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Patton Asks FERC to Set Deadline on PJM-MISO Interface Pricing Dispute

By Chris O'Malley and Michael Brooks

WASHINGTON — MISO's Independent Market Monitor urged the Federal Energy Regulatory Commission last week to resolve a standoff between MISO and PJM over interface pricing that he said is costing consumers millions.

"We're seeing tens of millions of dollars in uplift. We see transactions being scheduled that are not efficient. And the only way to really solve this is to get prices right," MISO Market Monitor David Patton told commissioners during a panel discussion with RTO representatives and state regulators at FERC's Jan. 22 meeting.

But PJM Market Monitor Joe Bowring and Stu Bresler, PJM vice president of market operations, said pressure for an immediate resolution could be short-sighted. "We have to be careful an arbitrary deadline does not force a bad answer rather than getting to the right answer," Bowring said.

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See related stories:

FERC Orders Market-Based Reliability Program Next Winter in New England

By William Opalka

ISO-NE must find a market-based solution for ensuring adequate generation by next winter, the Federal Energy Regulatory Commission said last week in a clarification of a previous order.

FERC's Jan. 20 order (ER14-2407) sided with the region's generators, who contended ISO-NE was not acting with the urgency the commission intended in a Sept. 9 ruling, in which it approved the second year of the RTO's Winter Reliability Program.

The program provides dual-fuel capable generators with out-of-market incentives to ensure they can switch to oil when cold weather stresses natural gas supplies. The RTO had previously won FERC approval of a long-term, market-based reliability plan, the Pay-for-Performance program, which will result in a two-settlement process for capacity resources starting in 2018 (ER14-1050).

"We'll continue with the stakeholder process, which we began a couple of months ago. We're still assessing the impact of this order, in light of the work that's been done so far," ISO-NE spokeswoman Marcia Blomberg. "A jump-ball filing [reflecting a lack of consensus among stakeholders] is

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States, LSEs Skeptical, Utilities Split over Capacity Performance

By Suzanne Herel, Michael Brooks and Rich Heidorn Jr.

More than 60 parties filed comments or protests in response to PJM's Capacity Performance proposal before last week's deadline, with states and load-serving entities expressing skepticism over the need for a major overhaul and generators split over elements they like and others they insist must be changed.

The Electric Power Supply Association, which represents generators, was singularly conflicted, saying it "generally supports" the proposal, but joined with other generators in complaining that the proposed

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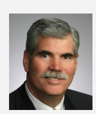
Also in this issue:



CRUTHIRDS: LPSC Questions MISO on Tx Spending

Members of the Louisiana Public Service Commission last week expressed concern with the adequacy of the transmission construction MISO has planned for their state. (p.2)

FERC to Tighten Policy on 'Hold Harmless' Commitments

FERC said last week that it intends to tighten the rules on the use of "hold harmless" commitments in support of merger applications. (p.15)

MISO NEWS

Cruthirds At Large

Louisiana PSC Seeks Assurances on MISO Tx Spending

News & Commentary

By David L. Cruthirds

Members of the Louisiana Public Service Commission last week expressed concern with the adequacy of the transmission construction MISO has planned for their state, which is seeing a surge in industrial development thanks to low natural gas prices.

MISO officials briefed the commissioners on the RTO's 2014 Transmission Expansion Plan (MTEP) — the first transmission planning cycle to include the full participation of the MISO South Region — at the commission's monthly Business & Executive (B&E) meeting in Baton Rouge last week.

The presentation by MISO's outside counsel David Guerry and Patrick Brown, executive director of transmission asset management for MISO South, also included discussion of MTEP 2015.

MTEP 2014, approved by MISO's board last month, included 369 projects totaling $2.5 billion.

MISO South (Arkansas, Louisiana, Mississippi and Texas) received $359 million, including 29 projects in Louisiana at an estimated $182 million. Distribution ($64 million), economic ($56 million) and baseline reliability ($41 million) projects dominate the work in Louisiana, with other reliability projects adding $17 million and "relaying" projects at $2 million.

MISO didn't perform any calculations on projected rate impacts because the projects are deemed local and thus not eligible for regional cost allocation, Brown said.

Assurances Sought — and Obtained

Several commissioners asked for assurances that MISO will build enough transmission to serve Louisiana's industrial growth. A state economic development report released last month found Louisiana ranked second in the South and fifth in the nation in private-sector job growth rate since 2008.

Commissioner — and gubernatorial candidate — Scott Angelle said he expected the transmission investment in Louisiana to be higher in light of the industrial expansion.

Commissioner Eric Skrmetta expressed concern about the WOTAB (West of the Atchafalaya Basin) and Amite South load pockets, saying that the Louisiana Energy Users Group (LEUG), which represents industrial customers, is "hyper-interested" in reliability issues in Amite South.

Entergy attorney Karen Freese responded by noting that MTEP 2014 includes $56 million in projects to improve reliability and increase imports into the Amite South/New Orleans area. The projects should enhance generation deliverability in Amite South, especially for one large industrial cogenerator that is a member of LEUG, she said.

The Amite South projects showed a 6-1 benefit-cost ratio, Brown said. Guerry said such economic-based projects are exactly the kind of projects LEUG is seeking.

Freese, referring to evaluations by both SPP and Entergy, said that the proposed "Houma loop" project in southern Louisiana wasn't economically justifiable.

Skrmetta wasn't entirely satisfied, saying the commission wants the ability to order transmission construction if MISO isn't doing what needs to be done. He also asked Entergy and LEUG to meet with him to discuss the issues in more detail.

Guerry noted the commission has a key role in the transmission construction process because it must approve siting and cost recovery. He also noted the MTEP 2014 projects are expected to be in service in 2018, which is before the industrial expansion projects are expected to be in operation.

MTEP 15

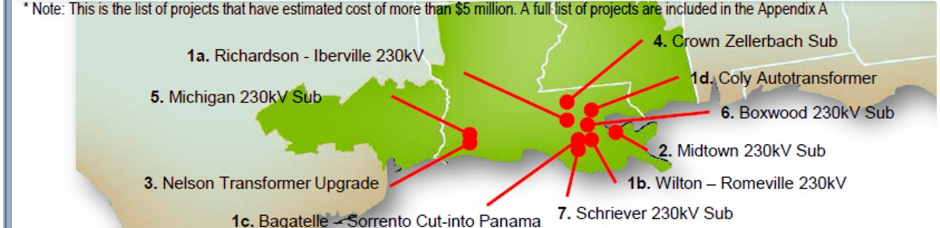
Guerry said that while there wasn't much involvement by MISO South stakeholders in MTEP 2014, the RTO is seeing more robust participation in MTEP 2015.

MISO plans to continue promoting increased participation and wider acceptance of the MTEP process across the MISO South footprint. MISO will hold planning forums as well as workshops to promote stakeholder education and increased involvement in MISO's planning processes.

As part of MTEP 2015, MISO is evaluating four projects proposed by Cleco Power and 35 submitted by Entergy Louisiana.

Rank by Cost *	ID	Project Description	Cost ($M)	Type	Impact
1	8284	Richardson - Iberville 230kV & Bagatelle – Sorrento 230kV cut-in to Panama 230kV & Coly 500/230kV transformer & Upgrade Wilton – Romeville 230kV	$56	Economic	Reduce congestion
2	4794	Midtown 230 KV transformer (Entergy New Orleans)	$27	Load Srv	Improve load serving capability in the industrial load growth areas
3	4625	Nelson transformer upgrade	$21	Reliability	Improve system reliability
4	4605	Crown Zellerbach area substation	$20	Reliability	
5	4720	Michigan 230 kV substation	$15	Load Srv	Improve load serving capability in the industrial load growth areas
6	4768	Boxwood 230 kV substation	$11	Load Srv	
7	4769	Schriever 230 kV substation	$9	Load Srv	

* Note: This is the list of projects that have estimated cost of more than $5 million. A full list of projects are included in the Appendix A



Louisiana transmission projects of $5 million or more in MTEP14. (Source: MISO)

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MISO NEWS

Louisiana PSC Seeks Assurances on MISO Tx Spending

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Lake Charles Project

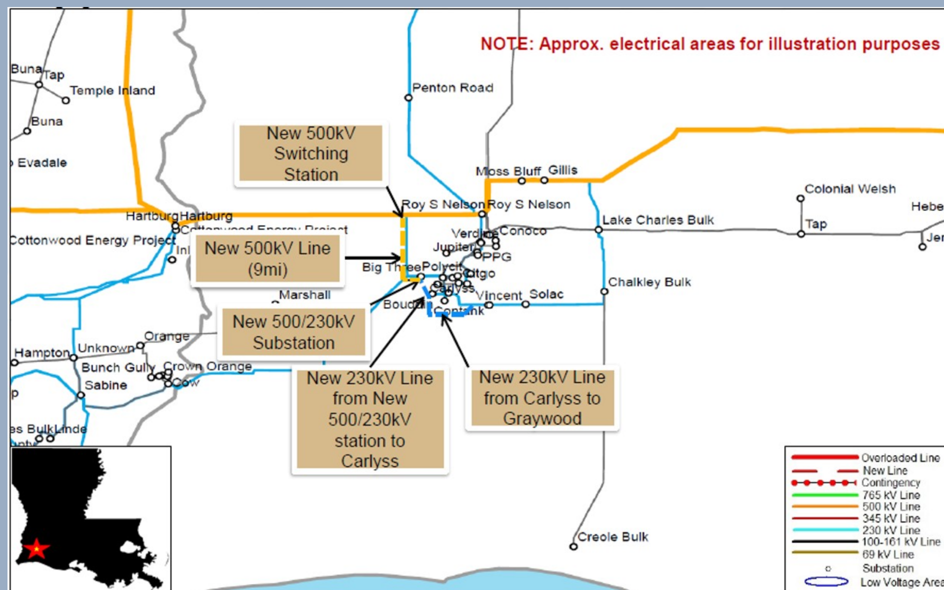
The briefing included a description of $187 million in transmission improvements planned by Entergy Gulf States Louisiana for the Lake Charles area.

Entergy says the project, which includes two new substations, expansion of a third and 25 miles of 500-kV and 230-kV transmission, will support industrial expansion, improve reliability and provide Southwest Louisiana access to cheaper generation elsewhere in MISO. Pending LPSC approval, construction is scheduled to begin in 2016 with a projected in-service date in 2018.

"Nearly 500 MW of new load have already signed up for facilities in the Lake Charles area and the potential exists for another 500 MW that are in various stages of exploration by new or existing customers in that part of the state," Gulf States CEO Phillip May said in a statement announcing the project Jan. 8.

The project is an "out-of-cycle" proposal and will receive expedited review outside of the usual MTEP process. MISO is sensitive to the need to serve economic growth, so it is assigning a higher priority and streamlining the process as much as possible, Brown said.

Lake Charles is expected to be the state's fastest-growing region, with $81.7 billion in industrial project announcements projected to add 12,000 jobs over the next two years, a 12% increase, according to an October 2014 report by Louisiana State University economists.



Proposed Lake Charles transmission project. (Source: MISO)

[Editor's Note: Author David Cruthirds provides general regulatory and government relations consulting services to Sempra LNG, whose Cameron liquefied natural gas terminal may receive benefits from the Lake Charles project.]

Load Growth in MISO North

Skrmetta asked about generation trends in MISO North. Brown said MISO is projecting resource shortages in certain MISO North zones due to the Environmental Protection Agency's proposed carbon regulations. Skrmetta noted MISO North is benefitting from generation located in MISO South, so that needs to be considered in the transmission cost allocation process. Guerry assured him it was.

> **"Nearly 500 MW of new load have already signed up for facilities in the Lake Charles area and the potential exists for another 500 MW that are in various stages of exploration by new or existing customers in that part of the state."**
>
> **Entergy Gulf States Louisiana CEO Phillip May**

Holloway Named LSPC Chair, Angelle Vice Chair for 2015

The commission unanimously elected Commissioner Clyde Holloway as chairman and Angelle as vice chairman for 2015 on the motion of outgoing Chairman Skrmetta.

Louisiana PSC Chairman Clyde Holloway (Source: LPSC)

The vote came at last week's B&E meeting, which Skrmetta chaired at Holloway's request. Holloway made a brief statement, thanking his colleagues for their support and saying he wants to keep Louisiana's rates "the lowest in the nation." According to the Energy Information Administration, the state had the second lowest residential rates in the U.S. in October 2014, the latest data available, second only to Washington state. Louisiana ranked eighth for all sectors.

