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Eastern RTOs Express Confidence in Meeting Carbon Reduction Plans

NY, New England Cite RGGI; PJM Fears 'Go it Alone' States

By Rich Heidorn Jr.

From left to right: PJM's Andy Ott; NYISO's Rana Mukerji; and ISO-NE's Steve Rourke.

WASHINGTON — Representatives of PJM, ISO-NE and NYISO told the Federal Energy Regulatory Commission last week that they are prepared to implement their states' plans for complying with the Environmental Protection Agency's carbon emission rule but that the agency's deadlines should be flexible to account for delays in building new gas pipelines and electric transmission.

PJM officials also told FERC in the third of four technical conferences on the Clean Power Plan that states that rebuff regional efforts to price CO_2 emissions could overwhelm the RTO's economic dispatch software, undermining reliability.

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PJM Reducing Tx Spending by $3.2B

2014 RTEP Shows $1.7B in New Projects, Lull in Retirements

By Rich Heidorn Jr.

Flat load growth, the lapse in federal subsidies for wind generators and a slowdown in coal plant retirements have caused PJM to reduce its transmission construction plans by $3.2 billion.

PJM's 2014 Regional Transmission Expansion Plan report, released last week, provides details of the $1.7 billion in transmission projects approved by PJM's Board of Managers. The board approved 197 baseline projects totaling $1.1 billion and 148 network upgrades to address reliability criteria violations at a cost of $605 million.

But these new projects were more than offset by the removal of 651 network upgrades totaling $4.7 billion and 40 baseline projects

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Michigan Leaders at Odds over Deregulation

By Chris O'Malley

Gov. Rick Snyder (left), and Rep. Aric Nesbitt

A week after a Michigan lawmaker introduced a bill that would end electric deregulation, fellow Republican and Gov. Rick Snyder unveiled an energy plan of his own that would continue the state's limited customer choice.

Michigan's current plan allows up to 10% of an electric utility's retail load to purchase power from alternative suppliers. Last year, 13 alternative suppliers provided 2,354 MW statewide.

DTE Energy and Consumers Energy have complained that the choice plan makes capacity planning difficult, especially as they retire coal-fired plants and try to gauge how much replacement they'll need.

On March 5, state Rep. Aric Nesbitt, chairman of the House Committee on Energy Policy, introduced a package of bills that included elimination of electric choice.

"Retail customers currently purchasing electric generation service from an alternative electric supplier must return to receiving electric service from the incumbent electric utility when the primary term of their existing agreement with the alternative electric supplier expires," reads Nesbitt's House Bill 4298.

On Friday, Snyder proposed a plan that would retain the 10% customer choice cap and increase the state's renewable energy goal to 19% by 2025, up from the current 9%. The governor's plan also calls for reduc-

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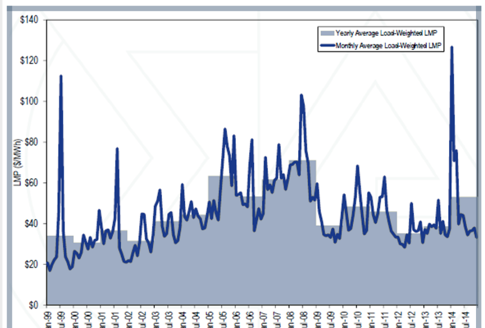

Monthly average LMPs in PJM spiked in the first quarter of last year, contributing to a higher average yearly price for 2014, according to the Market Monitor's annual State of the Market report. (p.6)

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FERC Eastern Regional Conference on EPA Clean Power Plan

FERC Seeking Its Role on Carbon Rule 'Safety Valve'

By Rich Heidorn Jr.

WASHINGTON — Members of the Federal Energy Regulatory Commission said last week they are trying to craft the commission's role in administering a "safety valve" to ensure reliability is not threatened by the Environmental Protection Agency's proposed carbon emission rule.

Speaking at the third of four FERC technical conferences on the EPA Clean Power Plan, Commissioner Philip Moeller said he hopes the commission will reach consensus on a "very specific" safety valve proposal to the agency.

Janet McCabe, EPA's acting Assistant Administrator for the Office of Air and Radiation, repeated her promise — also made at FERC's first conference Feb. 19 — that the agency's final regulations this summer will be responsive to criticism of its initial proposal. (See *EPA on Carbon Rule: We're Listening*.)

Responding to Moeller, McCabe said that although she couldn't yet provide specifics on a safety valve, she expected "that we will be able to have a conversation as the rule moves closer to final on how to handle that both within the rule and … as we look at implementation expectations."

FERC Chairman Cheryl LaFleur said the commission could work with RTOs and the North American Electric Reliability Corp. to "develop a record" on the reliability impact of shuttering individual power plants and the time needed to construct pipelines or transmission.

But she said she had misgivings about the commission having a formal adjudicatory role in disputes between state officials seeking deadline extensions and environmental groups pushing them to do more. "I don't see us comfortably looking at, 'How good is your rooftop solar program? Have you really maximized [it]? What are you doing with energy efficiency?'" she said. "… You get on thin jurisdictional ice pretty fast.

"I think we either need to develop a list of questions we'll answer and stick to those questions and the EPA will, I guess, weigh them, or work out an approach with others such as the states which have their fingers on other parts of it," she added.

The ISO-RTO Council has said that EPA's final rule must include provisions for reliability reviews to address problems that may arise during implementation.

"Because of the limited nature of the scenarios we studied — and the fact that the rule itself is not yet final, nor have state plans been developed — we are simply not in a position to make definitive conclusions as to the reliability impacts of the Clean Power Plan on the PJM footprint," Mike Kormos, PJM executive vice president of operations, said in written testimony. "… The answer to the question, 'is it reliable?' is not a 'once-and-done' inquiry."

LaFleur says the commission is seeking a way for it to help ensure reliability is not threatened by EPA's carbon plan. "You get on thin jurisdictional ice pretty fast," she said.

Ohio Public Utilities Commissioner Asim Haque said he supports the concept of FERC, NERC or RTOs performing a "reliability check" on state implementation plans. But he said the third-party review must be one of "mediation" rather than mandatory.

"If the states cannot [resolve the reliability concerns], then in my mind the [emission] rates need to be adjusted … so that the reliability concern is allayed," he said.

Inhofe Decries EPA 'Power Grab'

By Ted Caddell

There's no mistaking where Sen. Jim Inhofe (R-Okla.) stands on global warming and the Environmental Protection Agency's plans for addressing it.

In February, the chairman of the U.S. Senate Environment and Public Works Committee brought a snowball onto the Senate floor to underscore his skepticism of climate science. Last week, he kicked off a committee hearing by displaying a map identifying the 32 states he said are opposing EPA's proposed carbon emission rule, which he called a "selfish power grab."

"The proposal undermines the longstanding concept of cooperative federalism and the Clean Air Act, where the federal government is meant to work in partnership with the states to achieve the underlying goals," Inhofe said. "Instead, the rule forces states to redesign the way they generate, manage and use electricity in a manner that satisfies President Obama's extreme climate agenda."

States Inhofe cited as opposing EPA's plan.

In a two-hour hearing, the committee heard from officials from Wyoming, Wisconsin and Indiana, who said the rule would harm their states' economies, and representatives from California and New York, who insisted it is necessary and achievable.

"You can significantly reduce these emissions in a way that grows your economy," said Michael J. Myers, chair of the litigation section of New York's Environmental Protection Bureau. "The time is now for state leadership. So take the wheel."

Todd Parfitt, director of the Wyoming Department of Environmental Quality, said EPA's "timelines are problematic if not unrealistic." A major problem for his state and others in the Midwest, he said, is that EPA would give credit for wind power to consuming states rather than producers. He said that 85% of wind energy generated in Wyoming is consumed outside the state.

Under the Clean Power Plan, states will first be asked to come up with their own ways to implement the emissions reductions rules, but the federal government would step in and impose rules if they don't.

The Natural Resources Defense Council said after the hearing that Inhofe's map "radically overstates state opposition" by including any state where a state official or agency has raised concerns.

Indiana is among the 12 states that are challenging EPA's authority to issue and enforce the carbon rule. Oral arguments in the case are scheduled for next month before the D.C. Circuit Court of Appeals.

FERC Eastern Regional Conference on EPA Clean Power Plan

Debate over Cost, Impact of EPA Plan in Southeast

By Rich Heidorn Jr.

WASHINGTON — Witnesses from the Southeast generally expressed far more concern than their counterparts in the Northeast during the Federal Energy Regulatory Commission's technical conference on the Environmental Protection Agency's Clean Power Plan on Wednesday.

