.

Public Hearings Begin in Maryland

The announcement of the New Jersey settlement came the day after a public hearing on the merger in Maryland.

About 100 people attended a Public Service Commission hearing on the merger in Rockville Tuesday night, the first in a series of public-comment hearings before eviden-

Continued on page 4

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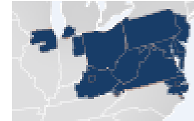


NJ BPU Staff Reaches Settlement on Exelon-Pepco Merger

Consumer Advocate Pushes for More Concessions

Continued from page 3

tiary hearings begin in late January.

The majority of the crowd either belonged to or were supportive of environmental groups Chesapeake Climate Action Network (CCAN) and 350 Montgomery County, and they cautioned the commission on Exelon's record on renewable energy.

Many of the speakers said Exelon's goal was to use Pepco's ratepayers to subsidize its nuclear fleet, which has become unprofitable.

Others, including County Councilmember Roger Berliner, did not take a position on the merger at the hearing. Instead they urged the commission to make Pepco open up its transmission line right-of-ways for recreational use, if it approved the deal. Some speakers were hiking and mountain biking enthusiasts who enjoyed open right-of-ways in the territory of Exelon subsidiary Baltimore Gas and Electric but lamented that their trails were interrupted in Pepco's territory.

Those who spoke in support of the merger included the Montgomery County Chamber of Commerce, the Maryland Chamber of Commerce, the Hispanic Chamber of Commerce and the Salvation Army.

Exelon has offered $100 million in credits for Maryland customers, but the PSC has said it thinks $167 million would be a more appropriate offer. (See *Exelon-Pepco Merger Faces Headwinds in Maryland*.)

The state Office of People's Counsel has already urged rejection of the deal, calling Exelon's "purported benefits … either non-existent or woefully deficient."

PJM's Independent Market Monitor Joe Bowring told the PSC in a letter that the merger "raises potential vertical and horizontal market power issues," repeating concerns he expressed to the Federal Energy Regulatory Commission.

Bowring recommended that FERC require the companies agree to remain in PJM and permit independent third-party interconnection studies. He said Exelon should agree to a review of ratings of all elements of the combined transmission systems and a regular process for reviewing and updating transmission limits. Despite Bowring's comments, FERC approved the merger without conditions in November.

Hard Sell in DC

In D.C., where some public hearings have already been held, Exelon faces a hard sell.

People's Counsel Sandra Mattavous-Frye urged the D.C. Public Service Commission to reject the merger. "The office's painstaking, comprehensive review and analysis details how the Pepco/Exelon application fails to meet each of the commission's seven public interest factors," she said in a statement last month. "Overall, there are far too many risks for consumers and nothing but benefits for Pepco and Exelon."

A coalition calling itself Power D.C. is also opposing the merger. Although Exelon has promised $14 million in incentives for the District, the coalition, which includes the Sierra Club, CCAN, D.C. Working Families and the D.C. Environmental Network, said the merger wouldn't benefit ratepayers or businesses.

Delaware PSC Wants $63M

Exelon has offered $17 million in customer credits in Delaware, but a Delaware Public Service Commission consultant has said $62.9 million, or $100 per customer, would be a proper offer. Public hearings are scheduled for February there.

Delaware Public Advocate David L. Bonar said he didn't expect a settlement in New Jersey so soon.

"I was somewhat surprised the BPU signed off on the agreement as quickly as they did, but not surprised that the New Jersey Rate Counsel declined," he said.

Bonar said all parties are continuing to work toward a settlement in Delaware, but added, "We are not quite there yet. A merger worth billions of dollars can't be taken lightly."

He said his office is "not ready, at this time, to say it's in the best interest of Delaware as presently constructed."

Maryland PSC commissioners, from left to right: Anne Hoskins, Lawrence Brenner, Kevin Hughes and Kelly Speakes-Backman.

Burcat said he didn't think what happened in New Jersey, where ACE serves a minority of the state, will have an impact on the question in Delaware, Maryland or D.C.

"In the other jurisdictions, Exelon will end up controlling the vast majority of the service territories and will also end up serving most of the electricity load," Burcat said. "Consequently, the ramifications of the merger in these jurisdictions are substantially higher."

Exelon has repeatedly said the merger would be a good thing for all concerned. "We believe that the facts — which are available in the testimony we've filed with the commission and other information we have provided to the parties through the regulatory process — will show that this merger is in the public interest and will benefit customers and the community," spokesman Paul Adams said last month.

Justice Department Review

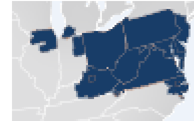
RTO Insider reported last month that the U.S. Department of Justice is investigating the interconnection process in PJM's MAAC sub-region as part of its anti-trust review of the merger. (See *DOJ Probing Interconnection Process in Exelon-Pepco Merger*.)

Exelon said yesterday that the Justice Department's review period expired Dec. 22, meaning the Hart-Scott-Rodino Antitrust Improvements Act no longer precludes completion of the merger.

"Exelon and PHI will continue to work cooperatively with the DOJ until it advises them that it has concluded its evaluation of the merger," Exelon said.

Michael Brooks contributed to this report.

PJM NEWS



No Quick Action Seen on Report's Options to Save Illinois Nukes

By Suzanne Herel

Illinois legislative leaders haven't decided on their next move following a report that offered options for improving the finances of Exelon's nuclear power plants.

"The report just came out. We're still examining it," Steve Brown, spokesman for House Speaker Michael Madigan, said Friday. Madigan, a Democrat, introduced Resolution 1146, which passed with bipartisan support last spring, asking state agencies to investigate "potential market-based solutions to guard against premature closure of at-risk nuclear plants and associated consequences."

The resulting 269-page report, released Jan. 8, advised legislators that they could keep the status quo; establish a cap-and-trade program with other states; tax fossil fuel-burning generators; adopt a low-carbon portfolio standard; or embrace a sustainable power planning standard. (See *Illinois Considering Carbon Tax, Cap-and-Trade to Save Exelon Nukes*.)

All of the options are likely to result in higher power prices for consumers.

Quad Cities nuclear plant (Source: Exelon)

Asked whether there would be meetings or public hearings, Brown said, "I don't know if any of that has been decided yet."

Brown said the recent turnover in the state's executive branch will play a part in what happens next. Republican Gov. Bruce Rauner took office last week, replacing Democrat Pat Quinn.

"I'd say later rather than sooner regarding the timetable," Brown said, adding that it was premature to say which of the five options will gain traction.

"I have not heard any discussion suggesting that there's a consensus around any of the different ideas," he said. "It's an important issue and will take some time to sort out."

Likewise, the office of House Republican Leader Jim Durkin, who co-sponsored the resolution, offered no timetable for a response to the report.

Byron nuclear plant. (Source: Exelon)

Exelon has said that its nuclear generating stations in Byron, Clinton and Quad Cities are unprofitable in the current market and that government subsidies and tax credits afforded the wind and renewable energy sectors have created an unfair market advantage for its competitors.

The nuclear power giant argues that its stations should get credit for producing carbon-free electricity.

While Exelon lauded the report as validating its view, others interpreted it differently.

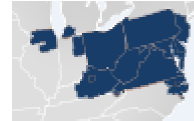
"These reports clearly demonstrate that the economic situation for multiple nuclear facilities is much more manageable than originally thought. The report also finds that the retirements of the Illinois nuclear fleet will not cause reliability problems with the state's electric supply, except under extreme scenarios never before seen in U.S. energy markets, including PJM," said David Gaier, spokesman for NRG Energy.

Gaier said the best course of action would be to keep the status quo. "Allowing the market to work, which means no 'subsidy legislation,' will save ratepayers more than $120 million per year," he said.

Much of the Illinois report addresses the potential costs to the state if the plants are retired, which would result in the loss of jobs and tax revenue and the possibility of having to burn more fossil fuels to replace the lost generation.

It was produced by the Illinois Commerce Commission, the Illinois Power Agency, the Illinois Environmental Protection Agency and the Illinois Department of Commerce and Economic Opportunity.

PJM NEWS



PJM Capacity Release Filings Draw Critics

By Suzanne Herel

A pair of requests PJM submitted to the Federal Energy Regulatory Commission to safeguard capacity for the 2015/16 delivery year drew a number of protests last week, many calling the filings premature.

Fearing that it might run short due to retirements of coal-fired generation, PJM asked for a one-time waiver on rules that would otherwise require it to release 2,000 MW of capacity in the Feb. 23 third Incremental Auction for 2015/16 (ER15-738). (See *PJM Seeks Waiver on Capacity Release*.)

It also proposed revising its Tariff to allow it to enter into capacity agreements made outside the Reliability Pricing Model auctions (ER15-739). FERC granted a request from the PJM Power Providers Group for more time to file comments on the filing, extending the window by six days to Jan. 20.

Dominion Resources, commenting on behalf of Dominion Virginia Power, urged the commission to restrict PJM's waiver request to the amount necessary to alleviate concerns about winter resource adequacy. "The commission should not grant PJM's request with respect to any summer capacity because it is unnecessary to sustain the established [installed reserve margin] during the delivery year, and thus would impose unnecessary costs on participating loads."

Old Dominion Electric Cooperative, a coalition of PJM utilities and the Independent Market Monitor commented in support of the waiver. The Electric Power Supply Association, whose legal challenge of FERC Order 745 has raised questions about the future of demand response, also indicated its support. (See related story, *FERC Files EPSA DR Appeal with Supreme Court*, p.2.)

In its assent, ODEC cited an "atypical confluence of uncertainty caused by the pending *EPSA* litigation in the face of larger-than-normal retirements due to impending compliance deadlines for new [Environmental Protection Agency] rules."

The utilities coalition — American Electric Power, Dayton Power and Light, FirstEnergy, East Kentucky Power Cooperative and Buckeye Power — said the waiver would "prevent the abuse of capacity market arbitrage opportunities by demand resources."

For its part, EPSA commented that the one-time waiver posed fewer market-distorting effects than other approaches to retain capacity.

PJM's request to revise its Tariff met with more opposition.

ODEC opposed that filing, saying it was "based upon uncertain and premature analysis of reliability which cannot occur before the third Incremental Auction."

EPSA concurred, noting the request represented "a clear departure from competitive market approaches to ensure reliability for PJM."

While the Independent Market Monitor showed support for the idea, it cautioned: "The prudence of a particular purchase, and the terms and conditions of any such purchases, should be subject to careful review against defined standards."

PJM MRC/MC Preview

Below is a summary of the issues scheduled to be brought to a vote at the Markets and Reliability and Members committees Thursday. Each item is listed by agenda number, description and projected time of discussion, followed by a summary of the issue and links to prior coverage in ***RTO Insider***.

RTO Insider will be in Wilmington covering the discussions and votes. See next Tuesday's newsletter for a full report.

Markets and Reliability Committee

2. PJM Manuals (9:10-9:30)

Members will be asked to endorse the following manual changes:

A. Manual 03A: Energy Management System (EMS) Model Updates and Quality Assurance (QA) — Includes updates and formatting changes to improve consistency and readability; new table added for important links.

B. Manual 14A – Updates related to MISO-PJM queue coordination. (See *PJM to Try Again to Speed Interconnection Filings*.)

C. Manual 18: PJM Capacity Market – Updated to reflect revisions recently approved by the Federal Energy Regulatory Commission to the shape of the Variable Resource Requirement Curve, gross cost of new entry values, and the Net Energy & Ancillary Services Revenue Offset methodology. (See *PJM Board Orders Filing on Capacity Parameter Changes*.)

D. Regional Transmission and Energy Scheduling Practices document — Changes made to comply with FERC Order 676H and North American Energy Standards Board standards. PJM is primarily impacted by FERC requirements for "Service Across Multiple Transmission Systems" (SAMTS). (See *FERC Proposes Revised Communication, Business Rules*.)

Members Committee

2. CONSENT AGENDA (11:05-11:10)

B. Tariff and Operating Agreement (OA) revisions developed by the Demand Response Subcommittee to change the way PJM measures and verifies residential demand response.

The revisions allow statistical sampling and clarify rules for all residential customers. (See "Sampling to be used for Measuring Residential DR" in *MRC/MC Briefs*, Nov. 25.)

C. Tariff revisions to remove seller credit, a form of unsecured credit, from the credit policy, which RTO officials say is no longer necessary.