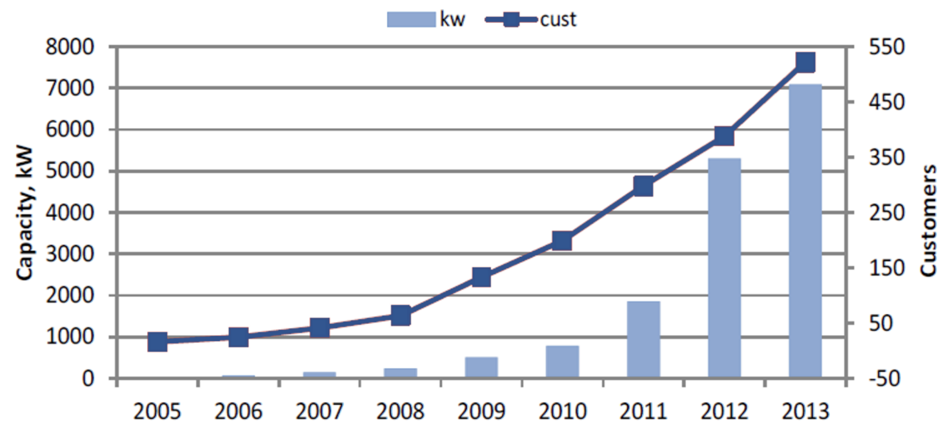
Skrmetta was unanimously elected as the commission's representative to the Entergy Regional State Committee and the Organization of MISO States.

Commissioner Foster Campbell, reported to be ailing with the flu, did not attend the meeting.

MISO NEWS

Net Metering Battle Comes to Indiana

By Chris O'Malley



Indiana net metering capacity and customer count (investor-owned utilities) (Source: IURC)

Solar energy advocates in Indiana are decrying a proposal that would allow utilities to seek fixed charges for customers generating their own electricity.

House Bill 1320 would allow utilities to petition the Indiana Utility Regulatory Commission for fixed charges "to avoid, reduce or eliminate" a subsidy to customers that use distributed generation. The commission would authorize the charge if it concludes that the proposed "nonvolumetric rate design is based on principles of cost causation."

As currently drafted, the law would not affect those who installed solar systems before Jan. 1, 2015.

Currently, Indiana's small-time generators can sell their excess power back to a utility for roughly what they would otherwise pay for an equivalent kilowatt.

Reducing that return for those generating less than 1 MW by introducing a charge would be a disincentive for customers to install solar or wind generation and would effectively gut the state's decade-old net metering law, opponents say.

"This is probably one of the most aggressive pieces of legislation we've seen to eliminate net metering," said Amy Heart, a policy analyst for The Alliance for Solar Choice.

"Investor-owned utilities are fine with solar — if they can own it, if they can control it and then charge ratepayers what they want to charge," Heart added.

The bill's chief backer, the utility trade group Indiana Energy Association, counters that HB 1320 would actually promote distributed generation, in part by allowing leased generating equipment to be eligible under the state's net metering law.

A rooftop solar system can cost more than $25,000 to buy, which is beyond the means of many electric customers, said Mark Maassel, president of the trade group, whose members include Duke Energy Indiana, Northern Indiana Public Service Co., Indianapolis Power & Light and Indiana Michigan Power.

The utility group also said HB 1320 would ensure that those who generate their own power are also paying for the upkeep of the grid — not just ordinary ratepayers.

Those ratepayers effectively subsidize neighbors who can afford to purchase solar or wind generation of their own, Maassel said. "What we're doing [under current law] is creating an advantaged group of people."

The bill also would prevent counties and municipalities from prohibiting distributed generation in their jurisdictions.

The Indiana legislation is similar to what is being pursued by utilities in other fast-growing solar generating states, such as Wisconsin.

Last year, We Energies proposed raising its fixed charge by 75% while reducing what customers are paid for their own solar generation fed back to the grid. Consumer groups countered that WE's proposed capacity charge would offset nearly 30% of a customer's savings from solar.

They also argued that utilities, while paying consumers less for power they generate and feed back to the grid, could then turn around and re-sell the same power for much more during peak summer hours.

Maassel paints a different picture. A utility may be more often in a situation where it has to pay a generating customer for his excess electricity at the retail rate, say around 10 cents/KWh, whereas the utility otherwise could have purchased the same power for just 3 cents/KWh on the wholesale market.

Like Wisconsin, Indiana's solar generation remains a tiny sliver of the overall power produced, although that share has been growing quickly.

From virtually nothing in 2005, there are now about 500 net metering customers — mostly generating solar power — with a nameplate capacity of 7,000 kW in Indiana.

Heart, of the Alliance for Solar Choice, said electric utilities are trying to nip that growth before it can blossom. She questioned claims by utilities that solar generators are contributing to grid costs, saying utilities have not provided convincing evidence.

In September, a study conducted for the Public Service Commission of Mississippi found "very little substantiated evidence that there are significant costs incurred by grid operators or distribution companies as a result of low levels of solar distribution resources."

The study, by Synapse Energy Economics, concluded that solar net metering would have estimated benefits of $170/MWh and estimated costs of $143/MWh, resulting in $27/MWh of net benefits to Mississippi.

The Alliance for Solar Choice has been especially critical of Duke Energy, painting it as schizophrenic on net metering. While a key backer of HB 1320 in Indiana, Duke recently won praise for its support to help South Carolina become the 44th state to institute net metering.

Duke Indiana spokeswoman Angeline Protogere acknowledged that the utility was among those supporting HB 1320. Protogere said the bill was developed with the goal of "beginning the Indiana discussion [on the proper policy for customer-owned generation], one that balances the interests of customers who have their own generation and those who don't."

MISO NEWS

FERC OKs MISO, NIPSCO, So. Indiana G&E Rules on Tx Rate Challenges

Rejects OMS Rehearing Request

By Rich Heidorn Jr.

The Federal Energy Regulatory Commission last week approved new rules governing how transmission customers can challenge formula rate filings by MISO transmission owners.

The commission conditionally accepted the proposals by MISO and transmission owners Northern Indiana Public Service Co. (ER13-2376-002) and Southern Indiana Gas & Electric Co. (ER13-2375-002) revising the rules regarding how transmission customers can review and appeal the TOs' cost claims. These formula rate "protocols" are specified in Attachment O of the MISO Tariff.

In a third order, the commission required MISO's transmission owners to add language stating that a party that has submitted an informal challenge to the TO *on any issue* has standing to later file a formal challenge with the commission (ER13-2379-002, ER14-2379-003). "We find that the proposed modification will lend clarity to interested parties that the subject of formal challenges does not need to be the same as an interested party's previous informal challenge," the commission said, responding to concerns raised by the Organization of MISO States (OMS).

In the same order, the commission conditionally accepted revised protocols by the Central Minnesota Municipal Power Agency, which FERC said had adopted the MISO TOs' protocols "virtually verbatim."

Previous Rules Not Just and Reasonable

MISO's TOs were forced to change their rules in response to the commission's May 2013 order finding the prior protocols were "insufficient to ensure just and reasonable rates."

The commission opened a Federal Power Act section 206 investigation in 2012, expressing concern about "the (1) scope of participation (i.e., who can participate in the information exchange); (2) the transparency of the information exchange (i.e., what information is exchanged); and (3) the ability of customers to challenge transmission owners' implementation of the formula rate as a result of the information exchange (i.e., how the parties may resolve their potential disputes)."

OMS Rehearing Request Denied

In a fourth order last week (ER13-2379-001, *et al*), the commission denied OMS' rehearing request of its March 2014 orders on the issue.

OMS contended the commission erred when it allowed the revised formula rate protocols to become effective on Jan. 1, 2014, rather than the refund effective date of May 23, 2012, set by the commission when it began the section 206 inquiry.

OMS said FERC could not conclude that the charges assessed between May 2012 and the end of 2013 were just and reasonable. Establishing the effective date in May 2012 "would provide the first opportunity for meaningful review of those charges by state commissions and other interested parties," OMS said.

The commission said it was not able to determine the justness and reasonableness of the charges assessed under formula rates between May 2012 and December 2013.

"We find it neither necessary nor practical to require application of the revised protocols as of May 23, 2012, because, as OMS recognizes, it is impossible to re-run the full protocols process for past periods. Instead, the protocols establish a new open and transparent process for conducting the MISO transmission owners' formula rate updates prospectively, beginning Jan. 1, 2014," the commission said.

FERC added, however, that OMS and other parties had the right to challenge the prior years' annual updates under section 206 "if there becomes reason to believe that those prior years' annual updates were in violation of the filed rate, or that unjust and unreasonable (i.e., imprudently incurred) costs were passed through the formula in the charges assessed pursuant to those updates. The commission has authority to order refunds of charges assessed pursuant to those prior years' annual updates to the extent those are found to have occurred."

OMS also sought clarification that the revised protocols accepted by the commission in the March 2014 order apply to the revenue requirement established when a transmission owner joins MISO or an existing MISO member switches from a historical to forward-looking formula rate.

The commission responded that while "neither the formula rate protocols nor our prior orders in these proceedings specifically address how the protocols will be applied to initial rates … we expect that all formula rate updates, including initial rates calculated by a transmission owner under Attachment O of the Tariff after Jan. 1, 2014, will be subject to review and challenge procedures consistent with our determinations in these proceedings."

OMS Executive Director Bill Smith said Friday that it was too soon to say how the organization might respond to the rulings.

NIPSCO, So. Indiana Compliance Filings

The commission ordered NIPSCO and Southern Indiana, a subsidiary of Vectren, to make compliance filings within 30 days revising their Tariffs to specify that they will file their annual informational filing in a separate docket each year.

The commission told NIPSCO to change the deadline for customers to submit formal challenges to the commission to April 1 — one month following NIPSCO's informational filings. The commission required Southern Indiana to extend the deadline for submitting a formal challenge to April 15.

PJM NEWS

Environmentalists, Think Tank Urge Rejection of Exelon-Pepco Merger

By Ted Caddell

Mike Tidewell, director of the Chesapeake Climate Action Network (L), and Tyson Slocum, director of Public Citizen's energy program (R), at an October 2014 press conference in Baltimore by activists opposing Exelon's proposed acquisition of Pepco Holdings Inc. Already approved by FERC, the merger still must clear state regulators.

Environmentalists last week continued their campaign against Exelon's proposed $6.8 billion takeover of Pepco Holdings Inc., with activists urging the D.C. Council to oppose the deal and a renewable energy think tank saying it would hurt both consumers and green energy.

At a council hearing Friday, environmentalists said Exelon power-generation investments would make it hostile to rooftop solar, unlike Pepco, which only distributes electricity. Approval of the deal is in the hands of the D.C. Public Service Commission but the council is an intervener in the regulatory proceedings and could influence regulators' decision.

"They view renewable power and sustainability as a threat to their core business of selling electricity," said Larry Martin of the D.C. chapter of the Sierra Club, according to a report in *The Washington Post*. "This merger is not contributing to the public interest."

Mary M. Cheh, chair of the council's Committee on Transportation and the Environment told the *Post* that the hearing had left her skeptical that the deal would benefit District residents.

No one from Pepco, Exelon, the PSC or the District's Office of the People's Counsel testified at the hearing. They are expected to appear at a hearing of the council's Committee on Business, Consumer and Regulatory Affairs on Jan. 29.

Earlier last week, the Institute for Energy Economics and Financial Analysis joined the chorus of voices calling for rejection of the deal.

The Cleveland-based think tank, which supports reduced dependence on coal and other non-renewable energy resources, said in a Jan. 21 report that the merger would undermine D.C.'s renewable-energy initiatives.

It said the deal could mean higher rates for current Pepco customers because Exelon will need to earn returns to justify the $2.5 billion acquisition premium Exelon has offered.

Exelon "has been challenged in recent years by low wholesale power prices driven by cheap natural gas, reduced demand for power and the growth of renewable energy and energy efficiency," wrote the report's authors, Cathy Kunkel and Tom Sanzillo.

They wrote that if the acquisition is approved, Exelon will "acquire a stable earnings stream from Pepco's regulated utilities that would help Exelon balance out the volatility of its merchant electricity generation business, which has proven susceptible to weakness in the competitive energy markets."

"A merger with Exelon would also subject ratepayers to risks associated with Exelon's aging nuclear fleet," the report said. "Residents and businesses may be asked to accept rate increases and policy accommodations to assist Exelon with the management of aging nuclear plants."

Exelon spokesman Paul Elsberg said the report contains some errors and draws incorrect conclusions.

"Customer rates will not increase as a result of the Exelon-Pepco Holdings merger and, in fact, by combining our companies, we will operate more efficiently and generate cost savings that will be passed on to customers," he said Friday.

Elsberg said the two companies' support for renewable energy will continue, noting that Exelon is the 11th largest U.S. wind producer and has made investments in solar, including the nation's largest urban solar project in Chicago. "Our utilities will continue to facilitate customers' installation of solar panels on their homes and businesses," he said.

Kunkel said the study was not commissioned by any other group. She said the proposed merger drew the Cleveland think tank's attention for several reasons.