Mary Salmon Walker, chief operating officer for the Georgia Environmental Protection Division, said the proposed rule fails to give her state credit for previous CO_2 emission reductions or for Georgia Power's Vogtle nuclear units 3 and 4, now under construction.

She also said EPA's assumption that the state can obtain 10% of its energy from renewables by 2030 is unrealistic and should be reduced to 7.5%.

Georgia also opposes an alternative method for calculating state goals that EPA included in its Notice of Data Availability in October. The state says it would force an 83% reduction in fossil fuel generation from 2012 levels. (See *EPA Signals Flexibility on Interim Carbon Targets, Coal-Gas Shift*.)

Too Much, Too Soon

Paul Newton, North Carolina president of Duke Energy, said the EPA proposal is "too much too soon" and that the proposed interim targets would require North Carolina and Florida to meet more than three-quarters of their 2030 emission reduction requirements by 2020, resulting in billions in stranded assets.

The company said it has invested more than \$7 billion on SO_2 scrubbers and selective catalytic reduction technology that controls NOx emissions to bring its coal-fired generators into compliance with EPA regulations. "The EPA modeling of its proposed 'preferred option' shows a number of Duke Energy coal units shutting down by 2020. Duke Energy currently has no plan to retire the units the EPA modeling shows retiring," Newton said.

Duke said EPA should eliminate the interim compliance period targets and allow states to develop their own "glide paths" to meet the 2030 targets. The North American Electric Reliability Corp. or its delegates should evaluate state implementation plans to help identify possible reliability problems before submitting them to EPA, the company said.

Georgia's Mary Salmon Walker said EPA's assumption that her state can obtain 10% of its energy from renewables by 2030 is unrealistic and should be reduced to 7.5%. John Wilson, of the Southern Alliance for Clean Energy, said EPA has been too conservative and should boost renewable targets to 18%. "The sky is not falling," he said.

John Trawick, Southern Co.'s senior vice president for commercial operations and planning, said the company will have to negotiate four sets of state regulators, legislatures and environmental departments as Georgia, Alabama, Mississippi and Florida develop their implementation plans. "It's a very challenging thing to deal with," he said.

Sky is Not Falling

John D. Wilson, research director of the Southern Alliance for Clean Energy, offered a much sunnier picture. "I'm 'the sky is not falling' person here today," he told the commission.

Wilson said the size of Duke, Southern and the Tennessee Valley Authority means they can meet the EPA requirements with "relatively modest" steps — increasing solar and wind power and improving planning and operational tools the utilities already use.

"EPA's proposed Clean Power Plan will be flexible and, frankly, not challenging enough to merit alarm," Wilson said.

The alliance cited studies that it says concluded an 18% renewable energy portfolio and state energy efficiency targets of at least 15% — rather than the roughly 10% savings assumed by EPA — are feasible.

"Wind- and solar-power market-development opportunities in the Southeast are at least 15 to 20% of total generation, several times greater than the 0 to 10% considered by EPA," Wilson said. "Wind resources are available in-region; proposed HVDC transmission provides access to on-peak wind resources that will complement solar."

Wilson conceded that compliance will be more difficult for smaller utilities with limited generation diversity. To help them comply, state regulators should support the establishment of credit or allowance markets, he said.

One of those smaller utilities is the Seminole Electric Coop., which supplies nine distribution cooperatives in 42 Florida counties.

James Frauen, vice president of technical services and development for Seminole, said the 38% carbon reduction EPA set for Florida would require retirement of more than 90% of the state's coal-fired generation — including the 1,300-MW Seminole Generating Station, which generates 50% of the co-op's power — most of them by 2020.

The co-op has invested more than \$500 million on the plant, funded by long-term loans that represent more than three-quarters of its outstanding debt. It says it planned to run the plant, which it calls "one of the cleanest in the nation," until at least 2045.

"None of the options are particularly good. It's going to cost more," said Frauen, who noted that the co-op's rates are already higher than average because of its low population density. "We can get there, but certainly not by 2020."

Florida's Challenges

Florida has firm transmission to import only 2,800 MW of generation to serve its 52,000 MW of load. It also has no natural gas reserves, nor the geological formations to economically store gas underground.

"A substantial amount of coal-fired electric generation must remain in Florida to ensure some level of fuel diversity and the resulting reliability benefits," Frauen said. "To remove more than 90% of coal capacity from Florida would obligate Florida to rely solely on 'just in time' inventory for nearly all of its fuel supply, with reliability consequences for any disruptions in the supply chain."

FERC Eastern Regional Conference on EPA Clean Power Plan

Eastern RTOs Express Confidence in Meeting Carbon Reduction Plans

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That's not an issue for New York and the six New England states, which are members of the Regional Greenhouse Gas Initiative (along with Maryland and Delaware in PJM). Officials of those states see RGGI's cap-and-trade program as central to their states' compliance.

Robert Ethier, vice president of market development for ISO-NE, said the RTO's LMP energy market and forward capacity market, combined with RGGI, gives the region the tools it needs to comply "efficiently."

RGGI the Right Tool

EPA's McCabe (right), NYISO's Ethier (left)

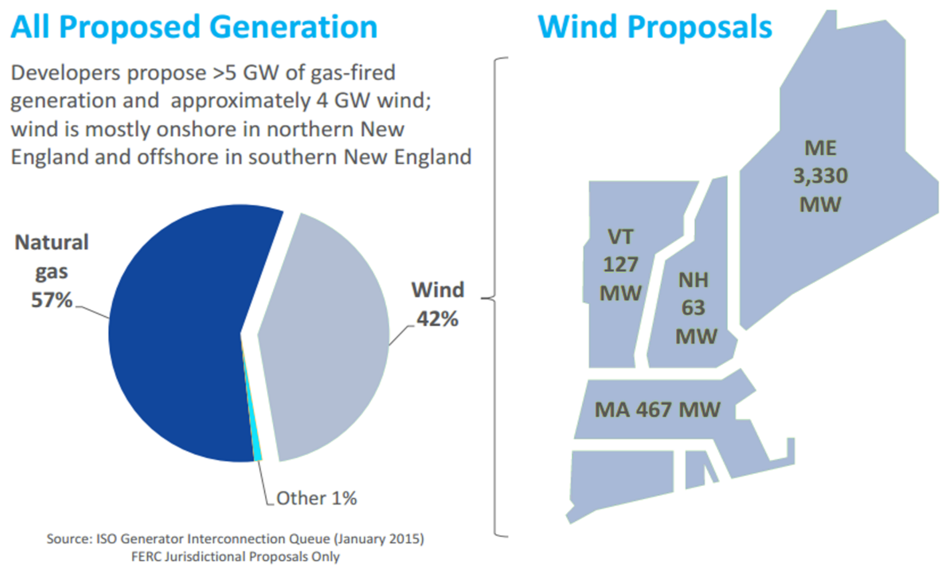
"RGGI seems like exactly the right mechanism to resolve this issue," Ethier said.

Andy Ott, PJM's executive vice president for markets, said the RTO's regional dispatch can help reduce emissions either through an explicit carbon price or through run-time limitations on generators.

But Ott said PJM officials are concerned that if too many states choose run-time limits, it would result in "discontinuities" in the regional market that could threaten operating reliability.

"If a lot of states decide to put in physical limitations, it could actually create a situation where, more often than not, we can't solve [dispatch] economically anymore, so then we have to go into … emergency dispatch. …That could affect reliability."

Despite their concerns, RTO and state officials expressed far more confidence than state and utility officials from the Southeast, who also testified at the hearing. They also were more sanguine than several of the state officials who testified before a U.S. Senate hearing the same day. (See related stories p.2-3)



ISO-NE's future: gas and wind. (Source: ISO-NE)

Flexibility on Deadlines

In addition to RGGI, New England will also depend increasingly on wind and Canadian hydropower to comply with the EPA rule, said Steve Rourke, ISO-NE's vice president of planning. Of the 11,000 MW on the RTO's generator interconnection queues, 42% is wind and virtually all of the remainder is gas.

Such a change in the generation mix will require a "significant transmission build out," Rourke said. He noted the combined solicitation planned by Connecticut, Massachusetts and Rhode Island for more than 2,300 GWh of renewable energy annually and transmission to deliver it. (See *New England States Combine on Clean Energy Procurement*.)

The region's best wind assets are in Maine and elsewhere in northern New England, many of them 100 miles from the existing transmission network, he said.

"We're sort of far down the road toward meeting the requirements of the Clean Power Plan, but when you look forward there may be a few speed bumps in the road," Rourke said.