D. Tariff and OA revisions related to data availability for the bus distribution factors for zonal and residual metered load aggregates utilized by the day-ahead energy market. In the event technical limitations restrict PJM's ability to obtain the load distribution factors from the 0800 snapshot one week prior to the operating day or if the data is unavailable, the load distribution factors from the most recently available day of the week that the operating day falls on will be used. (See "Tariff Revisions to Metered Load Aggregates" in *Markets and Reliability Committee Briefs*, Dec. 22.)

E. Tariff revisions related to enhanced inverter capability. (See "Standards for Enhanced Inverters" in *Markets and Reliability Committee Briefs*, Dec. 22.)

3. MANUAL 34: STAKEHOLDER PROCESS (11:10-11:25)

Manual 34: Stakeholder Process — Revisions regarding periodic review of PJM Manuals and a Robert's Rules Guide.

MISO NEWS

MISO Seeks FERC Review on 'Hurdle Rate' in SPP Seams Battle

By Chris O'Malley

MISO has asked the Federal Energy Regulatory Commission for a rehearing of the commission's Dec. 12 order requiring the RTO to modify the way it calculates the "hurdle rate" for determining whether to allow power flows between its north and south regions.

The RTO said FERC's directive would cause the hurdle rate to soar by 4.5 times the current rate of $9.57/MWh, making transfers between the regions of more than 1,000 MW — the maximum allowed by SPP without paying additional transmission charges — uneconomic (ER14-2445-002, ER14-2445-003).

MISO began limiting flows last spring between its northern and southern regions after SPP complained that MISO breached their joint operating agreement by moving power over its transmission footprint in excess of a 1,000-MW physical contract path. SPP has billed MISO more than $35 million for flows exceeding 1,000 MW.

While seeking to resolve the dispute with SPP, MISO last July asked FERC for permission to implement the $9.57/MWh hurdle rate — an adder to the LMPs of the importing sub-region — to establish market signals indicating when the savings from avoided redispatch costs exceed SPP's additional transmission charges.

MISO anticipated the hurdle rate could result in about $34 million in annual production cost savings, benefitting consumers.

'Irreparable Harm'

But MISO told FERC this month that the new method of calculating the hurdle rate ordered by the commission, and SPP's Service Agreement charges, mean its ability to use its 1,000 MW of contract path rights "is significantly limited and its market is suffering irreparable harm."

MISO claims that the SPP-MISO Service Agreement assesses charges for every hour of the 24-hour day for even a 30-second, unintentional "incursion" over the threshold.

The RTO "continues to see that redispatching generation is more economic than incurring hurdle rate charges at $9.57/MWh," MISO said. "When the hurdle rate soars to almost $42/MWh as a result of the commission's order, it is clear that MISO's market participants will not be able to realize the economic benefits of allowing flows to be dispatched in excess of the 1,000-MW threshold even though there is available uncongested capacity above 1,000 MW."

FERC said it agreed with Madison Gas & Electric and WPPI Energy that "by dividing the hourly approximation of the SPP Service Agreement charges by all intra-regional flows, MISO's proposed hurdle rate is too low and would allow flows when the economic benefits of such transfers would be less than the SPP Service Agreement charges."

The hurdle rate has not been universally accepted within MISO's footprint. The Mississippi Public Service Commission contends that the hurdle rate could distort energy prices and effectively treat MISO's north and south regions as separate RTOs.

Other Fallout from Seams Spat

The flow dispute with SPP has had other

effects. Last month, FERC approved MISO's request to suspend action on long-term transmission service requests (TSRs) between its north and south regions through April 1.

The order (ER14-2022) also allows MISO to waive Tariff requirements and North American Energy Standards Board standards involving flows exporting from MISO South to PJM. MISO told the commission that the waiver request would affect 10 pending long-term firm TSRs from a single customer totaling 2,831 MW.

That waiver request provided some insight into MISO's thinking in integrating Entergy before the dispute with SPP arose.

Originally, MISO said it anticipated that the primary restrictions on flows between its north and south regions would be set under the Operations Reliability Coordination Agreement (ORCA), a seams agreement with SPP.

MISO also said it thought it would have extra time to negotiate seams agreements governing flows between those regions.

The need for a 1,000-MW limit on flows between north and south was a "sudden and unexpected development," MISO told FERC.

MISO claims that the SPP-MISO Service Agreement assesses charges for every hour of the 24-hour day for even a 30-second, unintentional "incursion" over the threshold.

MISO NEWS

ALLETE Buying Minnesota Wind Farms from EDF for $10M

Minnesota's ALLETE Clean Energy will increase its MISO wind portfolio by one-third with a $10 million acquisition from EDF Renewable Energy.

The companies asked the Federal Energy Regulatory Commission last week to approve ALLETE's acquisition of EDF's Northern Wind Energy, which owns 97.5 MW of wind capacity in Minnesota (EC15-58).

Northern Wind owns the 85.5-MW Chanarambie wind farm in Murray County, Minn., as well as eight 1.5-MW qualifying facilities in Minnesota: Buffalo Ridge Wind Farm, Moulton Heights Wind Power Project, Muncie Power Partners, North Ridge Wind Farm, Vandy South Project, Viking Wind Farm, Vindy Power Partners and Wilson-West Wind Farm.

All of the facilities being sold have long-term power purchase agreements with Northern States Power (NSP).

They would be acquired by ALLETE's subsidiary, ACE Mid-West, which owns a 50-MW wind farm in Condon, Ore., and three wind generators in MISO with a combined capacity of about 290 MW.

The applicants requested approval by Feb. 17 to allow them to close the deal by March 1.

They said the deal raises no market power issues. "Ignoring the fact that the capacity from those facilities is fully committed to NSP under a long-term PPA, it would result in ACE and its affiliates controlling 2,991.6 MW, or 1.69%, of the installed capacity in MISO," they told FERC.

Locations of ALLETE Clean Energy's previous wind acquisitions. (Source: ALLETE)

A sister company of Minnesota Power, ALLETE was formed in 2011. It had no wind assets until last year, when it purchased four wind farms in Oregon, Minnesota and Iowa from NRG Energy and AES for a combined $41.9 million.

It also has an option to acquire a 101-MW wind farm in Armenia Mountain, Pa., from AES and plans to build a 107-MW farm near Hettinger, N.D., that it will sell to Montana-Dakota Utilities for about $200 million.

NIPSCO Blows Back at Wind Farm Complaints

By Chris O'Malley

Northern Indiana Public Service Co. last week asked federal regulators to dismiss a complaint by two wind farm operators alleging they were overcharged by the utility for transmission upgrades to reduce congestion-related curtailments.

NIPSCO's request, filed Jan. 12 with the Federal Energy Regulatory Commission (EL15-34), says the Fowler Ridge and Meadow Lake wind farms are improperly trying to piggyback on a complaint filed last June by E.ON Climate and Renewables North America.

The Indiana utility charged Fowler Ridge, Meadow Lake and seven other wind farms $50.4 million to build transmission upgrades, plus another $35.8 million to operate them over 35 years.

E.ON alleged that a 1.71 multiplier NIPSCO used to calculate operating costs of E.ON's Pioneer Trail and Settlers Trail wind farms is too high (EL14-66).

On Dec. 8, FERC ruled that the multiplier was unreasonable and instructed E.ON and NIPSCO to enter into settlement proceedings to determine a new rate. Fowler Ridge and Meadow Lake filed their complaint Dec. 23. (See *Two More Indiana Wind Farms Join NIPSCO Complaint over Tx Upgrades*.)

In its request for dismissal of the Fowler Ridge and Meadow Lake complaint, NIPSCO said the farm operators took no position in the transmission complaint filed by E.ON and now, six months later, seek a refund.

"The complainants' participation in the E.ON complaint proceeding to date has been that of a bystander, at best," NIPSCO said.

Different Terms

NIPSCO also said there are differences between the transmission upgrade agreements (TUAs) it struck with the two farms and the one it reached with E.ON.

Fowler Ridge and Meadow Lake paid their initial upgrade costs in a lump sum shortly after the agreement was accepted by FERC, last February, "without any conditions, contingencies or exceptions."

Conversely, E.ON agreed to make installment payments for the initial upgrade cost amounts, NIPSCO said.

"The commission is barred, via the filed rate doctrine, from retroactively refunding [Fowler Ridge and Meadow Lake] for the rates they already paid in full under the TUA," the utility argues.

NISPCO also argues that while the two wind farm operators in Indiana have claimed the multiplier results in excessive charges of more than $1 million, they offer no support or justification for how they determined the alleged excess charges.

Congestion at Root

In its complaint, E.ON said its Illinois-based Pioneer Trail and Settlers Trail wind farms, with a combined capacity of 300 MW, lost between $9.8 million and $11.7 million in 2013 when grid operators forced them to curtail output due to congestion.

The 600-MW Fowler Ridge is jointly owned by BP Wind Energy North America and Dominion Resources. The 526-MW Meadow Lake is owned by EDP Renewables North America. The farms make up 73% of Indiana's total wind capacity, according to the U.S. Department of Energy.

ISO-NE NEWS

Gas Price Spikes Likely Through 2019, Massachusetts Study Says

By William Opalka

Measures like demand response, the ISO-NE Winter Reliability program and fuel switching to oil-fired generation will meet electricity demand, but price shocks will occur in Massachusetts.

Synapse Energy Economics

Massachusetts needs additional natural gas pipeline capacity to avoid severe energy shortages in the next few decades, a study commissioned by the state concluded. Even if the capacity is built, winter price spikes caused by severe cold and competition for gas as a heating fuel will remain through 2019, according to the "Massachusetts Low Gas Demand Analysis" study by Synapse Energy Economics.

Measures like demand response, the ISO-NE Winter Reliability program and fuel switching to oil-fired generation will meet electricity demand, but price shocks will occur, Synapse said.

The study, ordered by former Gov. Deval Patrick, repeats many of the same claims from previous analyses by New England states and the regional power grid operator. Environmental advocates from The Acadia Center said the study was too limited in its scope and unnecessarily justifies construction of a controversial gas pipeline that would serve the entire New England region.

The Synapse analysis considered eight scenarios, including low and high natural gas prices, and whether up to 2,400 MW of Canadian hydropower would be available. The scenarios were evaluated from an economic and reliability perspective and assessed for compliance with state Global Warming Solutions Act (GWSA) targets.

Necessary pipeline additions by 2020 range from 25 billion Btu per peak hour for scenarios that assumed low gas demand and a combination of high natural gas prices and no incremental Canadian hydropower, to 33 billion Btu per peak hour for analyses that considered various combinations of gas price assumptions and whether Canadian hydropower was added. By 2030, the additions range from 25 billion Btu per peak hour to 38 billion Btu per peak hour.

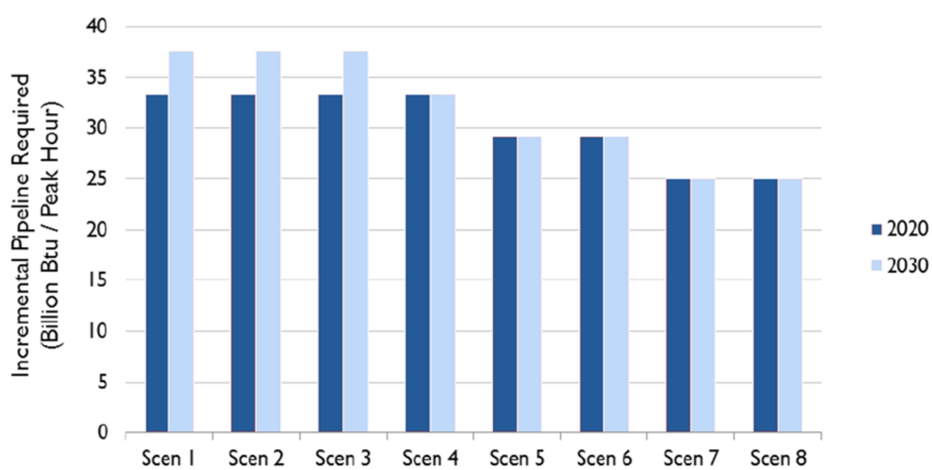
The Acadia Center (formerly Environment Northeast), while supportive of the effort to explore alternatives, believes the study is incomplete. The group said it could be misinterpreted as support for a new subsidy that would shift multi-billion dollar risks from private corporations to the public.