The merger has already gained the approval of the Federal Energy Regulatory Commission and Virginia regulators. The staff of the New Jersey Board of Public Utilities has reached a settlement with Exelon that would give Atlantic City Electric customers $62 million in rate credits.

Exelon still needs the approval of Maryland, D.C. and Delaware. Public advocates in both states and the District have come out publicly against the merger under the current offer.

PJM NEWS

Can't We All Get Along?

Boston Urges Consensus in 2015

By Rich Heidorn Jr.

PJM CEO Terry Boston opened 2015's first Markets and Reliability Committee meeting last week with a plea for compromise.

Boston lamented that PJM took unilateral action on several contentious proposals sent to federal regulators in 2014 after stakeholders were unable to reach consensus, including the increase in the price-based energy offer cap. He said the year ahead presented more challenges, including "the fastest fuel change in industry history" as coal-fired plants are replaced by natural gas due to environmental rules.

"We have to reach consensus on some of the issues that are before us," Boston said. "It's a new year. We have a new opportunity in front of us to build these relations [among stakeholders] and build consensus."

There was no evidence of rifts Thursday, thanks to an unusually light agenda that saw the MRC and Members Committee complete their work before noon, with only manual changes brought to votes. "This may be the first time I try to stretch out an MRC meeting," MRC Chairman Mike Kormos joked.

Update on Winter 2015/16 Plans

PJM officials provided the MRC an update on the status of efforts to postpone generation retirements or accelerate new generation to help the RTO overcome potential shortages next winter. (See *PJM Seeks to Postpone Some Generation Retirements through 2015/16*.) PJM's Scott Baker said initial feedback from generation owners and developers indicates that there are less than 2,500 MW available.

Because of retirements expected as a result of the Environmental Protection Agency's Mercury and Air Toxics Standards (MATS) and New Jersey's High Energy Demand Day (HEDD) regulations, Kormos said PJM will have less generation available in 2015/16 than it did last winter. PJM also is concerned about its ability to meet summer loads if it

PJM CEO Terry Boston, left.

loses the ability to call on demand response resources. (See *FERC Files EPSA DR Appeal with Supreme Court*.)

"Under normal weather conditions we are fine," Kormos said. But under a repeat of last year's polar vortex, "we will be close to the line and we will be relying on the outside for help," he said.

Kormos added that generator performance this winter has improved over last January, when as much as 21% of generators were unable to produce.

On Dec. 24, PJM asked the Federal Energy Regulatory Commission to allow it to enter into capacity agreements made outside the Reliability Pricing Model auctions (ER15-739). PJM also 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).

Kormos said PJM would limit operation of generators subject to HEDD regulations to emergencies to keep them under the emission threshold in the New Jersey rules. "That seems to be the path of least resistance," he said.

Manual Changes on $1,800 Offer Cap OK'd

The MRC approved conforming changes to two manuals in response to FERC's approval of a temporary increase in the cost-based energy offer cap to $1,800/MWh from $1,000.

The increased offer cap — one of the issues on which stakeholders were unable to reach consensus last year — became effective with the Jan. 16 order and will expire on March 21. (See *FERC OKs $1,800 Offer Cap in PJM*.)

The order requires changes to Manual 11: Energy and Ancillary Services Market Operations and Manual 28: Operating Agreement Accounting.

Manual 11 was changed to read that generators' incremental energy offers "may not exceed $1,000/MWh *or a market seller's lowest available and applicable cost-based offer provided such cost-based offer is greater than $1,000/MWh (and in no instance may be greater than $1,800/MWh)*." (New text in italics.)

LMPs will be limited to the $1,800/MWh offer cap plus primary- and synchronized-reserve penalty factors and the impacts of congestion and marginal losses. Costs more than $1,800/MWh can be compensated via make-whole payments with an after-the-fact review, but they would not set clearing prices.

Cost-based adders under such offers will be limited to the lessor of 10% or $100/MWh. Price-based energy offers can rise above $1,000 simultaneously with cost-based offers "to avoid inappropriate market signals," PJM said.

Other Manual Changes Approved

The MRC also approved the following manual changes with little discussion or debate:

- 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.
- Manual 14A — Updates related to MISO-PJM queue coordination. MISO will evaluate the impact of new PJM interconnections at the impact study phase. The previous procedure, in which MISO's review occurred during the facility study phase, caused delays in

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PJM NEWS

CEO Boston Urges Consensus in 2015

Continued from page 7

studies and final agreements, PJM's Aaron Berner said.

- Manual 18: PJM Capacity Market — Updated to reflect revisions recently approved by FERC 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*.)
- 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

The Members Committee also approved several changes with no debate:

- 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.)
- Tariff revisions to remove seller credit, a form of unsecured credit, from the credit policy, which RTO officials say is no longer necessary.
- Tariff and OA revisions related to data availability for the bus distribution factors for zonal and residual metered load aggregates. When 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 in the day-ahead energy market. (See "Tariff Revisions to Metered Load Aggregates" in *Markets and Reliability Committee Briefs*, Dec. 22.)
- Tariff revisions related to enhanced inverter capability. (See "Standards for Enhanced Inverters" in *Markets and Reliability Committee Briefs*, Dec. 22.)
- Manual 34: Stakeholder Process — Revisions regarding periodic review of PJM Manuals and a Robert's Rules Guide.

FERC Rejects Challenge on PJM Capacity Import Limit

By Suzanne Herel

The Federal Energy Regulatory Commission last week denied a challenge to PJM's capacity import limit, rejecting rehearing requests by American Municipal Power, the Northern Illinois Municipal Power Agency and the Illinois Municipal Energy Agency (IMEA) (ER14-503-002).

PJM sought the limit after imports nearly doubled in the May 2013 Base Residual Auction, leading some to question their deliverability.

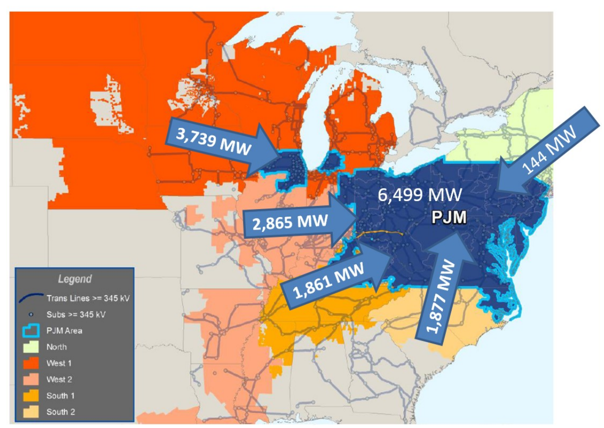
The new rules, which FERC approved in April, created five export zones with a combined limit of 6,499 MW for the 2014 BRA. Cleared generation imports dropped to 4,526 MW in 2014, a reduction of almost 40% from 2013. (See *Capacity Prices Jump Following Rule Changes*.)

In requesting a rehearing, IMEA said there was no substantial evidence supporting the requirement that external generation resources be pseudo-tied to PJM to qualify for an exemption to the import limit. It also argued that the revisions discriminate against load-serving entities that own generation resources outside of PJM.

FERC said that PJM established that a pseudo-tie is needed to address the risk of curtailment, noting that firm transmission into PJM was curtailed under 151 transmission loading relief-5 events between January 2009 and July 2013. "The risk of a TLR-5 event interrupting the transmission of energy necessary in an emergency situation is a sufficient basis to justify the capacity import limit, since such a risk demonstrates that resources external to PJM may not be equal to internal resources in satisfying a capacity requirement," FERC said.

It rejected IMEA's discrimination claim, saying the import limits are analogous to capacity emergency transfer limits, which apply to internal generation.

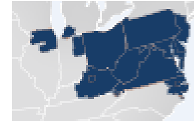
FERC also rejected the allegation by AMP and Northern Illinois that it had approved the limit without a proper analysis of its effect on competition in PJM's capacity market.



Capacity import limits in 2017/18 Base Residual Auction. (Source: PJM)

"We find that an over-commitment of external resources in the Base Residual Auction would run a deliverability risk and distort the Base Residual Auction process by displacing resources that are deliverable," FERC said. "… Systematic commitment of external resources at levels that cannot be reliably delivered will add resources to the supply curve in the auction and tend to reduce the clearing price below the level offered by resources that are actually deliverable to PJM."

PJM News



FERC Denies IMEA Request for Extended Waiver on Capacity Obligation

By Suzanne Herel

The Federal Energy Regulatory Commission on Thursday rejected the Illinois Municipal Electric Agency's request for an extended waiver that would allow it to use capacity resources outside of the Commonwealth Edison Locational Deliverability Area to meet its internal resource requirement in serving its Naperville, Ill., load. (*ER14-1681-001*).

Last May, FERC granted IMEA a waiver for the 2017/18 delivery year after the ComEd LDA last year was modeled for the first time with a separate variable resource requirement curve (*ER14-1681*).

In June, IMEA asked FERC to clarify that the waiver extended beyond the one delivery year to the "term of the life of IMEA's resource investments and commitments or at a minimum for the five-year minimum term of the [Fixed Resource Requirement] Alternative."

Without a waiver, IMEA said it will be subject to unnecessary financial risks in any delivery year for which PJM uses a separate VRR curve, estimating the annual penalty charges at $100 million.

In its Jan. 22 order, FERC said it approved the one-year waiver because the short notice of PJM's announcement to establish the separate VRR curve left IMEA little time to prepare to meet the internal resource requirement. "For subsequent delivery years, IMEA has sufficient time to prepare for the requirements of the FRR Alternative," the commission said.

While IMEA contended that a longer waiver would have no adverse effects, FERC said it could expose customers in the ComEd LDA to higher prices because the aggregate internal resource requirement would need to be increased in future delivery years.

If IMEA decides not to continue under the FRR Alternative, FERC said, it could seek early termination from that status for the Naperville load and instead participate in PJM's capacity auctions.

FERC's ruling does not bode well for the waiver request IMEA filed earlier this month for this May's Base Residual Auction (ER15-834).

But it may get some relief from PJM.

In December, stakeholders agreed to a problem statement proposed by Vice President of Market Operations Stu Bresler to review modeling practices that he said may be shortchanging loads with transmission

Illinois Municipal Electric Agency members (Source: IMEA)

agreements that pre-date the RTO's capacity market. (See *PJM MIC OKs Capacity Transfer Rights Query*.)

Members approved a related issue charge earlier this month, agreeing to consider adding a mechanism in the capacity market similar to one used to allocate auction revenue rights to historical transmission paths in the energy market.

ISO-NE NEWS

ISO-NE CEO: Despite Mild Winter, Region Still Needs Infrastructure

By William Opalka

The mild winter that has moderated energy prices in New England shouldn't lull policy makers into complacence about the region's infrastructure needs, ISO-NE CEO Gordon van Welie said last week.

Gordon van Welie

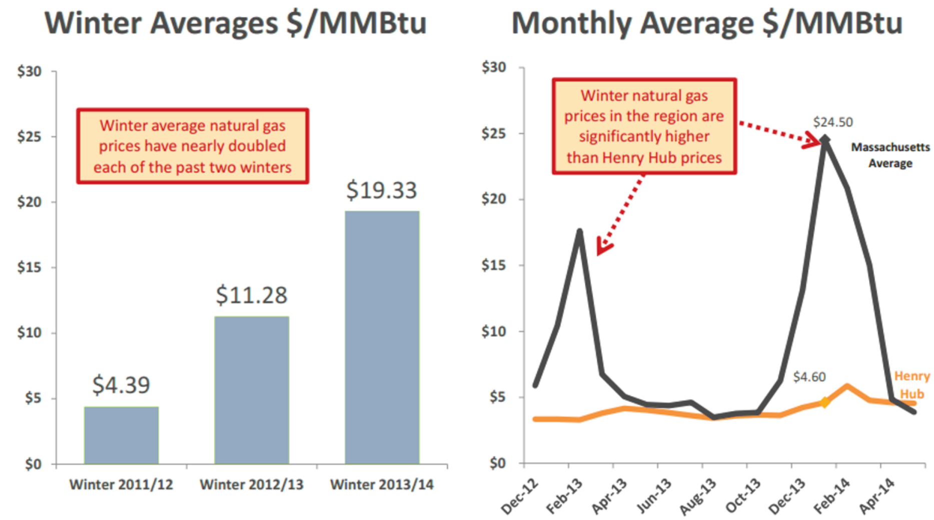
In a Jan. 21 presentation to the media on the state of the energy market, van Welie acknowledged that this winter has been warmer than the previous two, resulting in less demand for power and natural gas and a reduction in pipeline constraints.

"But this is New England," van Welie said. "Winter's not over yet, and a mild winter or two doesn't guarantee we won't have extremely cold winters again."