Among those concerns, he said, are retirements of oil- and coal-fired generation, which will create a need for more gas pipeline and storage capacity. He also said the retirement of the Vermont Yankee nuclear plant raises questions about the viability of the region's four remaining nuclear plants, which produce about one-quarter of its energy. "That's a big question mark going forward," he said.

Unrealistic Emission Rate

Rana Mukerji, NYISO's senior vice president for market structures, said New York's markets "are well structured to comply" with the rule but that EPA needs to provide the state "a more realistic emission rate."

Mukerji said EPA's proposed 549 lb/MWh rate is about half that of neighboring Pennsylvania (1,052 lb/MWh) and the limit on new combined-cycle gas turbines (1,000 lb/MWh).

That is not achievable in downstate New York, particularly New York City, which he said relies on dual fuel fossil units to meet needs on peak days. In 2012, Mukerji said, the city needed dual-fuel units for more than 14 peak days; EPA's proposed rule envisions such units being called on only three times a year, he said.

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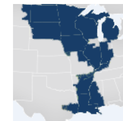

MidAmerican's Fingerprints on Shakeup at Iowa Utilities Board?

By Chris O'Malley

Iowa Gov. Terry Branstad last week shook up the Utilities Board, demoting Chairman Elizabeth "Libby" Jacobs and removing board member Sheila Tipton.

The unexplained move came after officials of MidAmerican Energy met with the governor to complain about the board's February ruling requiring the company to refund $2 million annually to consumers over a wind project.

Elizabeth "Libby" Jacobs (left) said she will remain on the Iowa Utilities Board despite being replaced by Geri Huser (right) as chairman.

Branstad appointed Iowa Finance Authority official Geri Huser to replace Jacobs, whose term as chair was set to expire next month.

Jacobs, appointed by Branstad in 2011, declined to comment on the reason for the governor's actions, but she told *RTO Insider* she plans to complete her term on the three-member board, which runs through April 2017.

"I'll continue as [Organization of MISO States] president through Dec. 31, 2015, and I'll also continue to serve [the National Association of Regulatory Utility Commissioners] as the co-vice chair of the Electricity Committee and as a member of the Task Force on Environmental Regulation and Generation," she said.

Tipton was appointed by Branstad in 2013 to fill an unexpired term ending next month.

In February, the board ordered MidAmerican Energy to return $2 million annually to customers following a review of a $280 million wind turbine project that had been publicly praised by Branstad.

The board said the rewards of the project were "skewed too much towards MidAmerican" without the extra payment. The order modified a settlement that MidAmerican had negotiated with the Office of Consumer Advocate.

MidAmerican has confirmed that it met with Branstad to complain about the board's decision but insisted it did not press the governor for personnel changes.

Branstad's spokesman, Jimmy Centers, declined to discuss the speculation. He said Huser, a former state legislator, was chosen by the governor "because he's been impressed with her career in public service."

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ing energy waste to meet another 21% of Michigan's energy needs, up from 6%.

Capacity Concerns

Snyder would require that alternative electricity suppliers submit plans to the state Public Service Commission on a rolling, five-year basis that demonstrate that they have adequate capacity and reliability.

"If you want to play, you have to carry your weight as far as being an alternative provider," Snyder said, speaking at the Detroit Electric Industry Training Center in Warren.

A lack of adequate capacity has been a concern for Michigan regulators as well as MISO. The RTO forecasts that its Zone 7, which includes most of Michigan's Lower Peninsula, will be 3,000 MW short of its reserve margin in 2016.

Michigan's commission said that "there appears to be a gap in the planning and procurement of adequate resources for the long-term for customers served under the customer choice program."

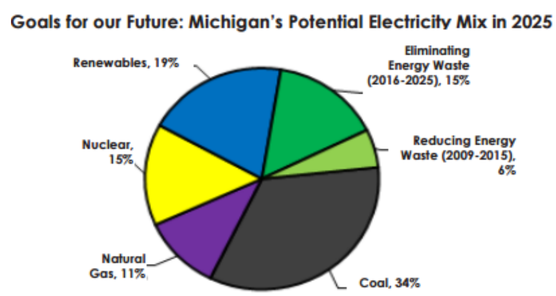
That's the result of "ambiguity" in responsibility among Michigan's utilities and alternative suppliers for providing long-term planning reserves and associated cost allocation issues, the commission said.

Utilities say these are trying times for fleet planning, due to the Environmental Protection Agency's Mercury and Air Toxics Standards (MATS), which take effect this year, and its proposed carbon emission rule.

"We're expecting the retirements of about 60% of the state's coal-fired plants in the next 10 to 15 years," DTE spokesman Scott Simons said. "With the shortfall, we're planning capacity without that 10%" of customers who buy from alternative suppliers.

Consumers Energy said it supports Nesbitt's proposal to return to a fully regulated environment.

"The evidence and historical record is clear that customers benefit the most from the fairness, stability, affordability and investment provided by full state regulation," the company said in a statement.



Gov. Rick Snyder's proposed energy plan. (Source: Snyder)

Less Choice, Higher Prices

Energy Choice Now, a group pushing for additional deregulation, expressed its appreciation for Snyder's stance but would have liked the governor to expand customer choice further. "Since 2008, Michigan lawmakers have imposed a system of winners and losers in this state, with 90% of us being the losers," Executive Director Wayne Kuipers said in a statement shortly after Snyder rolled out his proposal.

Michigan once had "a very successful electricity choice program," Theodore Bolema, senior policy editor at the Mercatus Center

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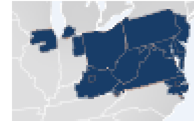

Monitor: Winter Prices Boosted PJM Billings in 2014, Raise Withholding Concerns

By Rich Heidorn Jr.

PJM's markets were generally competitive in 2014, but last winter's cold resulted in a 37% increase in LMPs and raised concerns about economic withholding, the Independent Market Monitor said in its annual State of the Market report, released Thursday.

Market Monitor Joe Bowring said weather-related demand and higher fuel costs in the first quarter boosted energy prices for 2014 despite lower prices the rest of the year.

Real-time LMPs rose from $38.66/MWh in 2013 to $53.14/MWh last year. Congestion costs increased by $1.2 billion (186%), and uplift jumped 11% to a record $965 million.

As a result, total billings increased by 62% to a record $50 billion, beating the previous record of $35.6 billion set in 2011.

The Monitor said the results show energy prices were generally competitive, meaning they were set by generators offering at, or close to, their marginal costs. The exception was the high demand hours in January 2014, when the behavior of some participants raised concerns about "economic withholding."

"In particular, there are issues related to the ability to increase markups substantially in tight market conditions, to the uncertainties about the pricing and availability of natural gas, and to the lack of adequate incentives for unit owners to take all necessary actions to acquire fuel and generate power rather than take an outage," the report said. "One of the symptoms of these issues was an unprecedented increase in uplift charges in January."

The adjusted markup component of LMP doubled from $1.16/MWh (3%) to $3.32/MWh (6.2%).

"There are currently no market power mitigation rules in place that limit the ability to exercise market power when aggregate market conditions are extremely tight," the Monitor said. "If market-based offer caps are raised, aggregate market power mitigation rules need to be developed."

The report includes 11 new recommendations (see table). Only four of the Monitor's 83 previous recommendations between 2009 and 2014 have been adopted in full, with another seven adopted in part. The remainder (87%) have not been acted on.

Category	Recommendation
Energy Market	Permit generators to submit cost based offers above $1,000/MWh if consistent with Cost Development Guidelines, excluding 10% adder.
Energy Uplift	Do not use closed loop interface prices to set zonal prices to accommodate inferior DR product or to accommodate reactive issues in the LMP model.
Energy Uplift	Study closed loop interface issues to ensure the results are consistent with energy market fundamentals, and provide advanced notification to markets before implementing closed loop interfaces.
Energy Uplift	Calculate LOC paid to CTs and diesels scheduled in DA but not committed in RT based on segments of hours, not hourly.
Energy Uplift	Calculate LOC credits based on segments of hours for CTs and diesels scheduled in DA but not run in RT.
Energy Uplift	Allocate energy uplift payments (other than voltage/reactive or black start) to units scheduled as must run in DA as a reliability charge to RT load, exports, and wheels.
Demand Response	Customers should be able to avoid capacity and energy charges by not using capacity and energy at their discretion and, customer payments should be determined only by metered load.
Interchange Transactions	Remove the incentive to engage in sham scheduling activities using the PJM/IMO interface price.
Interchange Transactions	Cap marginal loss surplus allocations so marginal loss surplus credits cannot exceed transmission system fixed cost contributions.
Planning	Establish terms of access to rights of way and property to encourage competition between incumbents and competitor transmission providers.
Planning	Impose stricter rules about rescheduling outages, and re-evaluate the on-time status of transmission outage tickets.