A proposal by the six New England governors for a $3 billion taxpayer-supported pipeline transporting shale gas from Pennsylvania stalled in August due to cost concerns in Massachusetts. Patrick temporarily suspended the state's support of the pipeline after the state legislature failed to act on additional transmission lines to import Canadian hydropower.

The transmission expansion and natural gas pipelines are seen by New England governors as integral parts of an overall regional energy strategy.

The study is limited to Massachusetts, which uses less than half of the energy required in New England and does not have nearly as much renewable energy potential as neighboring states, the center says. It also uses outdated prices for oil and liquefied natural gas, the group said.

"Massachusetts has taken an important but preliminary step toward thorough analysis of viable supply- and demand-side solutions to meet our energy needs," Acadia Center President Dan Sosland said. "Because electric ratepayers across New England are being asked to subsidize the construction of a pipeline that could take decades to pay off, alternatives need to be examined in all New England states to ensure that we have an accurate, up-to-date picture of how to power the region while reducing risks to consumers and bringing down greenhouse gas emissions."



Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7	Scenario 8
Base Case Reference NG Price No Canadian Transmission	Base Case Low NG Price No Canadian Transmission	Base Case High NG Price No Canadian Transmission	Base Case Reference NG Price 2,400-MW Canadian Transmission	Low Demand Case Reference NG Price No Canadian Transmission	Low Demand Case Low NG Price No Canadian Transmission	Low Demand Case High NG Price No Canadian Transmission	Low Demand Case Reference NG Price 2,400-MW Canadian Transmission

Massachusetts gas capacity shortage during winter peak hour by scenario, 2020 & 2030. (Source: Massachusetts Low Gas Demand Analysis, Synapse Energy Economics)

NYISO News

NYISO CEO Stephen Whitley to Retire in 2016; Dewey, Rumsey Promoted

NYISO is reorganizing its leadership team in preparation for CEO Stephen Whitley's plan to retire next year.

The ISO's Board of Directors announced last week that it had extended Whitley's contract to mid-2016, when he will cap an eight-year tenure as CEO.

The board also announced a reorganization of NYISO's leadership team and the promotion of two executives.

NYISO executives Richard Dewey, center, and Thomas Rumsey, right, won promotions as the RTO's board prepares to replace CEO Stephen Whitley, left, who will retire next year.

Richard Dewey was promoted from senior vice president and chief information officer to executive vice president, responsible for operations, information technology and market structures. Thomas Rumsey, formerly vice president of external affairs, was named senior vice president of external affairs with responsibility for media relations, corporate communications, government and regulatory affairs, stakeholder services and strategic planning.

Senior Vice President and Chief Operating Officer Rick Gonzales has added responsibilities for preparing the ISO for its growing dependence on natural gas as well as the increasing penetration of renewable and distributed energy resources. Senior Vice President of Market Structures Rana Mukerji will be responsible for market design, demand response and system planning.

NYISO said the restructuring will "drive internal efficiencies, expand the scope of its key leaders and best position the company to meet the emerging challenges in the industry." It cited growing dependence on natural gas, the increased penetration of renewable and distributed energy resources and new environmental regulations as key issues facing the reorganized team.

The NYISO board said it will conduct a nationwide search for Whitley's successor and consider both internal and external candidates.

Before joining NYISO in July 2008, Whitley was SVP and COO at ISO-NE for seven years. Prior to that, he was ISO-NE vice president of system operations from 2000 to 2001.

He also spent 30 years at the Tennessee Valley Authority, last serving as electric system operations general manager of the transmission power supply group.

Ginna Negotiators Given Another 3 Weeks to Strike Deal

Negotiators trying to hammer out a contract to keep an upstate New York nuclear power plant financially viable have been given a three-week extension by state regulators.

Constellation Energy Nuclear Group and Rochester Gas & Electric had faced a Jan. 15 deadline to complete talks for a reliability support services agreement (RSSA) that would likely raise rates for customers.

The New York Public Service Commission in November ordered the RSSA in an effort to save the 580-MW Ginna Nuclear Power Plant on Lake Ontario, 20 miles east of Rochester. NYISO and RG&E said the plant is needed until at least 2018 to maintain system reliability in western New York.

Constellation said the plant has lost $100 million over the past three years and would be mothballed without better financial terms. The RSSA would provide electricity to RG&E at a guaranteed price when called upon.

The two companies jointly asked for an extension until Feb. 6.

"Although significant progress has been made, GNPP and RG&E have not yet finalized an agreement that satisfactorily resolves all of these issues," the petitioners wrote. "A brief extension will permit GNPP and RG&E to continue to work together in an attempt to develop a more considered RSSA that best satisfies the commission's requirements as well as the needs of GNPP, RG&E and all interested parties."

While negotiations continued during the original 60-day period, PSC staff requested financial information from the companies. Ginna and RG&E have asked that the commission keep those documents confidential as they contain protected trade information. That has led to complaints from consumer groups who seek more disclosure.

"Despite the potential for major cost increases for the public in the Rochester area, this PSC proceeding has been marked by an unusual lack of information available to the public," the Alliance for a Green Economy and the Citizens' Environmental Coalition wrote in a Jan. 13 letter to the commission. "Today we are writing to flag this problem for the commission as an issue of major concern."

NYISO NEWS

Revised NY Transmission Plan Would Open Choke Points Without New ROWs

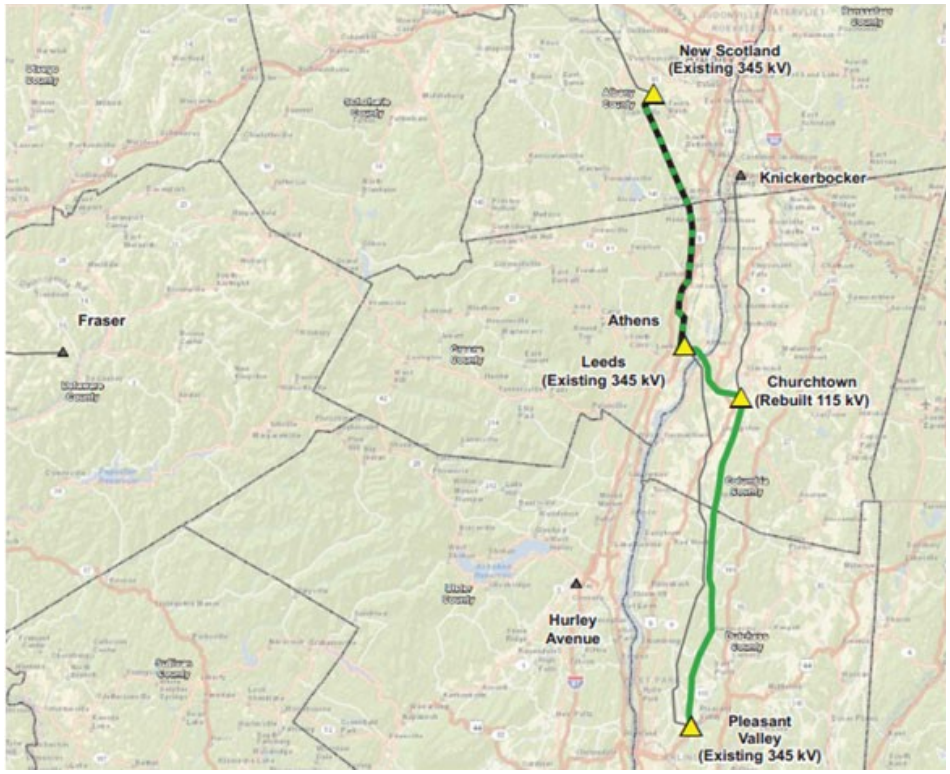
By William Opalka

New York utilities have proposed revised transmission upgrades that would add 1,000 MW of capacity to relieve congestion in the Hudson Valley without obtaining new rights of way.

The proposals conform to a recent order by the New York Public Service Commission to use existing rights of way or other utility property to replace aging infrastructure and upgrade older technologies.

The Dec. 14 order (13-M-0457) directed the utilities to revise their previous applications to improve the transmission corridors, with an emphasis on minimizing the visual impact of the lines. The PSC said it was responding to more than 2,000 public comments, many of which opposed the use of new rights of way.

National Grid, Central Hudson Gas & Electric and New York State Electric and Gas filed their revised plans Jan. 7. They, along with an affiliate of Consolidated Edison and Orange and Rockland Utilities, are part of a new organization, New York Transco, which will develop and own the projects once approved by regulators.



New Scotland to Pleasant Valley Transmission Project (Source: National Grid, Burns & McDonnell)

The PSC opened the proceeding in November 2012 to press for upgrades to relieve transmission congestion in some areas of upstate New York, particularly interconnections that move power from central New York to within the Hudson Valley. Transmission congestion also prompted the creation of a new capacity zone in areas north of New York City, raising prices for customers in the Lower Hudson Valley.

The utilities filed their original plans in October 2013.

Nine Options

In addition to a modified version of their original proposed project, the utilities' new filing lists eight alternatives created to address choke points between upstate New York and southeastern New York and other congested transmission lines within the Hudson Valley region. There are four UPNY/SENY Interface alternatives and four UPNY/SENY & Central-East Composite alternatives.

Seven of the nine proposals meet the objective of adding 1,000 MW of capacity to the Hudson Valley region.

The UPNY/SENY alternatives cost less because they address only transfer points at the interface. They range from an estimated $102.5 million to $525 million.

The four composite alternatives are more costly, as they provide system benefits by replacing aging transmission infrastructure. They range in estimated cost from $764 million to nearly $1.19 billion.

The PSC said it will evaluate each of the proposals and determine which ones meet its criteria; not all will be built.

All of the proposed projects would begin construction by 2017 or 2018, with completion of all of the work by the end of 2020.

Concerns over Cost Overruns

On Jan. 15, the transmission owners filed a petition asking the PSC to clarify that current cost estimates are not binding.

In the December order, the PSC said staff recommendations for a risk-sharing approach are "generally consistent with FERC precedent" and that "this approach will ultimately be subject to FERC's approval."

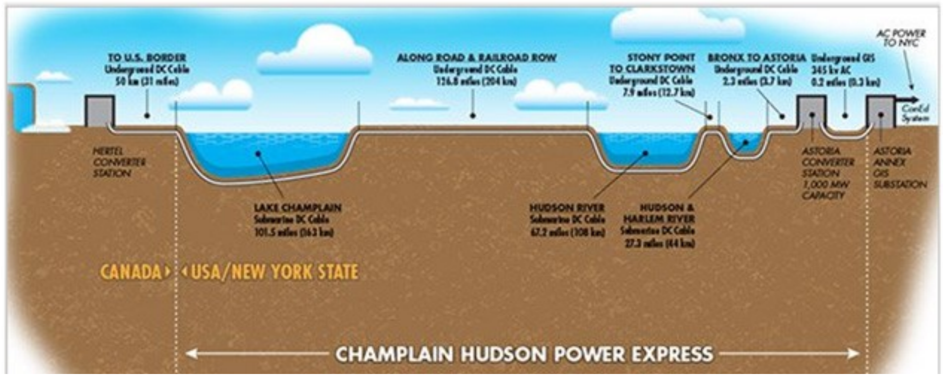
The TOs said the PSC's approach may not conform to FERC policy, putting them and other developers "in a precarious and untenable position."

"Accordingly, the NYPSC should clarify that it is not mandating that developers adhere to any specific cost estimate or risk sharing mechanism but rather will consider any risk sharing proposal submitted as part of project proposals along with all other factors in determining the best project to meet the public interest."

NYISO News

NYISO Supports TO Exemptions to Mitigation Rule

By Michael Brooks



The Champlain Hudson transmission project will deliver power from Canada to the New York City area. (Source: TDI Holdings)

NYISO last week asked the Federal Energy Regulatory Commission to exempt competitive transmission, including the Champlain Hudson project, from the ISO's buyer-side mitigation rule.

The ISO and other stakeholders filed comments last week in response to a December complaint by transmission owners, who said NYISO's market power rules are being misapplied to unsubsidized, competitive projects entering the ISO's capacity market (EL15-26).