The increasing reliance on natural gas-fired generation and retirements of oil- and coal-fired power plants have created "an urgent need for more energy infrastructure," he said.

ISO-NE began a winter reliability program for 2013-2014 that was essentially repeated for the current season. That supplemental program provided financial incentives for oil-fired generators to store more oil than they otherwise would have. It has encouraged dual-fuel capable generation that can switch from gas to oil.

Although the RTO has added $7 billion in transmission since 2003 and has generation projects totaling about 9,500 MW in its transmission queue, plant retirements are causing localized stresses.



New England gas prices rising, spiking. (Source: ISO-NE)

"We're already seeing worrisome conditions in greater Boston, with the recent retirement of the Salem Harbor station and delays in development of the proposed Footprint natural gas power plant. That area will be short of needed resources as soon as 2016," van Welie said.

Southeastern Massachusetts and Rhode Island also are areas of concern, with Brayton Point's planned retirement in 2017.

In addition, the RTO hasn't been able to add natural gas pipeline capacity fast enough to react to increased power and heating demand.

For each of the last three winters, natural gas prices have risen steeply, showing the effects of increasing pipeline constraints. On Jan. 1, 2014, the spot price for natural gas in New England was nearly $20 higher than the price paid in most of the country.

"They were not only the highest forward prices in the U.S.; at the time, they were the highest on the planet," van Welie said.

He said ensuring the reliability of the power system will likely require more gas pipelines, more liquefied natural gas storage and more transmission lines.

"The region faces a conundrum: who will be the customer to ensure new gas infrastructure is built? Will it be end-use electricity consumers or electricity producers — that is, generators?" he asked. "Thus far, electric generators have not signed up for additional gas infrastructure and as a result, the New England states have been considering making an investment in additional gas infrastructure on behalf of consumers.

"Until more infrastructure is added, consumers can expect volatile pricing for both natural gas and wholesale power, with price spikes when either the pipeline or power system is operating under stressed conditions," he said.

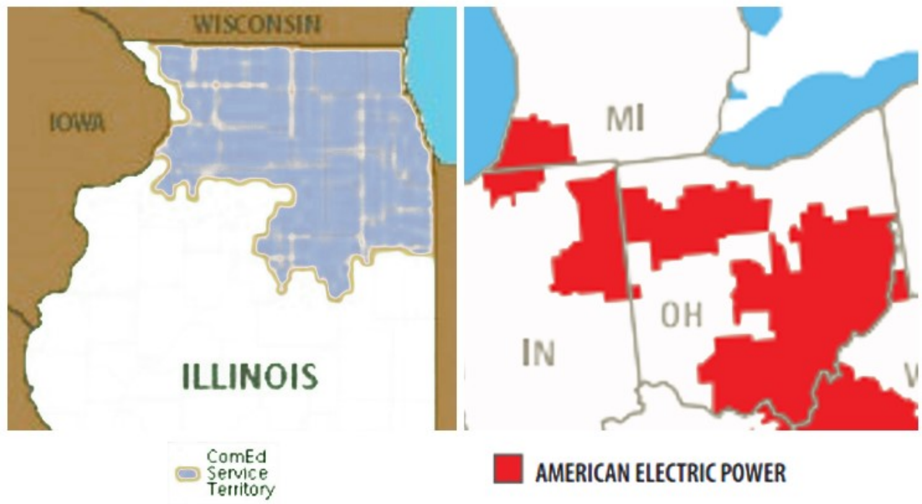
"This is New England. Winter's not over yet, and a mild winter or two doesn't guarantee we won't have extremely cold winters again."

ISO-NE CEO Gordon van Welie

ON THE SEAMS

FERC to Look Again at Export Pricing for MISO MVPs

By Chris O'Malley



Commonwealth Edison and American Electric Power, which had been members of MISO, later joined PJM, leaving islands of PJM within MISO territory near Chicago and in Southwest Michigan. (Source: ComEd, AEP)

The Federal Energy Regulatory Commission last week ordered a paper hearing to revisit its decision to prohibit MISO from assessing export charges to PJM for multi-value projects that benefit PJM customers.

FERC's Jan. 22 order (ER10-1791) is in response to a 2013 remand by the U.S. Seventh Circuit Court of Appeals ordering the commission to determine whether its limitations on export pricing to PJM are still justified.

The commission will accept comments for 45 days, with reply comments due 30 days afterward. The commission urged parties to provide studies or other evidence in support of their positions.

The issue stems from the commission's July 2002 order allowing American Electric Power, Commonwealth Edison and Dayton Power and Light to join PJM. That left small islands of PJM within MISO territory near Chicago and in southwestern Michigan, dividing highly interconnected transmission systems.

In subsequent rulings, FERC ordered MISO to eliminate rate "pancaking" that it said would otherwise result from the irregular seam, including a prohibition on charging PJM load for MVPs.

Less Disjointed Seam

In June 2013, the Seventh Circuit ordered FERC to reconsider whether its prohibitions on charging PJM for MVPs was still reasonable in light of membership changes that straightened out the border.

The court also cited the nature of MVPs, noting that they are not local in scope and will benefit other regions.

"Since they will benefit electricity users in PJM, those users should contribute to the costs," the court said.

It added that FERC was being "arbitrary" in continuing to forbid MISO from charging anything for exports of energy to PJM enabled by MVPs "while permitting it to charge for exports of energy to all the other RTOs."

"The commission must determine in light of current conditions what, if any, limitation on export pricing to PJM by MISO is justified."

PJM TOs Seek Clarity

Impatient at FERC's inaction since the court's remand, PJM transmission owners petitioned the commission last May to set the issue for a paper hearing.

Whatever FERC ultimately decides regarding allocation costs of MISO MVPs, the TOs said, "there is no disputing the importance of a timely resolution in this matter. At issue are the costs of billions of dollars of projects, some of which are already underway, with others expected to follow."

"Until this matter is resolved, interested parties will be left with great uncertainty regarding their burdens with respect to the MVP costs."

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On the Seams

SPP and MISO Move Ahead on M2M Protocols

By Chris O'Malley

The Federal Energy Regulatory Commission last week approved SPP's market-to-market coordination rules with MISO, after the two RTOs resolved an earlier dispute over the creation of flowgates (ER13-1864).

SPP had originally proposed restrictions on the right of either RTO to designate a new M2M flowgate — transmission lines or transformers monitored for overloads — outside of their mutually agreed-upon scheduling timeframes.

SPP would have allowed the creation of flowgates during extenuating circumstances or when the RTO seeking a new designation compensated the other for any re-dispatch that resulted.

PJM and Exelon filed comments supporting SPP's position, with Exelon noting that MISO created 500 new flowgates between September 2011 and October 2012, while PJM designated only 80. SPP's transmission owners also supported the restrictions, citing the administrative burdens of complicated resettlement processes related to re-dispatches.

MISO and its Independent Market Monitor opposed SPP's proposal, which they said would effectively give one RTO veto power. The Monitor noted that M2M flowgates are dynamic, responding to changes in outages and constraint definitions.

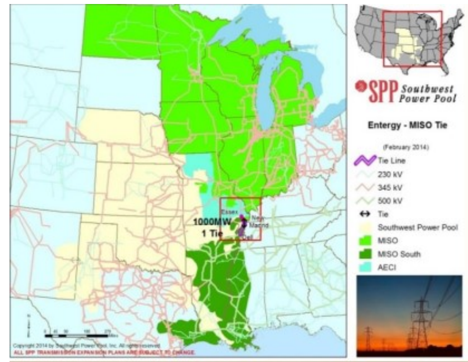
Compromise Reached

Following a technical conference last September, SPP agreed to drop its prohibition in a compromise with MISO. The RTOs agreed on new language, which FERC accepted in last week's order, spelling out the conditions under which one RTO will be compensated by the other for costs stemming from flowgate designations.

In its Jan. 22 order, the commission also agreed to allow the two RTOs to defer a day-ahead firm-flow entitlement exchange process until they decide whether its implementation outweighs its costs.

FERC also ordered SPP to report back to the commission every six months on its progress resolving concerns over interface bus modeling methodologies. The MISO Monitor says disparities in the methodologies used by MISO and PJM is resulting in double counting of congestion. (See related story, *Patton Asks FERC to Set Deadline on PJM-MISO Interface Pricing Dispute*, p. 1.)

Noting that PJM and MISO have been unable to resolve their differences over two years of discussions, the commission said



"we anticipate … that SPP and MISO could face technical challenges in identifying the appropriate pricing methodologies."

MISO-SPP Flow Dispute not Affected

The order does not affect a separate dispute between MISO and SPP over flows between MISO's northern and southern regions. MISO began limiting flows between the regions last spring 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.

The commission said that issue, the subject of a separate docket (EL11-34), was beyond the scope of this proceeding.

FERC Accepts PJM, MISO Order 1000 Filings

The Federal Energy Regulatory Commission last week approved the latest set of Order 1000 compliance filings from PJM and MISO.

The commission conditionally accepted MISO's third-round regional compliance filings (ER13-187-006). It denied requests for rehearing of the commission's second compliance order issued in May 2014.

FERC also found that PJM and its transmission owners have partially complied with their second compliance order and denied in part and granted in part requests for rehearing and clarification of the order (ER13-198-003).

Both RTOs were directed to make additional compliance filings within 30 days.

FERC also conditionally accepted interregional compliance filings by PJM (ER13-1927-000), MISO (ER13-1923-000) and transmission providers in the Southeastern Regional Transmission Planning region, the Florida Reliability Coordinating Council and the South Carolina Regional Transmission Planning region (ER13-1922).

The orders accepted the proposal to allocate costs of interregional transmission facilities to each region based on its share of the total avoided cost of regional transmission facilities displaced by the interregional project.

Bay Statement on ROFR

Commissioner Norman Bay filed concurring statements in the MISO and PJM regional compliance orders, warning states not to attempt to protect their incumbent utilities from competition in transmission development.

Bay noted that while Order 1000's prohibition on federal rights of first refusal (ROFR) for incumbent transmission developers does not preempt state law regarding construction of transmission facilities, states are also barred by the Constitution from interfering with interstate commerce.

"State laws that discriminate against interstate commerce — that protect or favor in-state enterprise at the expense of out-of-state competition — may run afoul of the dormant commerce clause," Bay, a former Constitutional law professor, wrote. "The commission's order today does not determine the constitutionality of any particular state right-of-first-refusal law. That determination, if it is made, lies with a different forum, whether state or federal court."

On the Seams

Patton Asks FERC to Set Deadline on PJM-MISO Interface Pricing Dispute

Continued from page 1

"I think a deadline that required a solution in a very near timeframe would be very difficult and potentially damaging if it resulted in an inferior approach," agreed Bresler.

Whether the commissioners will set a deadline to help spur a resolution is unclear.

"I think we want to distill what we have heard today and get the sense of where the commissioners are," Chairman Cheryl LaFleur said at a press conference following the meeting.

Two Years

MISO and PJM have been working for two years to resolve differences in the way they price transactions at interface buses.

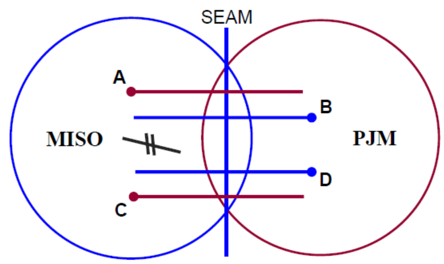
The RTOs agree that the current methods undermine efficient scheduling of power because they cause both RTOs to model the same constraint, resulting in double-counting.

Patton says transactions are overcompensated when they are expected to relieve a constraint, and overcharged when they are expected to contribute to congestion. Interface pricing flaws "cost MISO some money. It costs PJM a huge amount," he said.

Patton contends that PJM's method exaggerates the effects of imports and exports on transmission constraints near the seam. As a result, he said, scheduling incentives have been inflated by as much as 600% at the Cook-Palisades interface in Michigan, the most active M2M constraint last winter.

"We massively overpriced congestion last winter and it resulted in an average of something like 3 GW being exported from PJM to MISO. This was during the timeframe when we were just coming out of the polar vortex and PJM had just incurred half a billion dollars in uplift, committing tons of generation under conservative operations, and they're exporting gigawatts to MISO, where it's demonstrably less valuable," Patton added.

Bresler said he didn't see the correlation. "PJM has made changes to its interface definitions in direct response to concern from MISO. Given the change we made, I'm not sure I understand the reference … to the



Interface Pricing Flaw: Today, the full effect of transactions on the MISO M2M constraint is modeled by both RTOs. (Source: Potomac Economics)

polar vortex and the uplift," he said.

Patton recommends removing the congestion component of the LMP for the non-monitoring RTO.

PJM offered an alternative in which each RTO would set its interface bus price relative to a common set of interfaces.

FERC to Set Deadline?