New recommendations in 2014 State of the Market report. (Source: Monitoring Analytics LLC)

Generator Revenues

Thanks to the high prices last winter, average net revenues — a measure of the incentive to invest in new generation — rose sharply for many generators, with an increase of 74% for combustion turbines, 30% percent for combined-cycle plants, 113% for coal, 43% for nuclear, 24% for wind and 7% for solar.

"The impact of a relatively short period of high loads on net revenues illustrates how scarcity pricing can work to address the missing money issue in wholesale power markets," the report said.

A new combined-cycle plant would have been profitable in 12 of 19 zones in 2014, while a new CT would have been profitable in 10 eastern zones. Despite the increases, however, new coal and nuclear plants would not have been profitable anywhere in PJM last year.

"Coal is still not remotely close to a signal to invest," Bowring said during a press briefing last week.

The report identified 22 generators totaling almost 7,000 MW as at risk of retirement, 70% of the capacity from coal units with an average age of 46 years. One-quarter of the at-risk capacity are oil- or gas-fired steam units with an average vintage of 35 years.

Falling into this category were units that did not recover avoidable costs from total market revenues or did not clear the 2016/17 or 2017/18 Base Residual Auctions but cleared in previous capacity auctions.

This is in addition to almost 27,000 MW of retirements that occurred or are expected between 2011 and 2019.

Capacity Market

Bowring also continued his campaign against the inclusion of limited demand response in the capacity market. DR and the 2.5% "holdback" to demand reduced capacity revenues by $3.4 billion (31%), Bowring said.

Total payments for DR rose almost 44% to $676 million in 2014 thanks largely to a $195 million increase in capacity revenues.

The Monitor said DR should be used to offset demand rather than treated as supply.

"A successful redesign of the PJM capacity market to address its identified flaws is the most critical initiative currently being considered by PJM stakeholders," the report said. PJM's Capacity Performance proposal,

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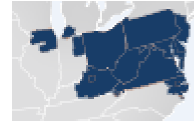
PJM NEWS



PJM: PSE&G's Remedy for Artificial Island Bid Process 'Draconian,' 'Self-Serving'

By Suzanne Herel

The Federal Energy Regulatory Commission should reject Public Service Electric and Gas' claim that PJM erred in its solicitation of a stability fix for Artificial Island, the RTO said in a March 11 filing (EL15-40).

Barring that, the commission should wait to rule on the matter until PJM has chosen a bidder for the project, which it expects to do "in a matter of months," it said.

If FERC does find merit in the complaint, PJM asked that it not adopt PSE&G's "draconian remedy" of reposting the project, which would require the RTO to "throw out two years of PJM work."

Artificial Island, home to the Salem and Hope Creek nuclear reactors, is the second largest nuclear complex in the country. Historically, special operating procedures have been employed to maintain stability in the area. However, according to PJM, those procedures have become increasingly difficult to implement while respecting the system's other operational limits.

PJM issued a solicitation for a stability fix — its first competitive transmission project under FERC Order 1000 — in April 2013.

PJM staff initially selected PSE&G as the winning bidder but reopened the process after being widely criticized for its choice by losing applicants and environmentalists.

PSE&G is one of four finalists for the job, along with Transource Energy, Dominion Resources and LS Power. In January, it lodged a complaint with FERC accusing PJM of breaking its own rules in refereeing the competition by allowing contenders to modify their proposals. (See *PSE&G: PJM Broke the Rules in Artificial Island Solicitation*.)

In its response last week, PJM said the Artificial Island solicitation process began months before the Order 1000 procedures were finalized.

"Because the Artificial Island solicitation commenced prior to the effective date of the Operating Agreement and Tariff provisions that establish PJM's new competitive solicitation Tariff, PJM was not bound to those provisions in conducting the solicitation," it said.

"Instead, PJM has been conducting the Artificial Island solicitation consistently with its commission-approved transition for implementing its Order No. 1000 process."

Salem nuclear plant (Source: PSEG Nuclear)

Even if the Order 1000 provisions were deemed to apply, PJM said, PSE&G "has not shown that PJM has acted inconsistently with its Order No. 1000 process and, similarly, has provided no basis for the drastic and self-serving remedy it seeks."

PJM also defended its right to combine aspects of various proposals, saying that if PSE&G's "interpretation of the Tariff were accepted, anytime that PJM cannot conclude that a picture-perfect project has been proposed that is the 'more efficient or cost-effective' solution, PJM must repost the violation and accept rebids or, if there is no time to repost and rebid, give a PJM-specified project to an incumbent."

Monitor: Winter Prices Boosted PJM Billings in 2014, Raise Withholding Concerns

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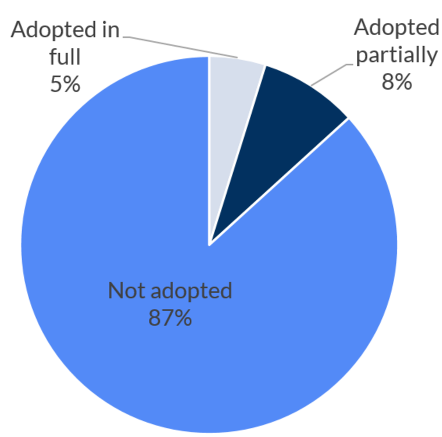
which would address some of the Monitor's concerns, is pending before the Federal Energy Regulatory Commission.

Auction Revenue Rights & Financial Transmission Rights

Auction revenue rights and financial transmission rights revenues offset almost 91% of total congestion costs in the day-ahead energy market and the balancing energy market for the first seven months of the 2014/15 planning period, nearing full funding "for the first time in quite some time," Bowring said.

The improvement resulted from a reduction in ARR allocations. "We don't think it should have been done that way," Bowring said. "And we think the underlying problems with FTR funding remain."



Outcome of previous State of the Market recommendations, 2009-2014
(Source: Monitoring Analytics LLC)

The report cites a market design that it said "incorporates widespread cross subsidies."

Uplift

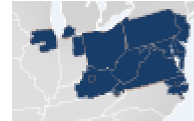
Uplift rose $96 million to almost $965 million, although uplift as a share of total billings fell to 1.9% from 2.6%. Balancing charges increased $407 million, partially offset by a $282 million reduction in reactive services.

The recipients of uplift payments remained "remarkably concentrated," Bowring said, with 10 units responsible for more than one-third of the total.

Bowring repeated his call for a change in confidentiality rules that would allow him to identify the units so that competitors could propose new generation or transmission to address the need for the out-of-market payments.

The lack of transparency "means there's no competitive pressure on them," Bowring said. "It's not possible to compete that away."

PJM NEWS



PJM Market Implementation Committee Briefs

PJM Delays Action on Generator Notification, Start-Up Times

VALLEY FORGE, Pa. — PJM will delay action on manual changes on generator notification and start-up times until the Federal Energy Regulatory Commission rules on the RTO's Capacity Performance proposal (ER15-623, EL15-29).

The issue stems from a four-year-old problem statement drafted to address reliability and market implications of de-staffing little-used generator units during the spring and fall shoulder months. At the time, some manual changes were endorsed, but others were overlooked, and the issue was mistakenly closed.

Chantal Hendrzak, PJM general manager of applied solutions, told the Market Implementation Committee on Wednesday that many stakeholders had provided feedback since the issue was resurrected in February. (See *Members Dispute PJM, IMM on Unfinished Changes to Notification, Start-Up Times*.)

Some wanted to re-open the issue because they had not been involved in the original talks; others questioned whether years-old solutions were still appropriate.

"A lot's changed … and we've got this thing called [Capacity Performance] coming that talks specifically to this," she said. "Let's get that feedback first and then decide how best to handle the remaining scope."

PJM asked FERC to rule on the Capacity Performance proposal by April 1.

CTS on Track Despite PJM-MISO Interface Pricing Dispute

The dispute between MISO and PJM over interface pricing is not expected to derail the Coordinated Transaction Scheduling product intended to reduce uneconomic power flows between the RTOs, PJM officials told the MIC. In presenting the interregional coordination update, Stan Williams told the committee that MISO believes its Independent Market Monitor's pricing proposal is superior to PJM's. (See *Patton Asks FERC to Set Deadline on PJM-MISO Interface Pricing Dispute*.)

Meanwhile, PJM believes that proposal "will misrepresent the impact of interchange on internal PJM constraints," he said. PJM staff also believes the impact of the modeling issue has been "significantly overstated," Williams said.