In its response, NYISO essentially asked FERC to order a rule change it was unable to achieve through its stakeholder process, where it was blocked by opposition from generators.

The transmission owners — Consolidated Edison of New York, Orange and Rockland Utilities, New York State Electric and Gas, Rochester Gas and Electric and Central Hudson Gas and Electric — told FERC on Dec. 4 that NYISO should amend its Tariff to include a competitive entry exemption in its BSM rules. The exemption would ensure that projects that did not have contracts with, or receive financial support from, any New York distribution companies, municipalities or the state government are not subject to an offer floor in the ISO's capacity auctions.

TDI Holdings filed a separate complaint Dec. 16 asking FERC to exempt its high voltage, direct current Champlain Hudson project from the BSM rules after NYISO said it would be subject to the offer floor (EL15-33). The $2.2 billion project would deliver 1,000 MW from the Canadian border to the New York City metropolitan area. TDI said subjecting the project to the offer floor — a minimum clearing price — would jeopardize its commercial viability "because generation supply in Canada may be unwilling to execute transmission service agreements with TDI."

Supporting TDI's filing, the transmission owners said the project "emphasizes the need for the commission to grant the [TOs'] competitive entry exemption complaint." At the same time, the group asked FERC to put off ruling on TDI's complaint until it ruled on theirs, saying that if it were successful, TDI would not need a project-specific exemption.In their complaints, both the TOs and TDI say they recognize the need for BSM rules in preventing market power.

Buyer-Side Mitigation

NYISO's rules are similar to PJM's minimum offer price rule (MOPR).

The rules, approved by FERC in 2013, are intended to prevent state and local governments and large net buyers of capacity — market participants whose load dwarfs the amount of capacity they own — from subsidizing the entry of "uneconomic" generation projects into the capacity market in order to artificially lower prices.

A project is considered economic if its average forecasted price exceeds its net cost of new entry (CONE), or if the annual forecasted revenues in NYISO's Installed Capacity (ICAP) Spot Market Auction exceed the default net CONE in the project's locality. The default net CONE is defined as 75% of the net CONE of the reference unit used to determine that locality's ICAP demand curve.

Uneconomic projects are subjected to the offer floor, defined as the lower of either its net CONE or the default net CONE.

Responses to Complaints

NYISO stakeholders filed comments both in support and in protest to the complaints last week.

In its comments, NYISO said it supported the TOs' complaint, save for a few minor details. The ISO had proposed a competitive entry exemption last February, but it failed to gain the necessary 58% sector-weighted vote from the Management Committee.

"The NYISO asks that the commission: (i) replace certain proposals in the complaint with alternatives previously advanced by the NYISO in its stakeholder process; and (ii) direct the NYISO to adopt additional Tariff language that will be needed if the competitive entry exemption is to be legally effective and practicably implementable," the ISO wrote.

It also echoed the TOs' response to TDI, saying the company should wait until FERC rules on the broader exemption.

NYISO said that BSM rules are intended to prevent uneconomic entry, not protect market participants from competition. The ISO "believes that the BSM rules provide necessary protections to the market and that adding a competitive entry exemption would be entirely consistent with their purpose," it said.

NYISO's Market Monitor also supported the exemption, noting that it has proposed such a measure in its past three State of the Market reports.

New York City also voiced its support. "For many years, and in multiple proceedings before the commission and at the NYISO, the city has argued that the NYISO's buyer-side mitigation rules are overbroad and serve more as a barrier to new entry than a protection against market abuses," the city said. "Indeed, incumbent generating companies have wielded the mitigation rules as a sword (to strike against potential competitors) and a shield (to block new entry)."

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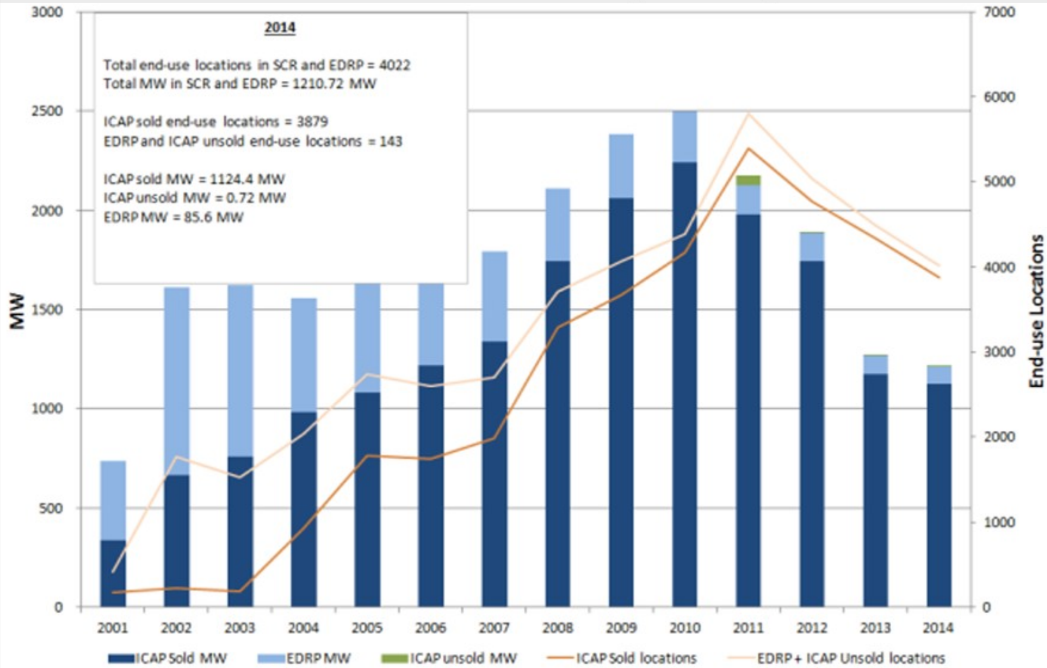
NYISO News



NYISO's annual report to FERC on its demand-side management programs (ER03-647) shows that the number of Emergency Demand Response Program (EDRP) resources, and the megawatts they contribute, has decreased since participation in the EDRP and Installed Capacity Special Case Resource ("ICAP/SCR") program became mutually exclusive in 2003. (Source: NYISO)

FERC OKs Revised NYISO Credit Policy

The Federal Energy Regulatory Commission has approved changes to NYISO's credit requirements to protect the ISO from defaults by market participants that under-forecast their loads (ER15-470).

The new rule will require extra collateral from market participants that consistently fail to forecast their load within 90% of their actual meter data. It also prohibits those participants from using unsecured credit.

NYISO bills participants initially based on forecast load, with true-ups four months later, when meter documenting actual load is available to the ISO.

"During periods of increased prices like the 2013/2014 winter cold snaps, if a market participant is under-forecasting, the current credit requirements may not cover the exposure caused by the under-forecasting," the ISO explained in its filing with the commission. "This potential exposure can grow the longer the market participant under-forecasts and [other] market participants could be exposed to potential bad debt losses as the NYISO may not have sufficient credit support in place to cover this true-up exposure if the market participant ultimately defaults."

FERC said the new rules will go into effect on Feb. 18, unless NYISO requests a later date.

NYISO Supports TO Exemptions to Mitigation Rule

Continued from page 12

Other stakeholders opposed the rule change.

"At first blush this proposal may seem harmless, but it would in fact create a myriad of new opportunities to artificially suppress capacity pricing in NYISO where out-of-market interference in the markets already is pervasive," Entergy Nuclear Power Marketing said in its protest to the TO's complaint.

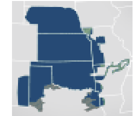
"While couched in the guise of simply permitting 'purely private investment' to risk its own money, review of the proposed Tariff revisions reveals that blanket exemptions would be granted to projects that are not, in fact, purely private. The commission should protect the wholesale NYISO capacity market and reject the complaint."

The Independent Power Producers of New York said "NYISO's proposal, which was soundly rejected in the stakeholder process as part of a package of exemptions last year, is fatally flawed."

The BSM rules were proposed by NYISO as a way of dealing with New York's ongoing struggles with transmission congestion due to the heavy load imposed by the city. The U.S. Department of Energy has called New York City "an epicenter of transmission congestion."

This also led to a controversial decision by NYISO to combine its five Lower Hudson River Valley capacity zones into one. The move attracted criticism from ratepayers and attention from the state's U.S. senators. NYISO, however, claimed vindication when it announced last month that the new zone had led generators to reopen 1,900 MW in shuttered power plants. (See *Coal-to-Gas Conversions, New Capacity Zone Ease NYISO Reliability Concerns*.)

SPP NEWS



SPP Moves Forward on Change to Generator Mitigation Rules

By Rich Heidorn Jr.

DALLAS — SPP will change the way it calculates offer caps for generators under market mitigation in a "design approach" approved last week by the Markets & Operations Policy Committee. The vote endorsed a proposed two-step transition to a methodology similar to that used by MISO.

The initiative was prompted by the Federal Energy Regulatory Commission's October 2012 order, which encouraged the RTO to change its mitigation rules, and orders in 2013 and 2014 criticizing the lack of cost details in its Tariff. As stakeholders began examining the issue, said SPP's Richard Dillon, it became clear "the solution needed to be a lot larger than just variable [operations and maintenance]."

The Board of Directors rejected an earlier proposal in December, directing the MOPC to find a change that would have broader support among members and the RTO's Market Monitoring Unit.

The initial step would create a process for calculating a default variable operating and maintenance (VOM) component for mitigated offers and add Tariff language regarding the calculation of cost-based rates.

SPP will replace the term "short run marginal costs" with defined, individual cost components. "We have to get this written down," Dillon said.

A 10% adder would also be included for "outlier" generators, such as diesels that are seldom run but are necessary on occasion when there is market power.

The interim proposal will include a deadline for filing the long-term solution, which would adopt methodology used by MISO, which determines its reference levels for mitigation based first upon accepted offers and then on market prices, before considering the unit's costs.

The proposed rule would prevent generators from seeing their cost-based offer caps drop far below the market curves they were paid when operating without mitigation.

SPP staff will present an analysis of the cost impact of the changes at the April MOPC.

Said Dillon: "We want to get this right because, quite honestly, I don't want to be doing this again in six months."

Richard Ross of American Electric Power said he was concerned that the changes in the long-term solution "potentially could be very costly."

"The majority of us could live with the interim solution," he said.

But Doug Collins of the Omaha Public Power District said he didn't think the proposed changes went far enough. The costs the Market Monitoring Unit wants to include are "one-tenth of 1% of the costs I want to include," he said, hyperbolizing for emphasis.

The proposal was approved by voice vote with no opposition and several abstentions. Dillon will write draft language for review by the Mitigated Offer Strike Team and the Markets Working Group before the FERC filing. Dillon estimated it will take about a year to implement the final solution.

SPP Markets & Operations Policy Committee Briefs

By Rich Heidorn Jr.

DALLAS — The Markets & Operations Policy Committee approved the following measures at its two-day meeting last week. The issues will next be considered by the Board of Directors.

MARKET WORKING GROUP

Transitional ARR Allocation Process OK'd

The MOPC approved without opposition a rule that will allow transmission owners that are new to the Integrated Marketplace to participate in an auction revenue rights allocation prior to the monthly allocation if they are unable to participate in the annual one (MPRR 221).

Revised LTCR Process Approved

Members approved a response to an Oct. 28 FERC order finding SPP not in compliance with guidelines 3 and 5 of Order 681, which set the rules for long-term firm transmission rights (MPRR 227).

FERC ordered SPP to create a process for offering long-term congestion rights (LTCRs) for transmission upgrades to "any party" and to allow load-serving entities to nominate candidate LTCRs prior to a simultaneous feasibility test to determine the availability of the nominated LTCR.

SPP's response proposes a transmission planning study process that would grant candidates incremental LTCRs in lieu of Tariff Attachment Z2 credits for sponsored transmission upgrades. It also would allow LTCRs and incremental LTCRs to be nominated prior to the simultaneous feasibility test instead of selecting them after the test.

Bill Dowling of Midwest Energy, a customer-owned utility in western Kansas, was among several members who voted no. He said it is unfair for entities that make relatively inexpensive transmission upgrades, such as replacing a wave trap, to be entitled to LTCRs, "competing with those who have invested hundreds of thousands or millions" on bigger improvements.

"We just flat-out think FERC got it wrong," he said.