Patton said FERC should set a deadline for an agreement because there have only been two solutions under consideration for more than a year.

"We've had an incredible amount of analysis on those two solutions. Obviously, I think there's one clearly correct answer, but not everyone agrees with me," he said to laughter. "I think if we did have a deadline to file, it would be useful just to file and say 'We're agreeing to disagree, and here are the pros and cons of these two solutions that we have an enormous amount of research on, and then allow the commission to maybe weigh in and give some guidance and push the needle in one direction or the other."

"We really need FERC's involvement in this issue. We need a deadline to file a solution to this," Patton told commissioners.

Bowring said he didn't think a hard deadline made sense, although he suggested the RTOs could report back to the commission in June. "If we knew the answer, we would have told you already. We don't."

Bresler said Patton's proposed solution to interface pricing could have negative impacts elsewhere.

"PJM has always defined our interface prices so that we reflect the impact of interchange transactions on the transmission system and more specifically on the transmission constraints which we are actually operating," Bresler said. "And part of the solution that Dr. Patton has proposed is essentially eliminating the impact of some transmission constraints in the interface price.

"That may end up being the right solution," Bresler added. "But I think the difficulty … is making sure that doing so doesn't have detrimental effects elsewhere."

LaFleur expressed frustration with the inability of the two RTOs to resolve the impasse.

"I am at least actively contemplating, should we do something more active than ask for another schedule, which is what we decided to do [in 2013] after a lot of tough talk," she said. She acknowledged work done by the RTOs to address seams issues but added, "I've been a little disappointed with the level of progress on some of the thorniest issues, many of which have come before us today."

Commissioner Philip Moeller said the problems are "partly our fault."

"We kind of took our foot off the gas and stopped requiring the quarterly reports and basically lost focus on the fact that these issues were not going away," he said.

Michigan Public Service Commissioner Greg White, another panelist, agreed a deadline could increase the parties' "sense of urgency" but said he didn't want to "end up with a product that is inferior because of a lack of time."

Joint and Common Market Progress

The bus interface pricing issue has proven to be perhaps the most intractable issue facing PJM and MISO's Joint and Common Market initiative, a joint stakeholder process to address seams issues.

Patton said the JCM process has borne fruit. He said MISO's ability to export capacity into PJM has increased, although the two parties haven't solved the underlying problems. "So while I don't think we structurally have solved the problem and I don't see a filing coming any time soon that will structurally solve this, I think the priority has diminished."

Continued on page 15

FERC & FEDERAL NEWS

FERC to Tighten Policy on 'Hold Harmless' Merger Commitments

By Rich Heidorn Jr.

The Federal Energy Regulatory Commission said last week that it intends to tighten the rules on the use of "hold harmless" commitments in support of merger applications and will prohibit commitments that are limited in duration, which could leave ratepayers vulnerable.

In a proposed policy statement (PL5-3), the commission said it was better defining the costs subject to such commitments and the accounting methods used to track them. The commission will accept comments on the proposal, which it called a reaffirmation of its 1996 Merger Policy Statement (Order 592), for 60 days.

FERC noted that hold harmless commitments — agreements not to seek recovery of transaction-related costs in rates unless they are offset by transaction-related savings — have become a common feature of merger applications under section 203 of the Federal Power Act (FPA) over the last decade.

The commission said, however, that "it has never defined those costs with much specificity, leading to inconsistency with respect to this issue."

The policy statement's definition includes the costs of consummating a transaction (e.g., legal, investment advisory, accounting and financing costs) and the capital and operating costs incurred to achieve merger synergies (e.g., severance payments, accounting and operating systems integration costs).

The commission said requiring applicants to explain how they track the costs will help ensure that they are not recovered in rates without commission approval.

Time Limits

The Merger Policy Statement requires that hold harmless commitments must protect customers "for a significant period of time following the merger," a period that the commission has typically defined as five years.

FERC said it now realizes that such a limit "raises the risk that transaction-related costs could be included in future formula rate billings without applicants making the showing of offsetting savings."

The commission said its concern arose from its experience auditing utilities with hold harmless commitments, the concerns of protestors in previous merger applications and the proposed treatment of certain categories of costs.

"For example, an applicant could try to include transaction-related costs in formula rates without making a showing of offsetting savings if the costs, though incurred during the hold harmless period, do not enter the ratemaking process until after the hold harmless period expires … Similarly, limiting the applicability of hold harmless commitments to specific time periods may incentivize applicants to delay incurring some types of transaction-related costs until after the hold harmless period expires."

The new policy, FERC said, ensures "that the focus of a hold harmless commitment [is] on whether a cost is transaction-related, and not on when the cost is incurred."

FERC also said removing the time limit will ensure proper treatment of costs that should be capitalized as an asset during the hold harmless period, but whose cost recovery would occur as the asset is depreciated over future periods that extend beyond the hold harmless period.

Changes are Prospective

The commission also reiterated its opposition to including acquisition premiums as transaction-related costs. It said it would continue to require a showing of "specific, measurable and substantial benefits to ratepayers" for recovery in a subsequent FPA section 205 proceeding.

FERC said the policy changes would apply prospectively and would not affect existing commitments or pending merger applications.

Patton Asks FERC to Set Deadline on PJM-MISO Interface Pricing Dispute

Continued from page 14

Bowring was unapologetic. "There will continue to be issues as long as there are very substantial differences between the design for procuring capacity in MISO and the design for procuring capacity in PJM," he said. "The … notion that there should be transfers no matter what I think is excessively simple-minded."

Elizabeth Jacobs, chair of the Iowa Utilities Board, who represented the Organization of MISO States on the panel, said she was encouraged by MISO and PJM's plans to introduce Coordinated Transaction Scheduling to improve interchange optimization. (See "PJM Posts MISO Price Predictions Before CTS Vote" in *Market Implementation Committee Briefs*, Jan. 12, 2015.)

Jacobs noted that while the panel discussion focused on the PJM-MISO seam, many MISO members are facing new seams issues with an expanded SPP.

Commissioner Colette Honorable introduces her staff at her first meeting as a member of FERC, a meeting that was marked by a heated confrontation with protesters.

FERC & FEDERAL NEWS

Protesters Interrupt FERC Open Meeting

By Michael Brooks

Environmental activists celebrated their successful forced recess of FERC's open meeting last week. (Source: PopularResistance.org)

WASHINGTON — Federal Energy Regulatory Commission Chairman Cheryl LaFleur called an unscheduled recess to the commission's monthly open meeting Thursday due to a series of interruptions by protesters from environmental group Beyond Extreme Energy.

LaFleur began the meeting after allowing a speaker from the group to voice its grievances over FERC's approval of natural gas and oil projects, something that has become a regular occurrence at the past few meetings. However, she was continually interrupted by members of the group. After about 10 minutes of continuous interruptions, and chants of "FERC doesn't work" and "If not FERC then who," LaFleur adjourned the meeting while security cleared the room of protesters.

The group's members, who usually wear red T-shirts with "FERC Doesn't Work" emblazoned on the front, have become increasingly emboldened over the past few months. Notably, the group in November led a march of climate change activists from the Capitol building to the commission's front doors, blocking employees from entering. Last month, a member wearing a Santa Claus hat sang "Jingle Bells," with the lyrics changed to protest FERC's activities.

The disruption last week, however, was by far the most heated. One FERC staff member quickly pulled away a banner that protesters were attempting to hold up. As security cleared the room of the protesters, it began asking attendees if they were a part of the group. One activist, who was sitting with members of the press and taking video of the meeting, was physically removed by security. FERC does not allow photography or video to be taken at its open meetings, except by its own photographers.

LaFleur said the protests have the commission and its staff vexed.

"This is relatively new territory for FERC, and I think we're a bit learning on the job on how to handle situations like this," she said.

The activists who spoke came from different states and took issue with the commission's approval of natural gas pipelines, storage facilities and export terminals, such as Dominion Resources' Cove Point LNG in southern Maryland.

"People and animals in some of these areas are dying from diseases caused by these processes," said Kathleen Hale, the activist who spoke before the meeting. "And others have been uprooted from farms and from communities where their families have lived for generations and are losing their land to large swaths taken by eminent domain for unneeded pipelines."

Before adjourning, LaFleur tried to tell the protesters that they have opportunities to file comments in dockets and attend scoping meetings, where the public is able to comment on FERC's environmental impact statements and assessments of infrastructure projects. It's clear from the activists' speeches and protests, however, that they feel their comments have fallen on deaf ears. One protester shouted back to LaFleur, "Your meetings are a joke!"

"Our actions are peaceful, coordinated and, as is the case for the growing movement in our country, the result of too many years of everyday people not simply being misheard, but being overtly ignored by elected officials and various colluded private business entities," Jimmy Betts, one of the speakers who interrupted the meeting, wrote on PopularResistance.org. He vowed that the protests would continue.

FERC OKs NERC Standard on Protection Systems

The Federal Energy Regulatory Commission last week approved a revised reliability standard, PRC-005-3 (Protection System and Automatic Reclosing Maintenance).

The standard proposed by the North American Electric Reliability Corp. requires testing and maintenance of auto-reclosing relays and includes one new definition and six revised definitions (RM14-8).

FERC required NERC to modify the standard to include maintenance and testing of supervisory relays.

FERC & FEDERAL NEWS

DOE-Funded Report Suggests 'ISO' for Pipeline-Grid Communications

By William Opalka

"As this report spells out, there are a number of differences between the two industries that, if not reconciled, could have unintended consequences for consumers."

EISPC President David Boyd

A U.S. Department of Energy-funded study on gas-electric coordination suggests natural gas pipeline operators create an independent system operator (ISO) to coordinate communications with electric grid operators.

The proposal is one of nine recommendations in a white paper on long-term electric and natural gas infrastructure requirements, conducted by the Illinois Institute of Technology for the Eastern Interconnection States' Planning Council (EISPC) and the National Association of Utility Regulatory Commissioners. Although dated November 2014, the report was released by NARUC only last week.

Most of the report's other recommendations — such as aligning daily gas and electric market schedules, building more pipelines to serve growing electric load and improving training — have been under discussion or development by industry participants for more than a year.

For example, in November 2013, the Federal Energy Regulatory Commission approved a rule allowing pipeline operators to exchange non-public operational information with RTOs. (See *FERC OKs Gas-Electric Talk*.)

But the report notes that while public domain information "is generally shared between pipeline operators and ISOs," concerns about proprietary information remain.

"[E]stablishing a coordinator in the natural gas industry that could directly communicate with ISOs through appropriate protocols could be an option to solve the confidentiality problem and enhance the information sharing in natural gas-electric system planning," the report says.

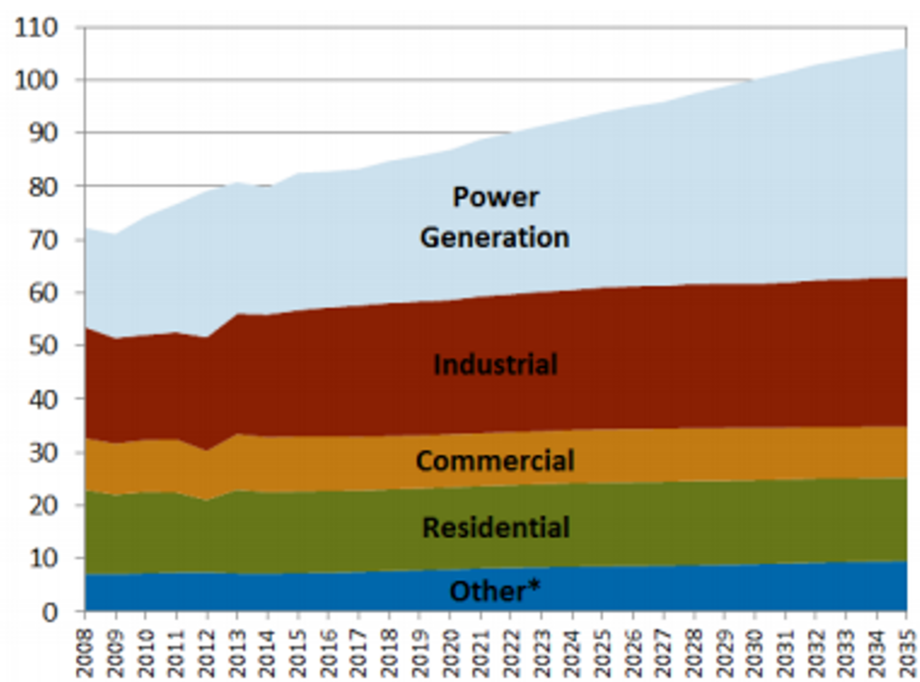
The recommendation doesn't go as far as those from some other commentators, who have suggested a "Regional Pipeline Organization" or a centralized gas trading platform. (See *A PJM Model for Natural Gas?* and *Gas Trading Platform Finds Few Takers at Moeller Meeting*.)