Regardless, the RTOs plan a joint FERC filing outlining the CTS proposal in May, with hopes of launching it by November 2016.

PJM Drafting Proposal on External Capacity Transfer Rights

PJM staff will draft a detailed proposal for allocating capacity transfer rights to historical external resources and present it to stakeholders in April, MIC members were told Wednesday.

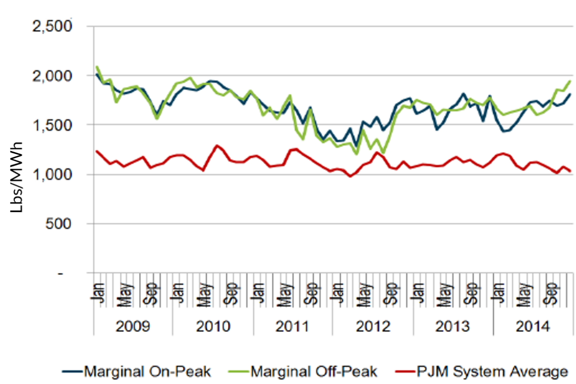
In December, PJM stakeholders agreed to review modeling practices that the RTO said might be shortchanging loads with transmission agreements that pre-date the RTO's capacity market. (See *PJM MIC OKs Capacity Transfer Rights Inquiry*.)

The issue involves only a few players, said Stu Bresler, vice president of market operations, who presented the MIC with a "conceptual" proposal. Among them is the Illinois Municipal Electric Agency, which uses capacity resources outside of the Commonwealth Edison locational deliverability area to meet its internal resource requirements.

CO_2 Emission Rates Steady

Despite retirements of numerous coal-fired generators, PJM has reduced its carbon emissions only modestly in the last five years.

Between 2009 and 2014, PJM's system average emissions dropped 3% to 1,108 lb/MWh. Marginal on-peak units saw a bigger, 10% drop to 1,646 lb/MWh while off-peak dropped 7% to 1,707 lb/MWh.



PJM emission rates 2009-2014 (Source: PJM)

The Environmental Protection Agency's proposed Clean Power Plan would require an overall 30% reduction in power plant carbon dioxide emissions from 2005 levels by 2030.

The burdens will fall unevenly on PJM states, with Kentucky, West Virginia and Indiana — the top-ranked PJM states in 2012 carbon emissions per megawatt-hour — having to cut their emissions by only 20%, while New Jersey, already the least carbon-intensive state in the RTO, having to cut its emissions the most in percentage terms (43%).

PJM's 2014 system-wide average puts it well above EPA's proposed targets for New Jersey and four other states but below the targets for eight states. (See *Carbon Rule Falls Unevenly on PJM States*.)

PJM Releases More Details on Carbon Plan Impact Study

PJM this month released more details on its scenario analyses of the Clean Power Plan with a 129-page study of the economic impacts of adhering to the new carbon rule. The RTO released preliminary results of the study, which was requested by the Organization of PJM States (OPSI), in November.

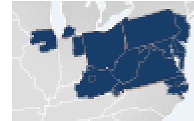
The study concludes that individual state compliance would be more costly than a regional approach and would increase the capacity at risk for retirement. PJM expanded on the key findings with an appendix providing state-by-state impact.

PJM will use the results of the economic analysis as the foundation for reliability analyses to determine transmission needs resulting from potential generator retirements. (See related item in *PJM TEAC Briefs*, p.9.)

(Prior coverage *PJM: Regional Approach the Cheapest Way to Comply with EPA Carbon Rule; PJM: EE, Renewables Could Save Some Coal Plants under Carbon Rule*.)

— Suzanne Herel

PJM NEWS



PJM Operating Committee Briefs

Generators Performed During New Winter Peak

VALLEY FORGE, Pa. — PJM generators performed much better during this winter's cold than a year ago, with forced outage rates limited to 12.3% on Feb. 20, when PJM set a new record winter peak load of 143,826 MW. About 22,800 MW of generation was unavailable due to forced outages.

The new record topped the peak of 142,863 MW set on Jan. 7, 2014, when PJM saw a forced outage rate of 22% (38,000 MW). (See *Cold Sends PJM to New Winter Record*.)

Compared with last year, this winter saw some areas with colder temperatures, and they extended farther south, dispatch manager Chris Pilong told the Operating Committee last week.

About 22% of the outages Feb. 20 were due to gas issues. PJM lost 17,500 MW to forced outages the night before the record was set, of which one-third were gas-related.

No emergency procedures were required, and no demand response was dispatched, during the cold snap. There were no major transmission constraints.

SynchroPhasor Error Rates Greatly Improved

SynchroPhasor error rates have been trending downward in the past few months. In January, five of the 12 companies met the 0.2% error goal, and four others were below 1%.

The phasor measurement unit (PMU) technology is not currently considered a "critical" cyber asset but could become so in about a year. Critical assets are defined as those whose failure would, within 15 minutes, adversely impact systems in a way that would affect the reliable operation of the bulk electric system.

PJM expects the technology to become critical once it is used in solutions by the state estimator or becomes crucial to interconnection reliability operating limit (IROL) determinations.

Emergency Tool Refresh Underway

A revamped emergency procedures tool, which has been in testing since Feb. 19, is expected to go live March 30. Phase 2 enhancements are expected to be rolled out in June.

Fuel Type Posting Rule Takes Effect April 1

Generation operators will be required to enter fields for energy fuel type (and sub type) and start-up fuel (and sub type) in eMKT beginning April 1. Offers lacking the information will be rejected.

The rule change follows the Feb. 23 introduction of new functionality allowing generators to make intraday cost schedule changes in eMKT. The manual process for such changes is no longer being used.

— Suzanne Herel

PJM Transmission Expansion Advisory Committee Briefs

Long-Term Proposal Window Draws 118 Submissions

VALLEY FORGE, Pa. — PJM received 118 transmission proposals during the competitive window that closed in February, including 92 market efficiency projects and 26 to address reliability problems.

Nineteen transmission owners and non-incumbent developers submitted proposals, led by ITC Holdings, FirstEnergy, Commonwealth Edison and American Electric Power with at least 10 each.

The market efficiency proposals are intended to relieve congestion in 12 locations, nearly half of the proposals targeting the AP SOUTH and AEP-DOM regional facilities. In addition to 34 transmission owner upgrades ranging from $100,000 to $81 million, there were 58 greenfield proposals projected to cost from $9 million to $433 million. (See *PJM TEAC IDs 20 Market Efficiency Candidates*.)

PJM's Tim Horger suggested that the Federal Energy Regulatory Commission's ruling last month rejecting the RTO's proposed $30,000 fee on greenfield proposals was a factor in the unexpectedly high number of market efficiency proposals. (See *FERC Rejects Fee on Greenfield Transmission Projects*.)

Initial analysis of the proposals will require more than 15,000 hours of computing time, assuming 160 hours of base runs for each proposal, Horger told members of the Transmission Expansion Advisory Committee on Thursday. Sensitivity analyses on projects that pass the initial screening will require additional time.

"This will be a challenge, at the least," Horger said. "I'm confident our guys will get it done."

Particularly demanding will be the projects proposed for AP SOUTH, he said, as they can impact other interfaces. Those proposals likely will take until the end of the year to review.

The reliability proposals consist of 15 transmission owner upgrades with a cost range of $300,000 to $62 million and 11 greenfield projects estimated from $18 million to $101 million.

PJM Studying Tx Upgrades Needed Under EPA Carbon Rule

PJM is conducting studies to determine transmission upgrades that may be needed to respond to plant retirements resulting from the Environmental Protection Agency's proposed carbon emission rule.

Preliminary results of a scenario assuming 16 GW of at-risk generation identified voltage and thermal violations. The plant retirements were assumed to be evenly distributed between 2020 and 2029.

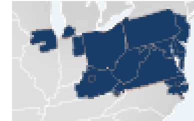
The voltage issues affected the PJM West, Southwest MAAC and Dominion locational deliverability areas (LDAs).

Thermal violations prevented five LDAs from importing their capacity emergency transfer objective (CETO) values in the load deliverability test. The generation deliverability test found multiple 230-kV violations, mostly in Southwest MAAC.

Planners will continue the analysis with scenarios assuming 6 GW and 32 GW of generation at risk.

— Suzanne Herel

PJM NEWS



PJM Planning Committee Briefs

Members Endorse Change to Demand Response Modeling

VALLEY FORGE, Pa. — Demand response forecasts used in PJM planning studies will drop in all but two of 22 transmission zones under a methodology change endorsed by the Planning Committee last week.