American Electric Power's Richard Ross said he shared Dowling's concerns but that the proposal was a "reasonable response" to the FERC order.

"We're not going to convince FERC they got it wrong," Ross said. "We have to do something."

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SPP NEWS

SPP Markets & Operations Policy Committee Briefs

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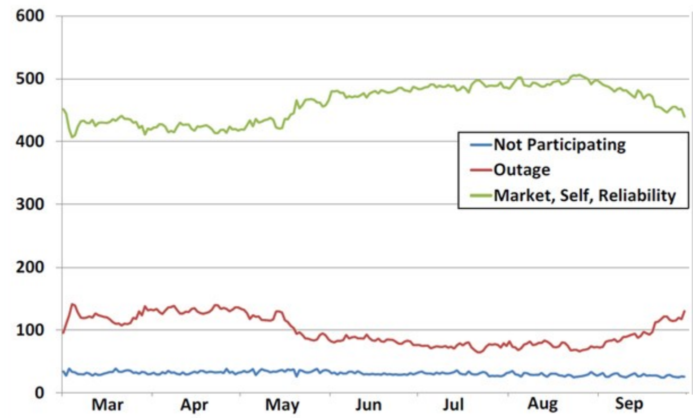
Action on Day-Ahead Must-Offer Rule Deferred

The committee approved a Market Working Group recommendation that it defer action on changes to the current limited day-ahead must-offer rule.

In November, the working group voted to recommend that no action be taken on the rule until the deadline for reporting to FERC on how it is working. The vote followed a presentation by SPP staff in October on results of a six-month evaluation of the rule's impact. The analysis found that almost $362,000 in penalties were issued for shortages in 128 hours between March 1 and Sept. 30.

The majority of the working group said having no day-ahead must-offer rule was preferable to the current limited one and that there was no need to address changes to the current rules now.

The report to FERC is due 15 months after the Integrated Marketplace went live last March 1 and will incorporate 12 months of market data.



SPP must-offer statistics: total resources offered in day-ahead, 2014. (Source: SPP)

Resource Hubs Process Revised; New Hub Created

The committee endorsed an initiative to eliminate discrepancies between the market hubs establishment process in the Marketplace Protocols and that in the Tariff, approving without opposition a compliance filing in response to a 2013 FERC order (ER13-1173).

The vote included approvals of six current resource hubs that have not been previously made official — GRDA_HUB; GRDA_HUBSA; UCUHUB; GSPR2014HUB; OMPA_GENHUB; and KCPLHUB — and one new hub, GSPR2015HUB.

Before SPP created the hubs process in 2012 (Marketplace Protocol Revision Request 90), the Tariff had general "placeholder" language about market hubs, but the Protocols were silent. The MPRR made modifications to the Tariff and added several sections to the Protocols, with market hubs split into two categories — trading hubs and resource hubs — with separate approval processes.

The filed Tariff language referenced the approval process in the Protocols: the SPP Market Monitoring Unit reviews proposed resource hubs for consistency with the market hub criteria while the Markets Working Group and MOPC must approve trading hubs.

The FERC order rejected all changes to the hubs establishment section of the Tariff, leaving in place the original language, which requires all market hubs be recommended by MOPC and approved by the Board of Directors.

But the proposed changes had already been incorporated into the Protocols, and were not removed after the FERC order, resulting in the discrepancies between the Protocols and Tariff.

The filed Tariff language said that approved market hubs won't take effect until they have been posted for 45 days, while the original Tariff language set a six-month posting requirement. The compliance filing will seek a waiver from the six-month posting requirement for the newly-created hubs.

Kansas City, NW Kansas No Longer Constrained Areas

MOPC approved the Market Monitoring Unit's recommendation (TRR 149) to eliminate the Kansas City area and the Northwest Kansas area as frequently constrained areas (FCAs).

SPP's Tariff defines FCAs as areas with one or more binding transmission or reserve zone constraints that are expected to be binding for at least 500 hours annually and within which one or more suppliers are pivotal.

As a result of transmission expansions, the MMU said, the two regions no longer experience high levels of congestion that left them vulnerable to market power by a dominant supplier.

SPP's third FCA, the Texas Panhandle, is unaffected by the change.

The three FCAs were recommended by Potomac Economics, under contract with the MMU, before the Integrated Marketplace was launched.

REGIONAL TARIFF WORKING GROUP

Regional Cost Allocation Review Remedies Added

Members approved remedies for addressing problems identified in regional cost allocation reviews (TRR 131).

SPP's Tariff requires the RTO to review the reasonableness of its regional and zonal allocation methodologies at least once every three years.

The revision adds to the Tariff potential remedies for correcting imbalances in cost allocations:

- Acceleration of planned upgrades;
- Issuance of Notifications to Construct (NTCs) for selected new upgrades;
- Apply regional allocation to all, or a portion, of the cost of any project that otherwise would not qualify for it;

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SPP NEWS

SPP Markets & Operations Policy Committee Briefs

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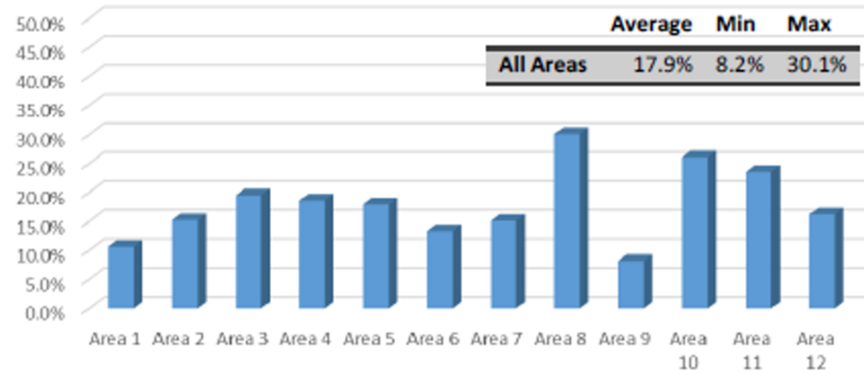
- Recommend potential seams transmission projects;
- Transfer zonal annual transmission revenue requirements (ATRRs) to the region-wide ATRR;
- Exemptions from allocated costs associated with future transmission projects; and
- Change cost allocation percentages as defined under Section III of the revision's Attachment J.

Jeff Knottek, of the City Utilities of Springfield, Mo., said he was supportive of the changes but was concerned they don't do enough to correct inequities.



Wind output percentage of nameplate at 60% confidence factor. This data represents the output at a 60% confidence factor during the top 3% of load hours. The Generation Working Group's biannual report recommends no changes to SPP's methodology for establishing net capability for wind and solar facilities. (Source: SPP)

Tariff Revised to Eliminate 'Windfall' Point-to-Point Revenues

The MOPC approved Tariff revisions to eliminate ambiguity in the application of credits for point-to-point (PTP) revenues (TRR 143). The revisions are intended to make the Tariff consistent with the incorporation of multi-owner zones that have both formula-rate and stated-rate ATRRs.

The changes clarify the transmission owner's obligation to account for all point-to-point revenues beyond the TO's allowed ATRR. If the TO's formula rate template does not account for adjustments to the zonal ATRRs and Schedule 11 ATRRs for PTP revenue, the proposed Tariff revisions will allow SPP to reduce the charges in the settlement process.

"This is making sure there isn't either a windfall" or a shortfall, said Regional Tariff Working Group Chairman Dennis Reed of Westar Energy. "This ensures that the target that SPP will try and hit [for PTP and other transmission revenue] is correct."

Rules for Seams Transmission Projects Approved

MOPC approved additional Tariff language governing the rules for seams transmission projects, as outlined by the policy paper released by the Seams Steering Committee in September (TRR 144).

AEP's Ross expressed misgivings about the changes, saying the Regional State Committee should know that "they may not be getting all they expected."

OTHER MATTERS

Staff to Update Wind Integration Study

SPP operations staff will update a 2010 study to evaluate the impact of increasing wind generation on the SPP system.

The original Wind Integration Task Force study, which was completed in January 2010, focused on balancing, forecast needs, tool development and transmission adequacy. Results were incorporated into the design of the Integrated Marketplace.

In the five years since, installed wind capacity in the RTO is approaching or has passed the levels forecast in the study.

"There's a lot higher penetration of wind. There are more operational concerns and issues that we have to be aware of," said Operating Reliability Working Group Chairman Jim Useldinger of Kansas City Power and Light.

"Just this week we went from 7,000 MW to 700 MW [of wind generation] in a short period of time," one SPP staffer said.

A year ago, the working group presented a proposal to update the study to reevaluate transmission adequacy based on new wind capacity forecasts.

The MOPC asked the task force to revise the study scope based on what the RTO's staff can provide without employing external analysts.

The task force's revised proposal recommends staff use current and forecast wind installations to review the transmission adequacy assumptions from the 2010 study.

It also will look at operating characteristics and impacts including frequency response (Consolidated Balancing Authority needs vs. wind capability), reactive capabilities under low-wind and high-wind-low-load scenarios and the likelihood of wind events becoming contingency events.

The goal will be to determine the need for any new operational requirements on wind farms and provide inputs into transmission planning studies.

The study, which is expected to take about one year, will be split to provide initial results regarding operational concerns sooner because the transmission review could take longer.

Meanwhile, the Generation Working Group released its biannual report, which recommended no changes to SPP's methodology for

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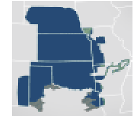
SPP NEWS



SPP Markets & Operations Policy Committee Briefs

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establishing net capability for wind and solar facilities.

Effort to Streamline Aggregate Study Procedures Wins OK

Members approved a measure to revise the Aggregate Study process in an effort to make it more efficient (TRR146). The revisions also consolidate the process into Attachment Z1. Members also approved BPR051, which documents the procedures for the new process.

Order 1000 Task Force Gets New Boss, More Members

The Competitive Transmission Process Task Force will expand its membership and report to the MOPC under a charter change outlined to the committee.

The task force will have at least at least six and as many as 15 members with experience and knowledge in electric transmission engineering design, project management and construction, operations and maintenance, rate design and analysis, and finance.

Larry Holloway of the Kansas Power Pool expressed concern that the charter didn't list policy experience among the requirements for task force members. Holloway also said it needed diversity with viewpoints of those other than incumbent transmission owners.

Terri Gallup of AEP responded that "a lot of [current task force members] have policy titles within our companies," in addition to experience in the fields listed in the charter.

MOPC Chairman Noman Williams, of South Central MCN, said no committee vote was required on the charter change.

Minimum Design Standards for Competitive Upgrades Approved

Members approved without opposition minimum design standards for competitive transmission upgrades (MDS) with a correction noting that 230-kV circuits should have ratings of at least 1,200 amps, not 2,000 as originally shown in the MDS.

SPP Announces 'One-Stop Shop' for Tracking Document Changes

SPP is creating a Web page as a "one-stop shop" for finding the latest version of the Tariff, Marketplace Protocols, business practices and other documents subject to the RTO's revision request process.

"You won't have to go to four different Web pages to find them," explained Debbie James, manager of market design.

The primary working groups will review all changes to the revision request process prior to MOPC approval of the changes.

SPP, MISO Agree on Revised Flowgate Process

SPP and MISO have agreed on a new process for coordinating tie-line flowgates. The two RTOs have agreed to begin using the new process even before filing it with FERC early this year as an addition to their Joint Operating Agreement.

The party with functional control over the most limiting equipment for the flowgate will be the managing entity and is responsible for available flowgate capability (AFC) calculations. New tie-line flowgates will initially be created as temporary and will not become permanent for 60 days after notification is posted.

The initiative began when SPP staff was assigned to research whether MISO had followed procedures in creating a new flowgate on a line between it and the Empire District Electric. [MISO FG #6257: Ozark 161 kV (EDE) to Omaha 161 kV (EES) for the loss of Osage 161 kV (EES) to Eureka 161 kV (CSWS)].

Empire officials were "surprised" by the flowgate, said David Kelley, SPP's director of interregional relations.

"I think we've identified maybe a gap in our process," Empire District's Bary Warren said. There should be explicit criteria for establishing permanent flowgates, including a dispute resolution process, he said.

SPP staff will propose the new coordination process to Associated Electric Cooperative, Kelley said.