The report also calls for integrating natural gas availability into the North American Electric Reliability Corp.'s long-term and seasonal reliability assessments and for improvements to NERC's Generator Availability Data System to better track generator outages resulting from a lack of gas supply.

The EISPC, which is funded by the Department of Energy, is a consortium of state-level agencies responsible for siting electric transmission across the 39 states in the Eastern Interconnection.

EISPC President David Boyd, a member of the Minnesota Public Utilities Commission, said the report will help regulators overcome challenges of the electric industry's increased dependence on pipelines.

"As this report spells out, there are a number of differences between the two industries that, if not reconciled, could have unintended consequences for consumers," he said in a statement.



*Other includes lease, plant, and pipeline fuel gas use.

U.S. and Canadian natural gas consumption by sector. (average annual bcfd) (Source: The INGAA Foundation)

Company Briefs

PPL Gets Extension on Spinoff Mitigation Plan

The Federal Energy Regulatory Commission gave PPL a 10-day extension, until Friday, to prepare its mitigation plan for the proposed spinoff of its generating assets into a merchant power producer.

FERC had set a Jan. 20 deadline for PPL to respond to conditions the agency set for the new generating company, Talen Energy, which will be created from a combination of assets from PPL and Riverstone Holdings. PPL spokesman George Lewis said last week that PPL received the filing extension.

More: *The Morning Call*

Cape Wind Contracts Terminated, Company Suspended from ISO-NE

Troubled wind developer Cape Wind ended contracts to buy land and buildings in Massachusetts and Rhode Island and was suspended from participating in ISO-NE.

The announcements are the latest gloomy news for Cape Wind, whose power purchase agreements with utilities National Grid and NSTAR were terminated earlier this month. The utilities said they backed out because Cape Wind failed to meet financing and construction deadlines. Its 468-MW project has been in the planning and permitting stage for more than a decade.

ISO-NE notified the Federal Energy Regulatory Commission that it had suspended Cape Wind from its wholesale power market. Dennis J. Duffy, vice president of governmental and regulatory affairs for Cape Wind, said the suspension was a "nonissue" and that it would be reversed "well in advance" of the project beginning operations.

More: *The Boston Globe*

Amazon Commits to Indiana Wind Project to Power Data Centers

Amazon Web Services is teaming up with Pattern Energy Group to build a 150-MW wind farm in Indiana to provide electricity for a planned data center.

Pattern will construct and operate the 150-MW wind farm in Benton County, Ind. The facility will be called the Amazon Web Services Wind Farm, and it is scheduled to go into operation in a year. Amazon is catching up to Google and Facebook in a quest to power cloud-based web services with clean energy.

More: *Gigaom*

NRG Installs 24 Vehicle Chargers In Greater DC Area, More Coming

NRG Energy has installed 24 fast electric vehicle (EV) charging stations in the D.C. area, and another one is due to become operational later this month.

NRG's eVgo subsidiary installs and operates the chargers. They allow for fast charging of vehicles, in some cases providing an 80% charge in 30 minutes.

More: *pv magazine*

Duke Energy Building 13-MW Solar Facility at Marines' Camp Lejeune

Duke Energy is teaming with the U.S. Navy and Marines to construct and operate a 13-MW solar facility at Marine Corps Base Camp Lejeune near the North Carolina coast.

"Secretary of the Navy Ray Mabus set an aggressive but critical goal for the [Department of the Navy] to produce or procure 1 GW of renewable energy by the end of 2015," said Robert Griffin, executive director of the Navy's Renewable Energy Program Office.

The estimated $25 million to $30 million project, which would be built on about 80 acres, needs regulatory approval from the North Carolina Utilities Commission.

More: *Charlotte Business Journal*

End of Duke Power Contract Spells End for Carolina Plant

A North Carolina biomass energy plant has closed following the expiration of a power contract with Duke Energy.

Coastal Carolina Clean Power of Kenansville, which burned wood chips and scrap lumber to produce electricity, shut down after Duke declined to renew its contract because the electricity cost up to 200% of the price on the open market. The closing has left 17 people out of work.

More: *WITN*

Dominion Virginia Power Files To Build 20-MW Solar Plant

Dominion Virginia Power will build a 20-MW solar facility in Fauquier County, in Northern Virginia, its first commercial solar venture in the state.

The company, in a filing with the Virginia State Corporation Commission, said the $47 million plant is to be built on about 125 acres near its Remington Power Station. The plant would be financed by a surcharge of about 4 cents per month for a typical residential consumer during construction, and then drop to about 2 cents a month after the plant goes into service. The commission needs to approve the surcharge.

Dominion has about 344 MW of solar capacity in six states, but it was under pressure from environmentalists to build a project in Virginia, where it operates 18,366 MW of conventional power generation.

More: *The News & Advance*

Businessmen Sign Contract for Exelon's Delaware Station

A developer and caterer are teaming up to buy the old Delaware Station generating plant on the Delaware River in Philadelphia, with an eye to develop two boutique hotels on the site.

Developer Bart Blatstein and caterer Joseph Volpe say they've signed a contract to buy the retired, Revival-style building on 1,000 feet of riverfront. They declined to comment on the price.

Exelon Generation spokesman Robert Judge confirmed a sales agreement had been signed but wouldn't identify the buyers.

More: *The Philadelphia Inquirer*

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COMPANY BRIEFS

Continued from page 18

Environmentalists, Property Owners Join Protest Against AC Pipeline

Dozens of environmentalists and property owners rallied at the Virginia State Capitol in Richmond against plans by Dominion Resources and other utilities to build a $5 billion, 550-mile natural gas pipeline across the state and into North Carolina.

The protesters, organized by the Sierra Club and Friends of Nelson, asked the General Assembly to block the Atlantic Coast Pipeline, which would carry 1.5 billion cubic feet of gas a day from Appalachian shale gas fields.

One bill before the legislature would repeal a 2004 law giving interstate gas companies the right to survey and test pipeline routes without property owners' consent.

More: News Leader

NextEra to Develop Wind Energy On Hawaiian Parker Ranch Land

NextEra, which is acquiring Hawaiian Electric, has signed an agreement with the Parker Ranch Foundation Trust to develop wind farms on land the trust oversees on Hawaii Island.

The foundation began an effort in 2013 to look for a partner to help develop renewable energy on its holdings. "We have been aggressively seeking ways to reduce the cost of electricity for our community and our island by using the potential renewable energy resources available on PRFT's Hawaii Island lands," said Neil "Dutch" Kuyper, president and CEO of Parker Ranch.

Financial terms were not disclosed.

More: FierceEnergy; Parker Ranch

-- Compiled by Ted Caddell

FEDERAL BRIEFS

FERC Delays Duke Sale to Dynegy; Wants More Info on Market Power

The Federal Energy Regulatory Commission has requested more information on the market impact of the proposed $2.8 billion sale of Duke Energy's Midwest power plants to Dynegy. FERC's request caused a postponement of the deal's closing date.

FERC wants more information to ensure that competition in wholesale power markets will not be impaired. Dynegy is engaged in two large acquisitions — the Duke transaction and a separate $3.45 billion deal with New Jersey-based Energy Capital Partners — to acquire a total of 21 power plants. Both deals were supposed to close during the first quarter.

In their application for approval of the purchase, the companies contend Dynegy's 6.5% share of the PJM market after completing the two deals would have a minimal impact on competition. FERC said the companies failed to demonstrate that Dynegy's post-acquisition market share qualified as minimal.

More: Triad Business Journal; Houston Business Journal

Interior Department Moves Forward On NC Offshore Wind Lease Plan

The Department of the Interior released an environmental assessment last week supporting a plan to lease up to 300,000 acres off the North Carolina coast to developers of wind farms. "In close coordination with our partners in North Carolina, we are moving forward to determine what places make sense to harness the enormous wind energy potential off the Atlantic seaboard," Secretary of the Interior Sally Jewell said.

The study delineates three areas off the coast that could be leased to developers: about 122,000 acres 24 miles off Kitty Hawk; a 51,000-acre tract 10 miles off Wilmington; and a third area of about 133,000 acres 15 miles offshore of Bald Head Island.

A North Carolina Sierra Club organizer, Zak Keith, called the announcement "a huge opportunity to create jobs and investment in the clean energy sector without the risk of oil spills." The study is open for public comment through Feb. 23.

More: News & Observer

NRC Issues Two Yellow Findings Against Entergy's Arkansas One

The Nuclear Regulatory Commission issued two "yellow" findings of "substantial safety significance" against Entergy's Arkansas Nuclear One station, citing shortcomings in the plant's flood protection barriers.

The problems "created the potential for water to enter the auxiliary building in the unlikely event of extreme flooding, potentially compromising safety-related equipment," according to NRC Region IV Administrator Marc Dapas.

The problems were discovered at the Russellville, Ark., power station during inspections in 2013 and 2014. The NRC said Entergy has fixed the problems, and the agency is reassessing "the appropriate level of oversight for the plant."

More: NRC

'No Chilled Work Environment' at Palisades Plant, NRC Determines

Nuclear Regulatory Commission inspectors, following up on last year's report chiding Entergy for a "chilled work environment" at its Palisades Nuclear Plant, says that workers at the Michigan reactor no longer feel uncomfortable raising safety issues.

The NRC reviewed plant operations, conducted focus groups and interviewed 30% of security department workers before issuing its findings that the work climate at the plant had improved. "The NRC will continue to monitor for safety-conscious work environment issues to assess the sustainability of improvements seen to date," an NRC official wrote.

Palisades spokeswoman Lindsay Rose said the company promised to maintain the improved climate. "This is not an issue that we're going to drop and wash our hands of," she said.

More: MLive

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FEDERAL BRIEFS

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FERC Extends Comment Deadline For PennEast Pipeline Project

The Federal Energy Regulatory Commission has extended the public comment deadline from Feb. 12 to Feb. 27 on the proposed PennEast natural gas pipeline running from Pennsylvania into New Jersey after the pipeline operator altered some contentious parts of the 108-mile route.

FERC has already scheduled five public "scoping" meetings, starting this week, which will give the public information on the proposed line. Pipeline opponents argued that the public comment period did not allow enough time for property owners affected by proposed route changes to respond.

The $1 billion pipeline would transport natural gas from the Marcellus Shale region in northeastern Pennsylvania to a connection near Trenton, N.J. It is financed by UGI and four New Jersey gas utilities.

More: NJ.com

-- Compiled by Ted Caddell

STATE BRIEFS

ARKANSAS

SWEPCO Asks PSC to Deny Request for Attorney Fees

Southwestern Electric Power Co. asked the Public Service Commission to deny a request by Save the Ozarks to pay for legal expenses the organization incurred during its battle against a transmission line.

SWEPCO withdrew its power line application last month following a 20-month legal battle with the opposition group. SWEPCO says there is legal precedent to allow it to withdraw an application without prejudice, and that the PSC has no authority to award legal fees.

SWEPCO's motion was joined by SPP and the Arkansas Electric Cooperative.

More: *Lovely County Citizen*

DELAWARE

Exelon CEO Complains About PSC Staff Report on Merger

Exelon called on the Public Service Commission to reject staff recommendations to place additional conditions on the company's proposed merger with Pepco Holdings Inc., parent company of Delmarva Power.

Crane

The commission staff asked for a total of $68 million in incentives to allow the merger to go ahead in the state, Exelon said. CEO Christopher M. Crane said a "particularly inappropriate" recommendation was for the regulatory agency to "micromanage" appointments to the utility's board of directors. Crane said Exelon "must have the ability to exercise control over its subsidiaries."

Connie McDowell, PSC senior regulatory policy administrator, said that the PSC should look at staff's recommendation requirements as "an essential ingredient" to commission approval. Without the additional incentives, she said, the commission should reject the merger.

More: *The News Journal*

ILLINOIS

Peoples Gas Wins Rate Hike From Commerce Commission

The Commerce Commission approved a $74.8 million rate increase for Peoples Gas, costing a typical residential customer about $2.75 more a month. The boost was about 30% less than the company's original request.

Meanwhile, Ameren Illinois filed Friday for a $53 million increase in the annual gas delivery rate. That request, if approved, would go into effect January 2016.

More: *Daily Journal*; *St. Louis Business Journal*

INDIANA

Energy Efficiency Bill to Replace Energizing Indiana Passes Senate

The state Senate approved a bill that would allow utility companies to develop their own energy efficiency rules rather than be directed by a state mandate, as was done by a previous now-repealed law called Energizing Indiana.

The bill, crafted by Gov. Mike Pence's office, was introduced by Sen. Jim Merritt. The proposal directs utility companies to set "reasonably achievable" efficiency goals. Critics said the rule would result in less aggressive energy efficiency efforts than utilities would achieve under a state mandate.