According to a PJM analysis, 10 zones will see drops of 25% or more for delivery year 2020, with the Dayton Power and Light (DAY) and Duquesne Light (DQE) zones falling by almost half (see table). RTO-wide, forecast DR for delivery year 2020 would drop by one-quarter to 8,200 MW from 11,100 MW.

The current load deliverability analysis uses the amount of DR that has cleared in the last base residual auction to project DR available five years in the future. But PJM officials say that a significant amount of DR that clears the auction is replaced by other resources before the delivery year arrives. In the 2014/15 year, 46.5% of the DR assumed to be available had been replaced by non-DR resources. (See *Change Proposed in PJM Demand Response Modeling*.)

The new method will base future forecasts on an average of the final amount of committed DR for the most recent three years. The average would be expressed as a percentage of the zone's 50/50 summer peak forecast for application to future years' demand.

"All that matters in this method is what has historically committed, not what has cleared in any particular auction," said Tom Falin, PJM manager of resource planning.

If approved by the Markets and Reliability Committee this month, PJM will begin using the new methodology in the 2015 Regional Transmission Expansion Plan.

Falin said the new method is unlikely to have much practical impact, at least in the short term.

A reduction in forecast DR will increase the assumed load of locational deliverability areas (LDAs), resulting in an equivalent increase in the LDA's capacity emergency transfer objective (CETO) — the amount of power it must be able to import during a localized capacity emergency while remaining within a loss-of-load expectation of one event in 25 years.

Planners compare the CETO level with the LDA's capacity emergency transfer limit (CETL), the maximum amount of power the transmission system can deliver into the LDA.

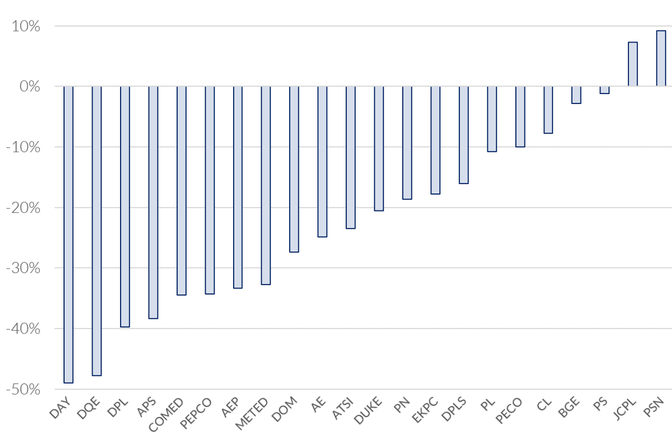
For the May 2015 capacity auction, all LDAs have CETO/CETL margins in excess of 115%, large enough that the DR forecast changes are unlikely to impact the areas' reliability requirements.

"We seem to have very healthy CETO/CETL margins," Falin said. "The practical impact of this change may not be all that great."

Change Would Shift Baseline Upgrades to Network Customers

PJM wants to change how it studies long-term firm transmission service requests to ensure individual requesters share in the cost of transmission upgrades required to serve them.

PJM's Aaron Berner told the Planning Committee on Thursday that the "pancaking" of individual requests sometimes results in a need for reinforcement projects but that the current study process results in the cost of such improvements being assessed broadly on load customers and transmission owners through baseline upgrades rather than on individual requesters through network upgrades.



Demand response forecasts for 2020. (% change under revised methodology) (Source: PJM)

Berner outlined a proposed problem statement that will be brought to a vote at next month's committee meeting.

Changes Proposed for Light-Load, Wind Modeling

PJM planners are considering lowering the light-load modeling assumption from 50% to 35% of the summer peak based on an analysis that showed a significant number of hours of lower load.

PJM's light-load period is 1 a.m. to 5 a.m. from Nov. 1 through April 30 of each planning year. Planners said their analysis of three years of data found loads in the MAAC, ComEd and Dominion zones are only 35% of peak load during a significant number of hours.

At the same time, planners are considering increasing the maximum wind ramping from 80% to 100%, which is consistent with the modeling in its neighbor MISO. Five transmission owner zones — AEP, APS, COMED, PENELEC and PL — contain wind generation. Between 2001 and 2014, average maximum wind capacity for the five zones was 92.5%.

PJM will conduct sensitivity analyses on the proposed changes and report back to the Planning Committee. (See *Light-Load Study: Generation Up, Load Down*.)

PJM Seeks to Revise Definitions in Merchant Network Upgrades

PJM will seek to revise three definitions in the Tariff that it says are making it difficult to properly process requests for merchant network upgrades. Under a problem statement endorsed by the PC, PJM would consider changes to the definitions of "Upgrade Request," "Customer-Funded Upgrade" and "Merchant Network Upgrades."

Planners said the current definitions have sometimes resulted in higher-priority interconnection projects negating a merchant network upgrade request.

— Suzanne Herel

PJM NEWS

In case you missed it ...

(Originally published March 5)

Exelon ups Merger Offer in Maryland as AG Calls for Rejection

By Suzanne Herel

Maryland Attorney General Brian Frosh called on state regulators to reject Exelon's acquisition of Pepco Holdings Inc., while the companies more than doubled their offer of ratepayer incentives.


Frosh

Frosh told the Public Service Commission the $6.8 billion deal was unlikely to improve reliability and would harm competition.

"Post-merger, Exelon will control service to 80% of the state's ratepayers," Frosh said. "Internal documents show that Exelon plans to operate its distribution utilities to protect the company's massive, multi-billion dollar investment in unregulated generation (including its economically challenged nuclear plants) by seeking to control the pace of distributed energy resource penetration in retail service territories."

Frosh said the deal would only benefit the companies' shareholders and executives, not ratepayers.

At the same time, the Coalition for Utility Reform and the city of Gaithersburg asked the PSC to require Exelon to up its commitment to renewable energy, energy efficiency and distributed generation. The March 3 filing was made by the coalition's counsel, energy attorney and Montgomery County Councilmember Roger Berliner, a long-time Pepco critic.

"If the commission chooses to allow one energy company to control 85% of the Maryland market, a company hostile to renewables, distributed energy and energy efficiency among other things, then the commission must insist on a precondition that the merged entity adopt the very best practices in the Pepco service territory as a 'pilot' for the rest of the state, practices that simultaneously address the threat to the public interest and are, at the same time, generally recognized as the cornerstone of utilities of the future," the coalition said.

Increased Rate Credits

Exelon outlined its new offer in a filing Tuesday with the PSC.

With Pepco's agreement, Exelon boosted a reserve that will pay for benefits such as rate credits, energy efficiency and help for low-income customers from $40 million to $94.4 million.

The use of the fund would be at the discretion of the PSC, whose staff had recommended $167 million in credits. Maryland's consumer advocate, the Office of People's Counsel, has urged the PSC to turn down the original deal, calling the benefits Exelon offered "either non-existent or woefully deficient."

Exelon also increased its commitment to reliability, saying performance will be measured on an annual basis beginning next year instead of by a three-year average from 2018 to 2020.

Exelon also said it will offer a one-time amnesty for qualifying low-income families, eliminating unpaid bills that are more than three years past due.

The acquisition would combine Exelon's electric and gas utilities — Baltimore Gas and Electric, Commonwealth Edison and PECO — with PHI's Atlantic City Electric, Delmarva Power & Light and PEPCO.

In addition to Maryland, the merger must be approved by regulators in D.C. and Delaware. (See *DC Consumer Advocate Seeks Delay in Exelon-Pepco Proceedings*.)

The staff of the Delaware PSC has approved the transaction, as has the New Jersey Board of Public Utilities, the Federal Energy Regulatory Commission and the Virginia State Corporation Commission.

Exelon hopes to close the deal in the second or third quarter of this year.

Environmentalists Say Most Marylanders Against Merger

The Chesapeake Climate Action Network (CCAN) last week released the results of a poll it commissioned that shows 61% of Marylanders share the group's opposition to Exelon's acquisition of Pepco Holdings Inc.

The telephone poll, conducted by Annapolis-based research firm OpinionWorks, sampled 594 randomly selected registered Maryland voters from Feb. 26 through March 8. It shows only 22% expressing approval, with 17% unsure. It has a margin of error of ± 4%, according to OpinionWorks.

Opposition was strongest in Baltimore City, where 73% opposed the merger. CCAN noted that Baltimore ratepayers have seen four rate hikes in the three years since Exelon acquired Baltimore Gas and Electric.

The pollsters prefaced the question with a statement noting that the Maryland Energy Administration "is opposed to the merger, saying it would create a large monopoly that would be costly for consumers."