Project Pinnacle 'Close to the Finish Line'

Barbara Sugg, vice president of information technology told members, SPP is "very, very close to the finish line" for Project Pinnacle, implementing Phase 2 of the Integrated Marketplace, including market-to-market rules, long-term congestion rights and regulation compensation.

CONSENT AGENDA

MOPC also approved the following items on the consent agenda with no discussion:

- BPWG-BPR 065 BP 7250 Modification: Generator Interconnection Service
- MWG-MPRR 209 Change Start-Up Offer from Daily to Hourly
- MWG-MPRR 215 Product Substitution Cost Calculation
- MWG-MPRR 216 Regulation Qualification
- MWG-MPRR 222 Allow Max of Zero for VERS
- MWG-MPRR 223 SPP Conservative Operations during Multi-Day RUCs
- MWG-MPRR 226 Settlement Area Definition Change
- RTWG-TRR 142 Attachment C Update
- RTWG-TRR 145 Attachment P Revisions
- GECTF-Request to extend another year
- PCWG-Charter Changes
- SPCWG-Charter Changes

Company Briefs

Exelon's Pacilio Promoted to COO of Generation Unit

Pacilio

Michael J. Pacilio, president and chief nuclear officer of Exelon Nuclear, was promoted to executive vice president and chief operating officer of Exelon Generation, the business unit overseeing all of Exelon's generating stations. Bryan Hanson, Exelon Nuclear COO, will assume Pacilio's previous roles.

More: *PR Newswire*

Dynegy Betting on Edwards Station, Commits to Emissions Investments

Dynegy said it plans to upgrade pollution controls at the E.D. Edwards coal-fired plant in Bartonville, Ill., rather than shut the 695-MW plant down in response to more stringent emissions standards. It told Illinois officials that the improvements would reduce Edwards' noxious emissions by 90%.

As part of the agreement reached with state environmental authorities, Dynegy will continue its 10-year practice of burning low-sulfur coal.

Environmental groups were pleased with the news, but they cautioned that the plant would still produce waste. "While Dynegy's announcement represents one step in addressing one type of coal plant emissions, there are still many harmful pollutants emitted from the coal plant's stacks and dumped into its ash ponds on a daily basis," a Sierra Club spokesperson said.

More: *JournalStar*

Exelon Appealing Valuation Of Byron Nuclear Station

Exelon often touts the value of its nuclear generating stations. But not for tax purposes.

For the third straight year, the company is appealing Ogle County's assessed value of its Byron Generating Station in Illinois. The county's Supervisor of Assessments puts the value of the nuclear plant at $509 million. Exelon says it should be set at $212.6 million.

The company appealed assessments in 2012 and 2013, but both times the Ogle County Board of Review upheld the valuations — $449 million in 2012 and $509 million in 2013. Exelon's appeals are still pending before the Illinois Property Tax Appeal Board.

More: *Ogle County News*

PPL Asks for More Time To Meet Spinoff Conditions

PPL is asking for more time to meet Federal Energy Regulatory Commission conditions to win approval of the spinoff of its generating assets to Talen Energy.

In December, FERC set a series of conditions to increase market competition for the spinoff. PPL told FERC last week that it would be unable to complete the plan by the Jan. 20 deadline and asked for an extension of 10 days. Talen Energy would combine the generating assets of PPL and Riverstone Holdings.

PPL and Riverstone are still determining which plants to divest to meet the FERC conditions. PPL spokesman George Lewis said an extension would not delay completion of the deal.

More: *LancasterOnline*

JD Power: PSE&G Highest Eastern Utility in Customer Satisfaction

Public Service Electric & Gas topped the list for business customer satisfaction among large Eastern electric utilities, according to the latest survey by J.D. Power.

PSE&G scored 685, above the segment average of 659 for electric business customers. PPL came in at 681, while Exelon's PECO scored 644, dropping in rankings from fourth to ninth. Pepco Holdings' Delmarva Power & Light ranked highest among mid-sized utilities. All three of Duke Energy's utilities — Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida — came in at the bottom of the Southern region rankings.

More: *The Philadelphia Inquirer*

NRG Concentrating on Solar As Energy Generation Prices Droop

Crane

NRG Energy is taking aim at the rooftop solar installation market in the face of declining profits in the conventional power generation industry.

NRG President David Crane said his company wants to move up the charts among domestic solar installers. SolarCity Corp. current ranks first in the U.S., according to GTM Research, and NRG ranks fifth. "We expect to convincingly persuade our investors that NRG has an embedded SolarCity within it," Crane said.

The company plans to install 250 MW of home solar systems this year, 875 MW by 2017 and 2,400 MW by 2022. Market leader SolarCity installed 520 MW last year. "Everyone is beginning to believe that residential solar is this trillion-dollar market that currently has about 1% market penetration," Crane said.

More: *Bloomberg News*

-- Compiled by Ted Caddell

FEDERAL BRIEFS

FERC Grants Approval for Minnesota-Manitoba Line

The Federal Energy Regulatory Commission has approved Minnesota Power's plan to build a 200-mile transmission line from Manitoba to Grand Rapids, Minn.

The 500-kV Great Northern Line will run from the Canadian border near Roseau, Minn., to a substation near Grand Rapids. The total cost is estimated at $560 million to $710 million. MISO has included the line in its transmission expansion report.

The line will be a joint project by Minnesota Power and Manitoba Hydro, and 383 of its 883 MW of transmission capacity will be used to deliver hydro power purchased by Minnesota Power for its customers. Minnesota Power will be the line's majority owner.

More: *Energy Central*

FERC Scheduling Hearings on PennEast Pipeline Project

The Federal Energy Regulatory Commission is hosting a series of five public meetings on the proposed PennEast natural gas pipeline in Pennsylvania and New Jersey.

FERC will collect comments that will be used in the final determination on whether the pipeline will be built and what route it will take. The pipeline, financed by operating units of UGI and four major New Jersey gas utilities, is estimated to cost $1 billion. It would deliver Marcellus Shale gas from northeastern Pennsylvania to a pipeline interconnection near Trenton, N.J.

Opponents are already organizing. "The environmental impacts are very significant, very serious," said Maya van Rossum of the non-profit Delaware Riverkeeper Network. "This environmental impact statement is critically important. We have seen uniformly in pipeline projects FERC not fully considering the impact."

More: *The Morning Call*

Report: Offshore Wind Could Provide Energy from Drilling x2

A report by environmental group Oceana says that Atlantic offshore wind energy industry has the potential to generate twice the number of jobs and twice the amount of energy as offshore drilling for oil or natural gas.

The report, called "Offshore Energy by the Numbers: An Economic Analysis of Offshore Drilling and Wind Energy in the Atlantic," is meant to counter claims by the drilling industry of the benefits of opening up the East Coast to oil and natural gas production.

"If we commit ourselves to developing offshore wind resources, it could definitely surpass all that we have with oil and gas," said Andrew Menaquale, author of the report. "And also, keep in mind, once that oil and gas runs out, it's gone. Offshore wind, well beyond that, will keep producing energy and will continue to power coastal communities."

More: *Lumina News*

FERC, DOE Release Final Version Of Data Code of Conduct

The final version of the Voluntary Code of Conduct for smart grid data privacy, designed to protect information gathered by smart meters and other technology, was released Friday.

The code protects customer data, including account information and records of energy usage. Under the code, data can be collected and used by service providers, third parties and contracted agents. President Obama held up the code as an example of privacy and cybersecurity during a speech last Monday.

More: *The National Law Review*

Obama Administration Announces Plan to Cut Methane Emissions

The White House announced that it will implement a combination of regulations aimed at reducing methane emissions from oil and gas drilling, a significant source of greenhouse gases that affect climate change.

The administration said the new regulations aim to cut industrial emissions of methane by 40 to 45% over the next 10 years. Methane, a major component of natural gas, is emitted at gas wells and pipelines.

The Environmental Protection Agency is expected to set requirements for new or modified oil and gas wells and natural gas facilities. The rules are expected to be rolled out in the spring or summer.

More: *The Washington Post*

DOE Energy Efficiency Standards Promise $78 Billion in Savings

The Department of Energy released its energy efficiency standards for fluorescent lamps and commercial ice makers, the last two such standards completed in 2014.

The standards for general-service fluorescent lamps alone are expected to save $15 billion in electricity bills and 90 million tons of emissions. Together, the 10 standards approved in 2014 promise energy savings of $78 billion through 2030 and reductions of more than 435 tons of emissions.

More: *EnerKnol*

Millstone at Risk of Possible NRC Enforcement for Violation

The struggles of Millstone Power Station to repair a cooling pump has prompted the Nuclear Regulatory Commission to cite the Connecticut facility with a finding of low to moderate safety concern.

The NRC dispatched a team of inspectors to Millstone after problems emerged in 2013 and again in 2014 with a pump used to cool the reactor in the event of failure of both offsite power and backup generators. The findings were not publicized because of security concerns.

Dominion Resources, owner of Millstone, has said that policies and procedures are being changed as a result of the inspection findings.

More: *The Middletown Press*

-- Compiled by Ted Caddell

STATE BRIEFS

DELAWARE

Refinery Files for Permit to Build $100 million Hydrogen Plant

PBF Energy, owners of the state's only refinery, is seeking permission to build a $100 million hydrogen plant as part of a plan to begin refining ultra-low sulfur fuel at the Delaware City facility.

PBF applied to the Department of Natural Resources and Environmental Control for water intake and discharge permits for the project. Any construction along the state's coastline needs Coastal Zone Act approvals.

PBF said in the application that the new plant would allow removal of more than 20,000 tons of sulfur from products made at the refinery. PBF in October announced it was cancelling plans to build a different, $1 billion plant on the site.

More: *The News Journal*

ILLINOIS

Natural Gas Rate Hikes Waiting For Two New ICC Members

Rate-increase proposals from two Integrys gas utilities are on hold until Gov. Bruce Rauner names two new members to the Commerce Commission to replace Chairman Doug Scott and Commissioner John Colgan, whose terms ended yesterday.

North Shore Gas and Peoples Gas have applied for increases to their base rates. Bills for Peoples customers would increase by about $5 a month and North Shore bills by about $2.50 a month.

Both companies are also seeking substantial boosts to their monthly fixed-rate customer charges. Peoples has requested a 43% increase in its $27 monthly fee to $38.50. Its fee is already the second-highest of any utility in the Midwest. North Shore is seeking a 24% increase of its monthly service charge to $29.55. Consumer groups and the state attorney general's office have already voiced opposition.

More: *The Chicago Tribune* (subscription required)

MARYLAND

General Assembly Starts with New Legislation for Renewable Energy

Feldman

Environmentalists and other activists rallied outside the State House to mark the introduction of a renewable energy bill at the start of the state's lawmaking season.

Sen. Brian J. Feldman of Montgomery County sponsored a bill that would require 40% of the state's electricity come from renewable sources by 2025. The state's utilities got 10% of their electricity from renewable sources last year.

The bill's passage is a long shot though. Larry Hogan, who gets sworn in on Wednesday as governor, says ratepayers should not be asked to pay a premium for renewable power. The chairman of the House Economic Matters Committee, which handles such legislation, said he doesn't see it passing this year.

More: *The Baltimore Sun*

MICHIGAN

PSC Approves Increase for Consumers Energy Gas Rate

The Public Service Commission narrowly approved a 2.4% gas-rate increase for Consumers Energy. The monthly bill for a typical residential customer will go up by about $1.97.

Consumers Energy asked for an $88 million rate increase. The PSC approved $45 million. The company said it needed the increase to offset increased operating and maintenance expenses. It was its first contested rate increase since 2010.

More: *MLive*

MINNESOTA

Opposition Growing to Xcel's Plan for 62-MW Solar Project

Local residents want more say over a NextEra Energy Resources plan to build a 62-MW solar project on 500 acres of farmland in southwestern Minnesota.

Under state law, approval of solar projects of more than 50 MW shifts from local control to state regulators. Local opponents of the $100 million NextEra project, which would sell its output to Xcel Energy's distribution system, say their rights are being ignored in the state's quest to produce more renewable energy. The state has set a goal of developing 1.5% of its electricity by solar by 2020.

"If loss of local control, decreased property values, increased cost of electricity or future cleanup issues of a 500-acre industrial site is a concern, then this project is a concern," farmer Greg Boerboom wrote in a letter to *The Marshall Independent*. "This project, mandated by the metro members of our Minnesota Legislature along with our governor, ignored the facts about the inefficacy of solar power."