More: *Indiana Public Media*

Continued on page 21

STATE BRIEFS

Continued from page 20

KENTUCKY

Kentucky Power Ordered to Refund $13 Million in Overcharges

The Public Service Commission has ordered Kentucky Power to refund $13 million in overcharges to customers and barred the company from collecting $41 million in additional fuel costs that were scheduled to be collected through May.

The refund will appear as credits on customers' bills and will total about $155 per customer over a 17-month period. The commission also criticized the company for failing to disclose additional fuel costs associated with its purchase of 50% of the Mitchell power plant in West Virginia and declined to allow the utility to raise rates to recover the cost.

More: The Republic

LOUISIANA

PSC Approves Entergy's Baton Rouge Gas Main Upgrade

The Public Service Commission approved a $65 million plan by Entergy to replace aging natural gas cast-iron mains in Baton Rouge. Entergy said the project should take about a decade to complete.

The commission voted 3-1 to allow Entergy to finance the gas-main replacement program through a special rider. The surcharge would increase the typical residential customer's bill by about 43 cents for the first year, $1.28 for the second year and $2.28 the third year, with increases of about 2% for each of the following years.

Entergy replaced about 300 miles of gas lines in New Orleans after Hurricane Katrina.

More: The New Orleans Advocate

MARYLAND

Eastern Shore Firm Seeking Permits for Poultry Waste Plant

CleanBay Biofuels is seeking various permits to build and operate a poultry-waste recycling plant that would relieve farmers and processors from having to dispose of hatchery wastes. The so-called slurry conversion plant, planned for a 133-acre site near Princess Anne in Somerset County, would cost about $18 million and take two years to build.

Unlike plants that burn poultry litter to generate energy, the CleanBay process uses chemicals to convert the waste into fuel. The plant would have its own power station, according to CleanBay CEO Jason Levine.

More: DelmarvaNow

MICHIGAN

Bill Would Double Energy Efficiency Standards

A bill introduced by state Rep. Sam Singh would require electricity providers to cut annual energy sales 2% by 2019 by promoting energy efficiency, doubling the current goal.

"I've been a longtime advocate for energy efficiency because there is a direct benefit to the consumer," Singh said. The current law, passed in 2008, sets an energy-reduction target of 1%. Natural gas providers would also have to trim 1.5% by 2019, which is also double the current target.

More: Lansing State Journal

MINNESOTA

Raising Renewable Standard Would Boost Capital Investment to $6.2B

A study by the Union of Concerned Scientists suggests that raising the renewable energy standard to 40% by 2030 would boost capital investment in the state to $6.2 billion with minimal impact on consumers.

The report was released as part of an effort to push state legislators to pass a 40% standard. The state's current standard sets a 25% goal by 2025.

The strengthened RES would create another 3,100 MW of renewable energy in Minnesota, the report said, while reducing electricity imports so much that the state would become a net power exporter.

More: Midwest Energy News

NEBRASKA

Vap Succeeds Landis as Public Service Commission Chair

Jerry Vap was elected chairman of the Public Service Commission last week, replacing Frank Landis. Vap said his priorities are broadband expansions, improvements to the 911 system and consumer-protection laws.

The PSC is comprised of five commissioners with six-year terms who each represent a district.

More: Omaha World-Herald

NEW JERSEY

BPU Approves JCP&L Transmission Project

The Board of Public Utilities has unanimously approved a 16-mile transmission line project proposed by Jersey Central Power & Light.

JCP&L said the $64 million project is crucial to improving the reliability of the electric system in Monmouth County. The line was previously approved by PJM. There was no public opposition to the project, possibly in part because it does not require any new rights of way.

More: NJSpotlight

NEW MEXICO

Another Group Pulls Out of San Juan Station Agreement

Western Resource Advocates, an environmental organization, is now the third group to withdraw its support for Public Service Company of New Mexico's plan to shut down two of four units at the coal-fired San Juan Generation Station.

The environmental group announced it was pulling its support after learning that PNM Resources, parent company of Public Service, may buy 65 MW of generation from one of San Juan's two remaining generation units. PNM's plan to retire two of the units was intended to meet emissions mandates.

"If PNM Resources acquires that generation, it would mean PNM and its affiliate would actually be absorbing nearly 200 MW more of capacity in that generating unit, and that's just too much for us," said Steve

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STATE BRIEFS

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Michel, chief counsel for Western Resources.

More: Albuquerque Journal

NORTH CAROLINA

Court Rejects AG's Challenge Of Duke Energy's Rate Request

The state Supreme Court on Friday rejected Attorney General Roy Cooper's challenge of a 5.1% Duke Energy rate increase approval, ending a two-year attempt by Cooper to block the rate increase.

Cooper, who is expected to run for governor in 2016 as a Democrat, argued that the Utilities Commission didn't take into consideration the effect of a rate increase on Duke's customers when it approved it. The ruling represented the third time in the last year that the Supreme Court rejected challenges to rate increases for a Duke subsidiary.

More: News & Observer

NORTH DAKOTA

3 Million Gallons of Brine Spill from Drilling Pipeline

Nearly 3 million gallons of salty wastewater from oil and gas drilling has spilled from a North Dakota pipeline, leaking into at least two streams, officials said. The brine leak was nearly three times the magnitude of any earlier spill.

A state Department of Health official said Summit Midstream Partners first noticed the spill in early January but didn't give state officials a full account until last week. Dave Glatt, chief of the Department of Health's environmental health section, said it was too soon to know the scope of the damage and said some earlier brine spills took years to clear up.

More: The Washington Post

OHIO

Kasich Gets 4 Nominees To Consider for PUCO Slots

The nominating committee of the Public Utilities Commission forwarded four finalists to Gov. John Kasich, who will choose one for a five-year term on the commission, subject to state Senate confirmation.

The candidates are Steven Lesser, a commissioner since 2010 who is seeking reappointment; Andre Porter, former PUCO commissioner and secretary of the state Commerce Department; Thomas Waniewski, Toledo city councilman and former state Public Works Commission member; and John Honabarger, a Verizon Communications executive. Lesser is a Democrat and the other three are Republicans.

Ohio law requires that one political party can hold no more than three seats on the five-member commission. There are currently two Republicans, one Democrat and two who are not members of either party, so Kasich, a Republican, can select any nominee regardless of party affiliation.

More: Columbus Business First

FirstEnergy's Rate Plan Draws Angry Crowd

Opponents of FirstEnergy's proposed plan to guarantee returns for its power plants dominated a five-hour hearing last week before the Public Utilities Commission.

The majority of the 78 speakers who testified said they thought FirstEnergy doesn't deserve any ratepayer subsidies.

"Facilities like the Sammis coal-burning power plant are exactly the type of facilities we should be seeking to phase out, not facilities we should seek to keep going at full capacity for another 15 years by giving them special financial deals," testified 16-year-old Hilary Vogelbaum, a Moreland Hills resident and a high school junior.

Labor leaders, two mayors and representatives of non-profit organizations that are supported by the company spoke out in favor of the proposal. PUCO is scheduled to vote on the plan later this year.

More: The Plain Dealer

PENNSYLVANIA

PPL, PUC Urge Supreme Court To Let Privacy Ruling Stand

PPL Utilities and the Public Utility Commission have asked the Supreme Court to uphold a lower court ruling that allows them to conceal the identity of a customer who got special treatment during an outage restoration effort in 2011.

PPL paid $60,000 to settle a PUC investigation into charges that a customer moved up the priority list during the outage restoration. The PUC denied the request of several news media outlets to release materials from the investigation. The state Office of Open Records ordered the file open. The Commonwealth Court reversed that decision. The media have appealed that ruling to the Supreme Court.

More: The Morning Call

SOUTH DAKOTA

Small Town Crowd Shows Interest in Pipeline Route

About 100 people turned out for a public meeting in Iroquois, population 250, to voice concerns and support for the proposed $3.8 billion, 1,134-mile Dakota Access crude oil pipeline.

Citizens asked the builders of the project, which would deliver North Dakota crude oil to a pipeline interconnection in Illinois, to pay more to compensate landowners for easements along its 272 miles through South Dakota.

Craig Walker, a farmer, suggested the company had set aside too little money to acquire rights of way. "That's one of the reasons I came today, was to see how sharp your pencil was," he said.

More: The Daily Republic

VIRGINIA

Appalachian Power Customers Getting SCC-Ordered Refund

Appalachian Power's customers in Virginia will see a $5.8 million refund, thanks to a State Corporation Commission ruling.

The refunds will average about $1.11 a month for a typical residential customer, and will be paid in six monthly bill credits. The refund is derived from excess company earnings from 2012 to 2013.

More: WDBJ

WEST VIRGINIA

House, Senate Pass Bills Repealing States' RPS

The House of Delegates and Senate voted to repeal the Alternative and Renewable Energy Portfolio Standard, a law that called for large utilities to generate 25% of their power from alternative sources by 2025.

The law that was repealed broadly defined

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STATE BRIEFS

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"alternative sources" to include some coal- and natural gas-fired technologies, as well as those burning tires. City-owned utilities and cooperatives were exempt. But in the coal mining state, repealing the standard was seen as a move to benefit the coal industry, which is coming under increasing federal regulation and economic pressure.

"The purpose of the bill is, if we save just one coal miner's job, it's well worth it," said Del. John Shott, a Republican.

More: *Bradenton Herald*

WISCONSIN

WPS Files to Build 400-MW Natural Gas Plant

It's official: Wisconsin Public Service plans to construct a 400-MW, natural gas-fired combustion turbine combined-cycle power plant.

In filings with the Public Service Commission last week, the company said it is going forward with plans to build the $517 million Fox Energy Center plant near Kaukauna. The company announced its intentions last year, but its plan came under review during the proposed acquisition of its parent company Integrys by Wisconsin Energy.

"We have to make decisions for our customers and the best decision is to move forward," spokesman Kerry Spees said. "The studies say this is the best thing to do to meet our needs in 2019. It's the right site, it's the right time, it makes great sense."

More: *Green Bay Press Gazette*

-- Compiled by Ted Caddell

FERC Orders Market-Based Reliability Program Next Winter in New England

Continued from page 1

theoretically a possible outcome of a stakeholder process on any proposal but, as I said, it's premature to speculate on the possible outcomes of this stakeholder process."

The Sept. 9 order directed ISO-NE to start a stakeholder process by Jan. 1, 2015, to develop a market-based solution before Pay-for-Performance takes effect.

Generators: No More 'Band-Aids'

The RTO began the process last fall, filing a schedule of New England Power Pool stakeholder meetings on Oct. 8, but it made no promises that it would result in an interim market-based solution.

The New England Power Generators Association responded Oct. 9 with a filing complaining that the RTO was misinterpreting FERC's directive.

"ISO-NE is interpreting the commission's order to allow ISO-NE to continue proposing out-of-market fixes for the three consecutive winters after winter 2014/2015," the group wrote. "… The commission's order should not be read to condone three additional years … of seasonal, out-of-market Band-Aids in lieu of market rule changes based on the competitive market principles necessary to efficiently price system reliability."

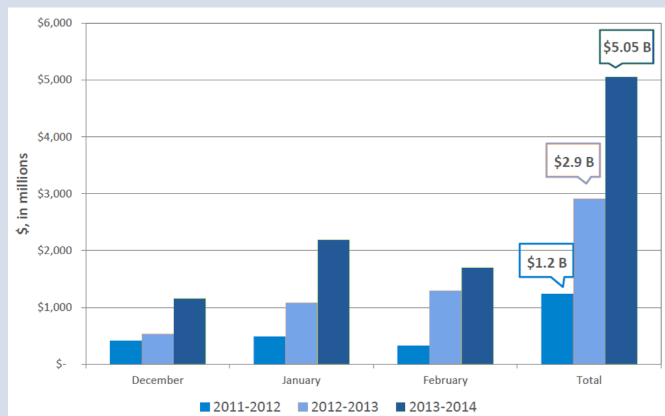
It asked the commission to clarify that the September order required ISO-NE to implement a market-based solution for 2015/16, saying it wanted "to avoid potentially wasting valuable NEPOOL stakeholder meeting time on out-of-market solutions, if any, proposed by ISO-NE."

ISO-NE: No Consensus

In a Dec. 8 progress report to FERC, ISO-NE said that in response to "concerns that the winter reliability programs to date have not been resource-neutral and market-based, ISO-NE has committed to have a dialogue with stakeholders on current and alternative objectives for winter reliability programs, and the feasibility of designing and implementing a market-based solution for future winters."

But the RTO said that at a November meeting of the NEPOOL Market Committee, stakeholders were split over what alternatives they should pursue for future winters, with some calling for the development of "price formation projects," others supporting continuation of the existing winter program, and others for a market-based solution.