"We now know that this merger is not only a bad deal for Marylanders, but a highly unpopular one as well," CCAN Director Mike Tidwell said in a statement. "... This deal would harm ratepayers and harm our future ability to generate local, renewable energy."

On March 3, CCAN and the Sierra Club filed a joint brief with the Maryland Public Service Commission opposing the merger.

Exelon spokesman Paul Elsberg called the poll "fundamentally flawed."

"The poll was conducted for a group that opposes the merger, not for an unbiased organization. Many of the respondents are not even customers of BGE or Pepco Holdings utilities," he said. "Testimony provided at community hearings and directly to the PSC shows that there is broad support for the merger in the community."

— Ted Caddell

18th Annual Transmission Summit

Developers Lament Lack of Tx Competition, Interregional Projects under Order 1000

'Back to the Drawing Board'

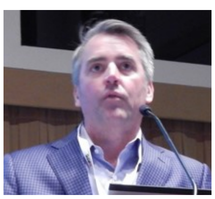
By Rich Heidorn Jr. and Michael Brooks

From left to right: Paul McGlynn, PJM; Jarred Miland, MISO; Ben Bright, SPP; and Carl Patka, NYISO.

WASHINGTON — The Federal Energy Regulatory Commission needs to do more to ensure Order 1000 opens transmission development to competition and results in interregional projects, developers said last week.

"FERC needs to go back to the drawing board," Kristine Schmidt, vice president of regulated development for ITC Holdings, told Infocast's 18th annual Transmission Summit, which drew more than 80 industry officials over three days. (Presentations from the conference are available here.)

Schmidt, a one-time aide to former FERC Commissioner Nora Mead Brownell, said Order 1000's intent has been "watered down" since former Chairman Jon Wellinghoff left the commission in 2013, as a result of compromises to accommodate regional differences and "carve outs" on the original order's prohibition against transmission owners' rights of first refusal (ROFRs).



Satterfield

Schmidt said that while competition may eventually take hold as it did for independent power producers under FERC Orders 888 and 890, "we're far away from that" now.

Randy Satterfield, executive vice president for Duke-American Transmission Co., agreed. "ROFR laws are in the way," he said. "That has to be taken care of through FERC or the courts."

Last May, FERC ruled that transmission planners may exclude consideration of non-incumbent proposals on projects subject to state ROFRs. FERC had previously required transmission providers to remove from commission-approved tariffs and agreements ROFRs giving incumbent utilities preferences to build transmission facilities selected in the regional transmission plan.

The commission ruled 3-1 that its previous position would require planners to evaluate non-incumbent proposals that had no chance of getting built because of state rules assigning them to incumbent utilities. (See *Order 1000 Reversal: Reality Check or Surrender to Incumbents?*)

'Evolution' in the RTOs

Satterfield said "the process is still evolving," noting that while PJM has opened several "windows" for competitive proposals, SPP hasn't identified any projects for competition and MISO has said it doesn't expect to open any windows before 2016 at the earliest.

"So we're being held back in that the opportunities in some of the RTOs are not yet there," he said. He said that his company is "doing a fair amount of work in California," which he said is "leading the pack."

Kristine Schmidt, ITC Holdings; Todd Fridley, Transource Energy

Although FERC has approved RTOs' Order 1000 regional planning and cost allocation rules, "there's still things that need to be buttoned up and tightened down" to ensure fair competitive processes, said Todd Fridley, vice president of Transource Energy. "We in the industry understand there will be growing pains as the market emerges."

Schmidt said SPP made a wise decision in appointing an independent panel to judge competitive proposals and not leaving it to RTO planning staff, as in PJM. The panel's recommendation would be submitted to SPP's board of directors for review and approval.

"The RTOs were never formed to be the ones to choose winners and losers," she said, adding, "RTOs have a long way to go to prove they have the discipline to evaluate proposals."

Artificial Island

PJM's April 2013 solicitation for a fix for stability problems at Artificial Island has proven a cautionary tale.

RTO planners recommended the selection of Public Service Electric and Gas last June. But objections by environmentalists and disappointed bidders led the PJM board to reopen the competition to four finalists. With the process still incomplete, PSE&G is now fighting PJM before FERC. (See related story, *PJM: PSE&G's Remedy for Artificial Island Bid Process 'Draconian,' 'Self-Serving'*, p.7.)

"It's not ideal. This is PJM's first attempt at this," said R. Mihai Cosman, a principal in Exelon's corporate transmission development unit. "They're trying to do the right thing. We in the future will have some sort of a standard process."

Robert Daileder, a partner in law firm Nixon Peabody, said the unwieldy solicitation in-

Continued on page 13

Developers Lament Lack of Tx Competition, Interregional Projects under Order 1000

'Back to the Drawing Board'

Continued from page 12

creased costs for competitors. "At the end of the day, the [winner] will probably be the best project … but the process may be much more expensive than anybody anticipated because of the changing goalposts," he said.

"I think PJM has learned that maybe they didn't scope it tightly enough," said James Nicholas, who specializes in siting and licensing for CH2M Hill, an environmental and engineering consulting firm.

Interregional Projects

Developers also criticized the lack of interregional projects under Order 1000. The order requires transmission providers only to "consider" whether the needs identified in their local and regional transmission plans could be addressed most cost-effectively through joint projects with a neighboring region.

Satterfield said another obstacle to interregional projects is the disparities in competitive processes and cost allocation between regions.

Thumm

"There can be great projects that cross seams and right now there is not a way to ensure those projects can proceed," he said. "That's got to get fixed."

Schmidt said SPP's northern expansion to Canada means its seam with MISO is growing. "It's costing us a lot of money not having these projects on the table," she said.

"Order 1000 did no favors to interregional planning. In fact, it's not interregional planning, it's interregional coordination," said George Dawe, vice president of Duke-American Transmission Co.

"The RTOs, frankly, are doing what they've been required to do," which is sharing information. He said the RTOs are conducting "quick-hit" studies that are not resulting in actionable projects.

Diana Rivera, director of market development and regulatory affairs for Clean Line Energy Partners, said interregional coordination is only occurring between neighboring regions, with much of the focus on seams issues. "Transmission needs that are broader in scope, like how do we move renewables to market, are not being addressed by interregional planning or cost allocation processes," she said.

Brian Thumm, director of planning for ITC Holdings, compared Order 1000 to Aesop's fable "The Monkeys and Their Mother," in which the mother accidentally smothers one of her sons due to overly nurturing it.

The moral of the story is "The best intentions will not always ensure success."

"I can think of no greater paradigm for what I've seen in the planning processes than to say that the best intentions of the industry have not guaranteed success in anything that we've done with respect to Order 1000," Thumm said.

FERC Cracks Down on Protesters

By Michael Brooks

The Federal Energy Regulatory Commission said last week it will no longer allow protesters to read statements before its open meetings.

Borrowing language from the Federal Communications Commission, FERC issued an order modifying the Code of Federal Regulations "to clarify that the term 'observe' does not include disruptive behavior."

Over the past year, FERC has been the target of environmental activists over its approval of natural gas pipelines and export terminals. At the commission's January open meeting, protesters continually interrupted Chairman Cheryl LaFleur as she tried to begin proceedings, leading her to adjourn the meeting while security cleared the floor. (See *Protesters Interrupt FERC Open Meeting*.) Protesters were also escorted out after disrupting a FERC technical conference on proposed carbon emission rules in February.

Protesters were ejected after disrupting a FERC technical conference on the Clean Power Plan in February. (Source: PopularResistance.org)

While LaFleur has previously allowed protesters to read statements before she begins open meetings, the new order makes it clear that this will no longer be tolerated. According to the order, "communications made or presented by unscheduled presenters will not be considered by the commission."

One protester, Ted Glick, said FERC should have public comment periods at open meetings.

FERC is in "drastic need for some doses of reality to the impact of their decisions," said Glick, national campaign coordinator at the Chesapeake Climate Action Network. "We think the commissioners really need to hear from the public." He said he did not think the order expressly prohibited unscheduled speakers.

Beyond Extreme Energy, the organization that coordinated the January meeting interruptions, said it is hoping to attract more than 500 demonstrators to protests at FERC in May.

FERC also amended its rules concerning recording open meetings to allow photography, which was previously prohibited. FERC said it recognizes that its "existing regulations concerning recording open meetings are unduly complex and out of date." It said it was adopting language used by the Consumer Product Safety Commission, which allows members of the public to record meetings as long as they remain seated.