More: *Watchdog*

Rail Authority Gives Backing To Sandpiper Pipeline Plan

The Anoka County Regional Rail Authority has voiced its support for a proposed oil pipeline that would run from North Dakota through Minnesota to Wisconsin, relieving some of the traffic from congested rail lines in the northern Great Plains.

The seven-member authority voted to endorse the Sandpiper Pipeline in part because it will help relieve rail congestion on the Burlington-Northern Santa Fe (BNSF) route through Minnesota. Commissioner Jim Kordiak said he was "very supportive" of the plan because he sees the pipeline as a much safer way to transport crude oil from North Dakota's Bakken field.

More: *ABC Newspapers*

MISSOURI

Two Bills Aimed at Supporting Solar Introduced to General Assembly

The state's solar industry, experiencing a rapid slowdown tied to the end of utility rebates, could get a boost if two measures introduced in the General Assembly are approved.

The first proposal would raise the limit on solar installations that qualify for net metering, from the current 100 kW to 1 MW. A second proposal eliminates the size cap and would allow for a yearly "true-up" of net generation, which would let solar owners bank generation credits for a year, rather than the current month. Excess generation

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STATE BRIEFS

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is currently tabulated monthly at a reduced-fuel cost, about 2 cents/kWh.

"I'm trying to find some place that is workable for a new industry and workable for how the current power producers work," said Rep. T.J. Berry, sponsor of one of the bills.

More: *Midwest Energy News*

Ameren Missouri Raises Energy Efficiency Fee

The Public Service Commission approved an increase of Ameren Missouri's energy efficiency fee from $3.70 a month for a typical customer to $6 a month starting Jan. 27. The fee finances the company's demand-side management programs and other efficiency efforts.

More: *The Missouri Times*

NEBRASKA

Anne Boyle Retires from PSC After 20 Years

Anne Boyle, whose family's political roots go back to her great-grandfather's service in the Legislature, retired from the Public Service Commission after 20 years.

Boyle, a Democrat, often found herself fighting for the rights of "the little guy," according to fellow PSC Commissioner Frank Landis, a Republican. "Anne truly believed in doing the most that she could to better the quality of life for the underprivileged," Landis said. "She believed it. She acted on it. And she lived it."

More: *Omaha World-Herald*

NEW MEXICO

159-Mile Transmission Line Proposed for NM-Texas

Xcel Energy is reaching out to landowners in preparation for building a 159-mile, 345-kV transmission line that would run from Texas to New Mexico.

The Tuco-Yoakum-Hobbs project is in its early stages, according to the company. If it gains regulatory approval from the Federal Energy Regulatory Commission and state agencies, it could go into service in 2020. The company said the $237 million project is necessary to deliver power to the growing natural gas and oil industry in West Texas and in New Mexico.

The transmission line is one of more than 44 possible projects proposed by Southwest Public Service Co., Xcel's subsidiary in New Mexico. The company submitted plans for those projects, which would cost an estimated $557 million, to SPP in 2014.

More: *Brownfield News*

NORTH CAROLINA

Duke's Rate of Return Higher than Allowed

The Utilities Commission says that Duke Energy's two utilities are generating higher rates of return than allowed, but that the rates are dropping to the allowed levels.

Both Duke Energy Carolinas and Duke Energy Progress experienced dramatic increases in rates of return after a 2013 rate case. Duke Carolinas' overall return peaked at 8.36% in June, nearly half a percentage point above the allowed 7.88%. Duke Progress' overall return was 8.06%, above the 7.55% allowed.

The agency's staff said cold weather at the start of 2014 may have been a factor for the increases but that the commission could take action if the figures don't stay in line with the allowed margin.

More: *Charlotte Business Journal*

NORTH DAKOTA

Bill Could Undo Regulations to Reduce Flaring, Oil Conditioning

Legislators are seeking to roll back state regulations that call for a decrease in gas flaring at oil wells and a reduction in the volatility of crude oil that will be transported by rail and road.

The rule on gas flaring calls for oil producers to capture 77% of wellhead natural gas this year, 85% by 2016 and 90% by 2020. Some oil producers, who burn off associated natural gas from oil wells where they have not yet built pipelines to capture the gas, have cut back production in order to reach the 2015 goals. The rule ordering oil transporters to condition crude to make it safer for transport is set to go into effect April 1.

The new rules, approved by the Industrial Commission, did not go through the Legislative Assembly's Administrative Rules Committee. Putting both regulations through legislative review could take an additional nine to 10 months.

More: *Jamestown Sun*

OHIO

PUCO Holds Hearing on FE's Guaranteed Return Plan for Plants

About 100 people attended the first of three public hearings on FirstEnergy's "electric security" plan that would allow its largest generating plants to receive a guaranteed price from customers.

Opinion was split at the Public Utilities Commission hearing. FirstEnergy said the plan would keep the plants open in the face of increased competition from natural gas-fired plants and wind farms, and save consumers billions of dollars. Several elected officials and business owners came to express their support for the plan.

But some consumer advocates complained that ratepayers were being asked to subsidize the energy company to the tune of billions. "FirstEnergy doesn't play by the rules," said Dex Sims, a member of the Communities United for Responsible Energy. An evidentiary hearing is set for Jan. 28.

More: *Akron Beacon Journal*

PENNSYLVANIA

PUC Chief Says Philly's Gas Lines Pose Risk to City Residents

The chairman of the Public Utility Commission said almost half of Philadelphia Gas Works' natural gas lines are "at risk" and announced a comprehensive program to review the city-owned utility's pipeline safety and replacement program.

Chairman Robert Powelson said the city's residents are "threatened by at-risk pipelines and an alarmingly slow replacement schedule." He said the company's current plans to replace its riskiest gas mains in 88 years is insufficient.

PGW maintains the largest municipal-owned system in the U.S., with about 1,500 miles of cast iron pipes, some dating to the 1800s. The PUC said it costs about $1.4 million to replace each mile in Philadelphia.

More: *Pittsburgh Tribune-Review*

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STATE BRIEFS

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SOUTH DAKOTA

Another Pipeline Planned To Run Through State

Public officials received a briefing last week on a proposed 1,134-mile crude-oil pipeline to run from North Dakota, through South Dakota and eventually terminate in Illinois.

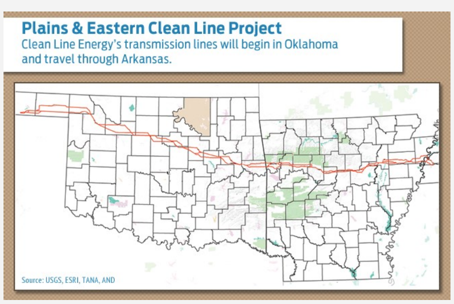
The Dakota Access Pipeline, with an estimated price of $3.78 billion, is designed to carry Bakken crude from the North Dakota oil fields to other pipelines in Illinois, and then to refineries.

The South Dakota Public Utilities Commission is holding a public hearing Thursday in Sioux Falls on the project. Depending on regulatory approval, construction is to begin early 2016 and be completed the following year. It is designed to carry up to 570,000 barrels of crude oil a day.

More: Argus Leader

TENNESSEE

Regulatory Authority Approves Plains & Eastern Clean Line



The Regulatory Authority has approved the Plains & Eastern Clean Line, a $2 billion, 700-mile transmission line designed to bring Oklahoma wind power to Memphis.

The authority granted a Certificate of Public Convenience and Necessity, the final approval needed. The project already had received necessary approvals from the Federal Energy Regulatory Commission and the U.S. Department of Energy. Construction is set to begin soon, with the line going into operation by 2019.

More: Memphis Business Journal

VIRGINIA

More Opposition to Proposed Tx Lines for Prince William Data Center

More than 800 residents packed a high school auditorium to protest the proposed construction of a transmission line to serve a data center in a semi-rural district near D.C.

Opposition formed quickly to the Dominion Virginia Power proposal, for which the company has not yet applied for permits with the State Corporation Commission.

Although Dominion has not identified the high-load customer for the transmission line, some elected officials have said the data center is to be built for Amazon.com. Dominion has prepared two separate route plans for the line — one above-ground, and one with portions to be underground. The part-underground route, which would run along Interstate 66, is estimated to cost about $140 million, nearly $80 million more than the aerial line.

More: Washington Post

WEST VIRGINIA

Appalachian Power Plans to Upgrade 21-Mile Transmission Line

Appalachian Power announced last week it plans to upgrade a 69-kV transmission line that dates back to 1917.

The line, which runs 21 miles from Bland and Wythe counties in Virginia to Mercer County, W. Va., would be upgraded to 138 kV. The company said it needs the line to serve bigger load from an increased population.

The project could be completed by 2018 at an estimated cost of $70 million to $90 million.

More: WSLS

MANITOBA

Manitoba Hydro Seeks 3.95% Rate Hike, Another 3.5% Later

Manitoba Hydro, citing a need to update its aging distribution system, applied to the Public Utilities Board for a 3.95% rate increase to go into effect April 1. It also warned that it would need an additional 3.95% hike next year.

President and CEO Scott Thompson said the company needed the additional revenue to pay for upgrades to reduce outages. "No one wants to see energy prices rise, but it does cost money to replace these assets," he said. "It's really just replacing aging infrastructure that's the key driver right now."

The head of a coalition that has been critical of Manitoba Hydro's expansion plans said the company's rate increases may not be sufficient. "The path that they're on, they're fooling themselves if they think they can get by with that rate of increase," said Garland Laliberte, president of the Bipole III Coalition, named for the controversial transmission project the coalition opposes.

More: Winnipeg Sun

-- Compiled by Ted Caddell

ISO-NE Suspends Trading Firm

A subsidiary of Sumitomo Corp. was temporarily suspended from the New England wholesale energy market this month due to a default on its financial obligations.

Pacific Summit Energy, which trades electricity, natural gas and crude oil from offices in Newport Beach, Calif., and The Woodlands, Texas, was suspended on Jan. 5 by ISO-NE. The RTO notified the Federal Energy Regulatory Commission by letter on Jan. 12.

"Pacific Summit has cured the default and the company is currently meeting all of its obligations under the ISO New England Tariff," ISO-NE Spokeswoman Marcia Blomberg said Friday.

Declining to discuss specifics of the case, Blomberg added: "In general, suspensions are a result of a participant not maintaining a minimum amount of collateral and/or not complying with other financial assurance and billing requirements."

She also declined to say when PSE was returned to good standing.

Blomberg said there is no requirement for notification to FERC when a suspension is lifted.

PSE, created by Japanese conglomerate Sumitomo in 2012, did not return calls seeking comment.

FERC OKs $1,800 Offer Cap in PJM

Continued from page 1

ket design and operational practices in order to ensure appropriate price formation in energy and ancillary service markets operated by ISOs/RTOs, which involved four staff papers and a series of workshops."

The order included a request for comments as FERC seeks information on possible alternative offer caps and how it can mitigate seams issues among neighboring RTOs. (See *PJM Seeking RTO Consensus on Offer Cap Increase*.)

Responding to critics' concerns, the commission said, "While PJM's proposal may exacerbate seams issues by creating an incentive for external resources to attempt to sell into PJM when energy prices exceed $1,000/MWh, PJM is proposing only a short-term, temporary change applicable over the next few months."

FERC also dismissed protesters' assertions that the waiver would invite unsupported market-based offers above the $1,000/MWh cap.

"PJM's proposal also provides additional protection to customers by requiring that market sellers provide cost justification for all bids above $1,000/MWh according to PJM's cost development guidelines, in order to set the LMP," it said.

Furthermore, it noted, "As we found in the February 2014 Waiver Order, allowing these offers to set LMP promotes efficient resource selection and sends clear market signals so that resource costs are reflected in transparent market prices."

PJM's proposal will allow generators to recover "justifiable costs" more than $1,800 through make-whole payments, but such offers would not set prices for other market participants.

The issue arose after a spike in gas prices last January pushed some generators' costs to more than $1,000. At the time, FERC granted PJM's request for a waiver from the cap to allow some gas-fired generators to cover their costs.