"In short, no consensus emerged," the RTO said, adding that it would discuss the issue again at future Markets Committee meetings.



Winter power costs rising steadily in New England. (Source: ISO-NE)

In its Jan. 20 order, FERC agreed with the generators.

"The commission intended that ISO-NE would determine whether a winter reliability solution is necessary for the 2015-2016 winter and future winters and, if so, develop an appropriate market-based solution through the stakeholder process that can be implemented beginning with the 2015-2016 winter," FERC wrote. "While the two-settlement capacity market design could help address winter reliability concerns in the future, that design will not be fully implemented until the 2018-2019 Capacity Commitment Period."

States, LSEs Skeptical, Utilities Split Over Capacity Performance

Continued from page 1

changes to *force majeure* provisions were unduly punitive.

EPSA also joined states and LSEs in criticizing the limited stakeholder input before PJM's Board of Managers made its unilateral filing with the Federal Energy Regulatory Commission on Dec. 12. But the association said implementation of the new structure should not be delayed by needed changes.

In a 51-page filing, PJM's Independent Market Monitor said it "strongly supports" the proposal but listed numerous changes it said were needed to prevent market manipulation and clarify the oversight roles of PJM and the Monitor.

Most other commenters fell clearly into camps of supporters or opponents.

PJM's proposal would increase the reliability expectations of capacity resources with a "no excuses" policy. It is expected to result in both larger capacity payments and higher penalties for non-performance. (See PJM Files Capacity Performance Plan; What You Need to Know about PJM's Capacity Performance Proposal.)

The details are outlined in nearly 1,300 pages filed in two dockets:

EL15-29 contains proposed changes to PJM's Operating Agreement and Tariff "to correct present deficiencies in those agreements on matters of resource performance and excuses for resource performance."

ER15-623 proposes changes to the Reliability Pricing Model rules in the Tariff and Reliability Assurance Agreement.

Below is a summary of the main arguments presented in the comments.

Supporters

Those supporting the proposal included the Natural Gas Supply Association, America's Natural Gas Alliance and the Energy Storage Association.

"The Capacity Resource Performance provision would begin to address PJM's current difficulties by incenting investments by generators that would help them perform more reliably and economically even during periods of peak demand," said the Natural Gas Supply Association, which represents gas producers and marketers.

The Energy Storage Association lauded the proposal as an opportunity for energy storage resources to participate in PJM's capacity market.

Exelon said it "strongly agrees with PJM on the urgent need" for the changes to address "an imminent reliability crisis due to a capacity market design that fails to ensure that generators who have made capacity commitments actually perform when they are needed."

Exelon, the nation's largest nuclear operator, stands to benefit perhaps more than any other market participant from the proposal's incentives to ensure generators have secure fuel supplies.

Penalties, Force Majeure

Unlike most other generators, Exelon complained that PJM's proposed non-performance penalties were too lax. It said the RTO's method for determining the hourly penalty rate is flawed and will result in much lower penalties than intended. It also called on the commission to clarify that a forced outage due to fuel unavailability during emergencies, or "performance assessment hours," will result in automatic referral to the commission for violation of the Tariff.

Other generators complained that the penalties are already too harsh.

"Redefining *force majeure* to apply only when catastrophic conditions occur over the entire PJM region is unnecessarily broad and, as applied, too punitive to generators," the PJM Power Providers (P3 Group) said. "Notwithstanding the most prudent investments, it is nonetheless impossible for every generator to foresee every eventuality. Equally as important, it is illogical to apply a penalty for nonperformance of a generator based on the requirement that the entire PJM operational system would need to be negatively impacted."

Not Enough

American Electric Power, Dayton Power and Light, FirstEnergy, Buckeye Power and East Kentucky Power Cooperative also called for a reduction in proposed non-performance penalties in a 186-page filing.

The group, filing as the PJM Utilities Coalition, said the proposal is insufficient to correct a revenue inadequacy problem that they said is threatening reliability. They said that the proposal fails to eliminate incentives for bidding as a price-taker and that clearing multiple products simultaneously with different performance obligations will result in price suppression.

Too Much, Too Expensive

Load-serving entities, however, complained that PJM's redesign is overkill and will result in unnecessary price increases.

"Capacity Performance is too much, too quickly, for no clearly stated reason," the Old Dominion and Southern Maryland electric cooperatives said in a joint filing.

The Transition Coalition — whose members include the PJM Industrial Customer Coalition, cooperatives and other load-serving entities — said its members estimate the proposal would cost as much as $2.8 billion in the 2016/17 delivery year and $3.6 billion in the 2017/18 delivery year. "What will we get in return for billions of dollars in new payments?" it asked.

Similarly, Pepco Holdings Inc. said PJM should be required to provide a more thor-

Continued on page 25

"Capacity Performance is too much, too quickly, for no clearly stated reason."

ODEC and SMECO

"Addressing deficiencies revealed by 2014's winter conditions is a critical need, but the [proposal] goes far beyond addressing the specific issues that likely contributed to poor generator performance during this period."

Illinois Commerce Commission

States, LSEs Skeptical, Utilities Split Over Capacity Performance

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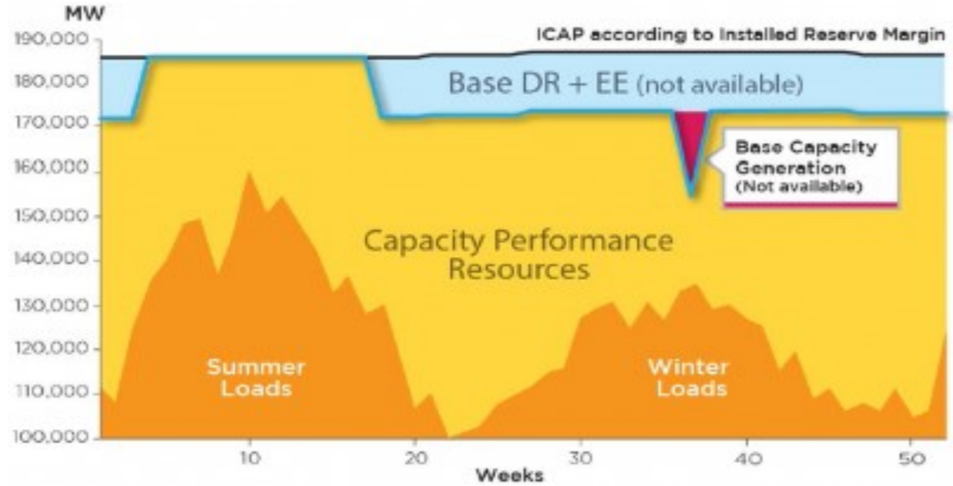

ough analysis of its proposal's impacts, including costs and benefits.

Some commenters took aim at the transition provisions that would apply to resources that clear in the base capacity auctions this May and in 2016.

"Acceptance would constitute retroactive ratemaking," the Retail Energy Supply Association said, while Direct Energy maintained the transition mechanism contained "billions of dollars in unforeseen costs on the region."

Impact on Renewables

Public interest organizations said that renewable, energy efficiency and demand response resources would be disadvantaged by the new market structure, concerns echoed by the American Wind Energy and Solar Energy Industries associations.

The Environmental Defense Fund, the Natural Resources Defense Council, the Sierra Club, the Sustainable FERC Project and the Union of Concerned Scientists filed a joint protest, calling on FERC to either reject the proposal, set it for evidentiary hearing or exempt non-fossil fuel resources from the proposed penalties.

"Unlike fuel-based generation, renewable generation and non-fuel-based demand-side resources cannot become available all year round through upgrades, and cannot avail themselves to the benefits of being able to firm up fuel supply and pass associated costs to consumers accorded to fuel-based generation under this rule," the group said.

States: Evidentiary Hearing Needed

The concerns of the states within PJM's territory differed, with some warning of higher rates and others complaining the proposal violates state resource planning authority. Almost all states, even those who generally support PJM's overhaul efforts, said the proposal needed changes as a result of it being rushed without adequate stakeholder input. Many also called for FERC to hold an evidentiary hearing.

The Organization of PJM States Inc. (OPSI) said it could not determine the need for the proposal or whether it would result in just rates because PJM had not provided sufficient analysis.

"To better quantify the impact of the proposal on customers' rates, and on system operations and grid reliability … requires the development, presentation and evaluation of data that have not yet been provided by PJM."

Overreaction

Some stakeholders also said the proposal changes more than is necessary.

The Delaware Public Service Commission called the proposal "an overreaction" to the poor generator response in January 2014. "All stakeholders should have an opportunity to fully evaluate the [proposal] before it is implemented with undeterminable and questionable costs and unquantified benefits," it said.

In a joint protest, consumer advocates in Maryland, New Jersey, D.C., Delaware, Ohio and Illinois, along with the PJM Industrial Customer Coalition, said the proposal is "unnecessarily costly and disproportionate to the level of changes that are required. The sole focus should be on revamping the structure of penalties that applies to cleared capacity resources, to align actual performance with the level of revenue that cleared capacity resources currently receive."

The Illinois Commerce Commission agreed. "Addressing deficiencies revealed by 2014's winter conditions is a critical need, but the [proposal] goes far beyond addressing the specific issues that likely contributed to poor generator performance during this period," the ICC said. "Rather, the [proposal] represents an extensive revision and, in some of its elements, is an unnecessary reworking of the RPM model."

The Pennsylvania Public Utility Commission said it supports PJM's changes to generators' performance requirement. But it said FERC should "reject or modify the other changes to PJM's Tariff filing wherein PJM seeks to unilaterally and, without stakeholder support, alter the provisions of RPM that have developed through much deliberation by FERC, PJM and stakeholders and that contribute to the functioning of healthy wholesale markets."

For example, the PUC said it was concerned that how PJM defines what qualifies as a Capacity Performance resource would affect DR resources. "The characteristics of DR providers are not compatible with PJM's proposed trading restrictions and should be eliminated for these types of resources given the fundamental nature of the underlying characteristics of residential, business and industrial customers," the commission said.

RTO Insider

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MRC/MC Preview

7. ENERGY MARKET UP-LIFT SENIOR TASK FORCE (EMUSTF) Charter (11:00-11:10)

Members will be asked to approve the charter for the Energy Market Uplift Senior Task Force (EMUSTF). The MRC approved the creation of the task force in May to take a broad review of its method of providing Operating Reserve payments.

PJM said the changes were needed to reduce growing uplift costs resulting from Operating Reserves, "make whole" payments that ensure generators dispatched out of merit for system reliability don't operate at a loss.

See *PJM Proposes Operating Reserve Changes to Cut Uplift*

pjm — Energy Market Uplift Senior Task Force Charter — Draft

Mission

The Markets and Reliability Committee (MRC) approved the creation of the Energy Market Uplift Senior Task Force (EMUSTF) on May 30, 2013 to evaluate causes for energy market up-lift charges, develop ways to minimize them while maintaining prices that are consistent with operational reliability needs, and explore new methodologies for the allocation of make-whole payments.

PJM Proposes Operating Reserve Changes to Cut Uplift

April 30, 2013

PJM called Thursday for a broad review of its method of providing Operating Reserve payments, saying changes were needed to reduce growing uplift costs.

Operating Reserves are "make whole" payments that ensure generators dispatched out of merit for system reliability don't operate at a loss. Because they are collected through uplift charges and not reflected in day-ahead or real-time locational marginal prices, they cannot be hedged.

In 2012, operating reserve payments totaled a near record $649 million, 2.2% of total billing. Day-ahead operating reserve charges increased by about 90% in 2012, spiking in September after PJM increased the number of "must run" units dispatched in the day-ahead market.

- **Federal and state regulatory news briefs**

OHIO

Industry Likes Efficiency Rule, Wants Spending Cap

The Ohio Manufacturers Association favors the state's energy efficiency standards but wants a cap on how much utilities can charge for efficiency riders. The group said is still studying provisions of a bill that has been introduced to make changes in the program.

Meanwhile, wind energy supporters argued against a provision in the bill that would eliminate requirements that utilities buy a certain amount of in-state renewable energy.

More: *Columbus Business First; The Columbus Dispatch*

- **Voting summaries**

Trading Limits

Reason for Change: PJM proposed the cap because high bid volumes can make it difficult for the RTO's day-ahead markets software to reach solutions.

Impact: PJM can limit market participants to no more than 3,000 UTC transactions each in the day-ahead market when necessary for market operations. (A similar cap also applies to increment offers and decrement bids.)

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Members agreed to consider new rules to allow batteries, flywheels and other advanced storage technologies to bid in the capacity market. -more-

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Installed Reserve Margin May Increase for 2014
September 17, 2013
PJM's recommended Installed Reserve Margin (IRM) will increase slightly because of the increasing alignment of the RTO's peak demand with demand outside of the region, according to a preliminary analysis presented to the Planning Committee Thursday. -more-

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