Because the proposal's wording did not put a time limit on the price cap hike, FERC is requiring PJM to submit a filing by Feb. 27 to remove the waiver effective April 1. Because that change is ministerial, FERC said it will not entertain protests.

FERC also declined to establish hearing procedures, as some had requested. It also denied PJM Load Group's motion for extension, saying that "the current situation requires immediate relief." (See *PJM Offer Cap Proposal Sparks Opposition*.)

In addition, it disagreed with the Load Group that the proposal would result in retroactive ratemaking.

"The Tariff provisions revise offers solely in the energy market and are prospective, as of the date of this order. They, therefore, have no retroactive effect on past offers or energy prices," the order said.

PJM's Section 206 filing seeking the higher cap came after stakeholders failed over eight months to reach consensus on changes to the current $1,000/MWh cap. (See *Last-Ditch Effort to Break PJM Offer Cap Deadlock Fails*.)

Falling Oil Prices, Wind Exports Raise Concerns about SPP Transmission Expansion

Continued from page 1

endorse the 2015 Integrated Transmission Plan 10-year (ITP10) assessment, which was approved by voice vote with some nays and multiple abstentions.

Crawford said the assessment predicts wholesale sales 50% higher than his company's internal estimates. "We're a little concerned with the calculations behind this," he said.

"We're concerned that the load forecast is way off," said the Empire District Electric Co.'s Bary Warren, who noted that much of the growth is based on anticipated demand from oil and gas producers. With the continued fall in oil prices, he said, "we need to determine if these projects will be needed."

"What if oil goes to $20 a barrel and everyone stops drilling? Or there's more earthquakes in North Texas and that affects fracking?" he added. "Things have changed in the last six months."

But Jay Caspary, SPP director of research, development and special studies, noted that while spot prices have fallen to $45 a barrel, futures prices remain above $80, suggesting the price drop may be short-lived.

Several speakers also noted the volume of existing wind generators and oil producers that are unable to connect to SPP.

Xcel Energy's Southwestern Power System (SPS) area in North Texas and eastern New Mexico is showing the worst potential problems in SPP's reliability studies.

"They're out there pumping oil. So there's additional load that we could add to our system if we had the infrastructure in place," Caspary said.

Caspary said there has been no significant drop in activity in the SPS territory, noting that *The Wall Street Journal* recently reported that rigs are being redeployed from the Eagle Ford shale zone in south Texas to the Permian Basin, an SPS territory in southeast New Mexico.

Bill Grant of Xcel Energy said there is at least 80 MW of load that wants to be served, including 30 MW of requests that were denied service and 53 MW of distributed generation.

Warren said the near-term prospects will become clearer this spring when oil producers announce their capital spending plans.

Cost Allocation, Modeling Complaints

SPP's cost allocation and modeling methodology also came under criticism.

"We're getting allocated these reliability benefits [for improvements] nowhere near our system," Crawford said.

In abstaining on ITP10, Warren cited concern about how benefits are calculated.

"We need to think about whether there are some fundamental problems with the way we model our system," commented Richard Ross of American Electric Power.

Jason Atwood of Northeast Texas Electric Cooperative voted against the 2015 Integrated Transmission Plan Near-Term assessment (ITPNT), which was endorsed with several abstentions. "I don't want my load to pay for transmission to move power outside the footprint," he said.

Atwood said wind generation in SPP has never exceeded 1,000 MW during the summer peak, "and we're modeling for 7,000" MW based on transmission service reservations.

Discussing SPP's strategic initiatives later in

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Falling Oil Prices, Wind Exports Raise Concerns about SPP Transmission Expansion

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the meeting, Michael Desselle, SPP vice president of process integrity and chief administrative officer, said the RTO's highway/byway cost allocation methodology is "not appropriate" for exports.

Jeff Knottek, of City Utilities of Springfield, Mo., raised a more acute modeling issue, citing the occurrence of transmission load relief procedures on two flowgates between SPP and Associated Electric Cooperative.

"No one can seem to replicate this problem that occurs in real time. We need to dig down and find what the cause of the problem is."

2015 ITP10

The MOPC approved $273 million in engineering and construction costs for projects based on the ITP10 assessment of a business-as-usual future and one that assumed up to 20% of hydro capacity and conventional generation — including most coal units under 200 MW — would be lost.

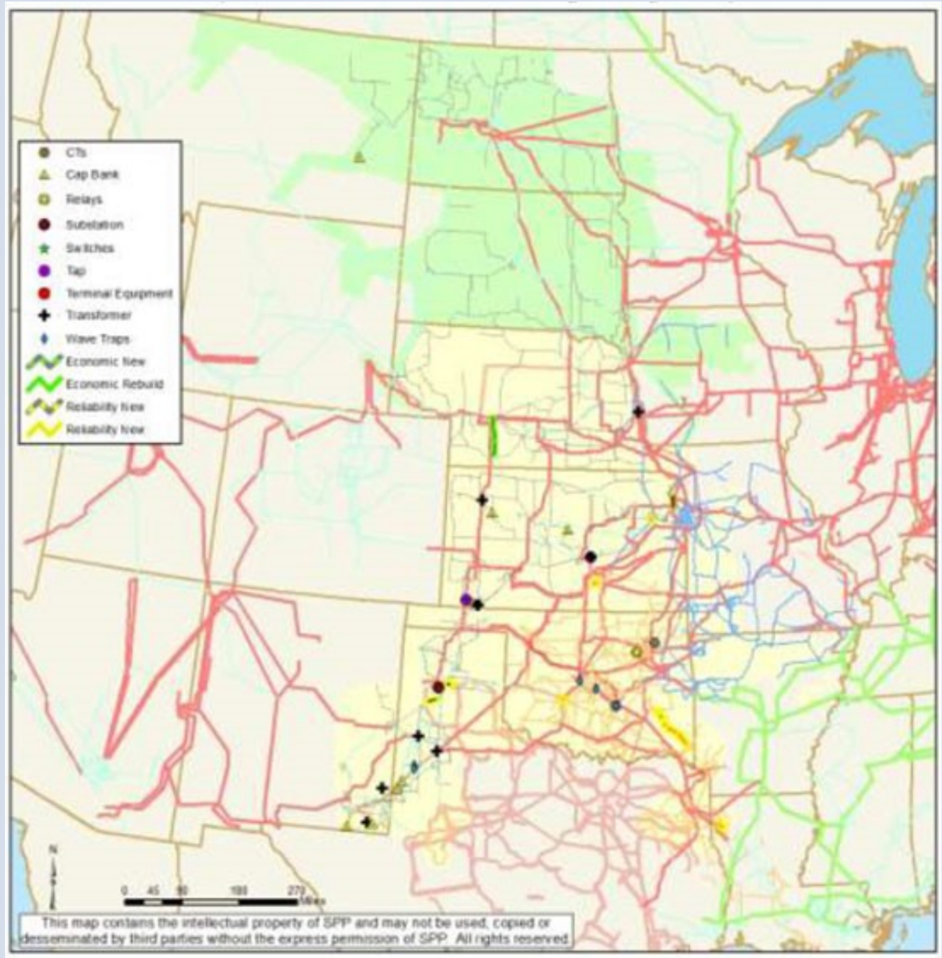
It included 166 miles of reliability projects estimated at almost $210 million and 94 miles of economic projects costing almost $70 million.

The MOPC's approval also recommended the Board of Directors issue Notifications to Construct (NTCs) for 16 projects needed in 2019. These projects' cost of $142 million was reduced when members amended the plan to split the largest project, totaling $36 million, into two.

The original project would add a new substation with a 345/115-kV transformer on the Hitchland-Finney 345-kV line; a new 1-mile, 115-kV line from the substation to the Walkemeyer 115-kV line; and a second 21-mile, 115-kV line from Walkemeyer to North Liberal.

Members voted to split the project in two based on differences in the needed in-service dates. Some members suggesting studying whether converting the 76-MW Cimarron natural gas generator to a synchronous condenser would eliminate the need for the Walkemeyer-North Liberal line.

Other projects exceeding $10 million were an upgrade of the Iatan-Stranger Creek 161-kV line to 345 kV ($16.1 million) and the rebuild of the South Shreveport-Wallace Lake 138-kV line ($10.3 million).



SPP consolidated transmission project portfolio, economics and reliability projects. (Source: SPP)

2015 ITPNT

The 2015 ITPNT, which addresses reliability problems through 2020, includes 42 projects totaling $257 million. Eight of the projects also were identified in the 10-year plan.

More than half of the total is slated for New Mexico ($82.1 million) and Kansas ($50.7 million).

The MOPC separately endorsed two Consolidated Balancing Area projects in the 2015 ITPNT: an upgrade of 138-kV terminal equipment at Benton ($480,000) and a rebuild of the Southwestern Station-Carnegie 138-kV line ($13.4 million).

Ozarks Project Cancelled

Members also recommended the Board of Directors withdraw the NTC for the 41-mile Kings River-Shipe Road 345-kV line.

The NTC was issued following the 2007 Ozark Study as one of several 345-kV projects that would create a loop around Northwest Arkansas and extend eastward across northern Arkansas and into southern Missouri.

Southwestern Electric Power Co. opposed the route selected and requested rehearing. The project also was opposed by a citizens group, Save the Ozarks.

Lanny Nickell, SPP vice president of engineering, said a review last year showed a 50% drop in load growth rates in the area critical to the project's need. There was a 54-MW drop in post-contingency loading on the East Rogers-Avoca 161-kV line, "a fairly large percentage of [the new line's] capability," Nickell said.

"We're not seeing nearly the severity in the number of overloads that we saw the last time," he said.

Presque Isle Sale Would End SSR Costs, Clear Path for Wisconsin Energy-Integrys Deal

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annual cost of the SSR. UPPCO's current customers were to pay for nearly 6% of that amount.

The deal would also relieve Wisconsin ratepayers from their share of the Presque Isle SSR costs. Last year the Public Service Commission of Wisconsin complained to the Federal Energy Regulatory Commission that Wisconsin ratepayers would pay a disproportionate share of SSR costs.

FERC agreed and shifted SSR costs more heavily to Michigan (ER14-2860, ER14-2862). Residential ratepayers were furious, saying they could pay up to $150 more a year. U.P. businesses said their annual costs could rise by thousands or millions of dollars.

"This is a critical development for the Upper Peninsula and our entire state," Snyder said in a press release announcing the sale Tuesday. The announcement cautioned that "all of the agreements have a number of contingencies and will be subject to further discussion and refinement."

Cliffs to Purchase Presque Isle Power

UPPCO would run Presque Isle, in Marquette, Mich., until 2020, when the Environmental Protection Agency's proposed carbon rules take effect. Cliffs Natural Resources, whose Empire and Tilden mines make it the largest electricity consumer in the U.P., would purchase "a significant majority" of its power from UPPCO until the retirement, according to the agreement.

Before then, Chicago-based Invenergy plans to build a natural gas-fueled combined heat and power plant on Cliffs' site that would serve the mines and other local utilities. Invenergy told *Crain's Chicago Business* the plant will be between 200 and 280 MW.

Previously, faced with soaring power costs from Presque Isle due to the SSR, Cliffs had lined up an alternative electric supplier.

Integrys Acquisition

Snyder, Michigan Attorney General Bill Schuette, the Michigan Public Service Commission and Cliffs also agreed not to object before FERC to Wisconsin Energy's acquisition of Integrys.

The $9 billion deal could have been derailed or at least delayed as a result of the SSR dispute.

So roiled were Michigan leaders that the state's House of Representatives on Nov. 6 passed a resolution calling on FERC to reverse its acceptance of MISO's cost allocation it said would saddle U.P. residents with 99.5% of Presque Isle's costs.

The uproar also triggered bipartisan legislation from Michigan lawmakers in Congress that would require FERC to overrule decisions by the North American Electric Reliability Corp. if a review found it resulted in "unjust and unreasonable" rate increases.

One Provider for UP

UPPCO, which serves about 52,000 customers in the U.P., currently owns seven hydroelectric generators and two combustion turbines with total capacity of 80 MW.

Formed in 1947 from the merger of three utilities, UPPCO was later acquired by Integrys, which agreed in January 2014 to sell the company to an infrastructure equity investment fund, Balfour Beatty Infrastructure Partners, for about $300 million.

If the deal announced last week is completed, UPPCO, based in Ishpeming, Mich., would serve a majority of the U.P.

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