ISO-NE NEWS

Fuel-Burn Allegation Meant to Force Settlement of Unrelated Cases, Maxim Says

By William Opalka

Maxim Power says market manipulation allegations by the Federal Energy Regulatory Commission are an attempt to gain leverage for a settlement of charges from subsequent, unrelated cases.

In a 57-page response to FERC's Order to Show Cause, the Canadian-based generation owner said allegations that it overcharged ISO-NE in 2010 were revived only after later disputes were unresolved (IN15-4).

FERC issued the order last month, accusing the company of billing the RTO for more expensive oil at its 181-MW plant in Pittsfield, Mass., while actually burning cheaper natural gas. The order, on which Commissioner Tony Clark dissented, seeks a $5 million fine. (See *FERC Seeks $5M from Maxim Power; Clark Dissents*.)

The company said it offered its Pittsfield plant into the day-ahead market on oil due to pipeline restrictions that indicated it would not be able to obtain enough gas if ISO-NE ordered it to run for 24 hours.

When asked by ISO-NE's Internal Market Monitor, Maxim said it later acknowledged having burned gas. It said the IMM recovered $3 million over the incident but declined to forward the case to FERC for investigation though it was "certainly cognizant of its Tariff obligation to refer manipulative conduct to [Office of Enforcement] staff."

Pittsfield plant (Source: Maxim Power)

"This was no fraud, but … a simple hedge against the possible financial exposure associated with a receipt of a day-ahead award," Maxim said.

In 2013, however, Maxim said FERC Enforcement staff began an unrelated investigation. "In what certainly looks like an effort to gain leverage in that investigation, OE staff decided to resurrect the 2010 fuel-burn issue," the company wrote. "Then, in late 2014, when Maxim declined to enter into a tolling agreement, OE staff decided to pursue the 2010 issue separately and on a fast track."

These are apparent references to allegations contained in the Office of Enforcement's Notice of Alleged Violations issued in November, which accused Maxim of collecting "millions of dollars of inflated make-whole payments" from ISO-NE between 2012 and 2013 by gaming market mitigation rules for generators needed for reliability. The notice did not elaborate on how this was allegedly done.

The November notice also alleged that Maxim collected inflated capacity payments between 2010 and 2013 by using "extraordinary measures" to boost the output of its three New England plants during testing.

February's Order to Show Cause did not mention either of these allegations.

Maxim called on the commission to terminate the case, saying that if it proceeds, "OE staff will have to present its case before a neutral federal district court judge based on a novel theory, old incomplete facts and an alleged 'omission' that allegedly left the wrong 'impression' even though Maxim had no duty to disclose what was allegedly omitted and did not hesitate to provide such information when asked! And it will have to explain why the mitigation imposed over four years ago was insufficient."

In addition to the Pittsfield plant, Maxim operates two other plants in ISO-NE: CDECCA, a 62-MW cogeneration plant in Hartford, Conn., and Pawtucket Power, a 63.5-MW cogeneration plant in Pawtucket, R.I.

Hydro-Quebec Seeks to Increase Exports to Northeast

By William Opalka

CROMWELL, Conn. — Hydro-Quebec is looking to expand its exports to its long-standing customers in the Northeast power markets, Marianne Bonnard, spokeswoman for the Quebec Government Office in Boston, told the winter meeting of the Connecticut Power and Energy Society on Wednesday.

From 2008 to 2013, the provincial utility doubled its net exports of hydroelectricity. "In 2013, out of 32.2 TWh of electricity exported out of Quebec, HQUS [HQ Energy Services U.S.] delivered 15.7 TWh of power here to New England. This is a figure which represents about half of Connecticut's annual electricity consumption," Bonnard pointed out.

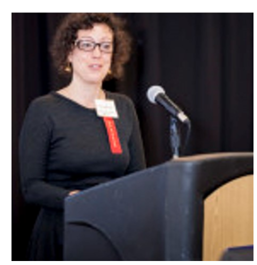
Increasing exports further will require more transmission.

HQ is a partner with Eversource Energy on the proposed 1,200-MW Northern Pass transmission line from Quebec to New Hampshire.

In addition, the proposed Champlain Hudson Power Express, a 1,000-MW merchant transmission line, would connect Quebec with New York City. The line would run underneath Lake Champlain for part of its 330-mile route.

Bonnard noted that New England and the Eastern Canadian provinces share climate goals, with a common target of reducing emissions by 10% below 1990 levels by 2020.

The province is already one of the most active governments on the continent in a nascent carbon market. Quebec began a cap-and-trade system for CO_2 emissions linked to California at the beginning of 2014. "This is the first market ever to be run by sub-national governments of different countries," she said.



Marianne Bonnard, director of public affairs, Quebec Government Office in Boston. (Source: Connecticut Power & Energy Society)

The first joint carbon auction in November delivered $33 million for initiatives in the province's Climate Change Action Plan. The second joint auction, Feb. 18, produced more than $190 million for Quebec.

ISO-NE NEWS

Eversource to Sell New Hampshire Plants

By William Opalka

Eversource Energy will sell its New Hampshire power plants to satisfy regulators' divestiture demands and resolve a long-standing dispute over how much it should recover from ratepayers for pollution controls on its largest coal-fired generator.

Under an agreement announced Thursday, Eversource's subsidiary, formerly "Public Service of New Hampshire," will seek to sell three fossil fuel plants and nine hydroelectric stations, exiting the power generation market in the state. Eversource said it will join the state's other utilities in purchasing energy on the open market.

Legislation enacted last year directed the state Public Utilities Commission to investigate ways to expedite the company's sale of its electric generation as a means to develop energy markets and save consumers money.

An April report by the PUC said that the plants had a book value of $660 million but could only expect to bring in $225 million in any sale.

Eversource and state negotiators said the agreement will save consumers $300 million over the next five years due to securitization of those stranded costs. Realizing the savings will require legislation approving low-cost bond financing.

The settlement also resolves the long-standing issue over pollution upgrades made to the 439-MW Merrimack Station in Bow. Eversource agreed to forgo recovery of $25 million of the $422 million it spent on a scrubber on the 55-year-old generator.

The PUC in 2011 authorized a temporary charge of $0.98/kWh while the case remained on its docket, but the charge was insufficient to cover the entire cost of the scrubber. The PUC late last year was prepared to enter an order determining how the costs would finally be split when legislators and the company requested a delay to continue negotiations. The PUC agreed to the delay but denied a PSNH request to stay the divestiture proceeding.

"This agreement represents an opportunity to create real savings for PSNH customers, avoids protracted litigation with uncertain outcomes for all parties and moves the operation of PSNH generating plants to competitive markets rather than remaining an ongoing ratepayer obligation," said Senate Majority Leader Jeb Bradley, who led the negotiations with the company.

In addition to Merrimack, the sale includes the 400-MW oil-gas Newington Station, built in 1974, and the 63-year-old 150-MW Schiller Station in Portsmouth, which burns coal, oil and biomass. The nine hydroelectric plants total 69 MW.

The agreement also includes a freeze on distribution rates through July 2017, and requires the plant buyers to honor current collective bargaining agreements and to keep the plants in operation for 18 months.

The agreement also calls for three years of property tax stabilization payments if a plant sells for less than its assessed value.

Eversource shareholders will also provide $5 million to capitalize a clean energy fund, which will target investments in energy efficiency and distributed generation projects.

The deal disappointed the New Hampshire Sierra Club, which sought the closure of Merrimack. Marc Brown, president of the New England Ratepayers Association, said he feared savings from the plants' sale would be short-lived and that prices will rise as the state becomes more reliant on natural gas-fired generation.

RGGI Auction Prices Rise 4%

Clearing prices for the latest Regional Greenhouse Gas Initiative CO_2 allowances auction rose 4%, continuing a recent upward trend while the number of bidders declined.

The 27th auction, held on Wednesday, showed a clearing price of $5.41/ton for the 15.3 million in allowances offered and sold. The auction netted more than $82 million, putting the total proceeds over the $2 billion mark for the nation's first cap-and-trade program, which has held quarterly auctions since late 2008.

Bids for the CO_2 allowances ranged from $2.05 to $12.50 per allowance. The ratio of bids to initial supply was 2.8, up from 2.5 in the December 2014 auction.

The auction proceeds will fund various programs, including energy efficiency, renewable energy, direct bill assistance and greenhouse gas abatement in the nine Northeastern and Mid-Atlantic states participating.

All of the allowances were purchased by compliance entities — electric generators of 25 MW or larger — and their corporate affiliates. Compliance entities and affiliates have purchased 78% of allowances over the history of the auctions.

Auction 26, which offered 18.2 million allowances, cleared at $5.21/ton, generating $95 million.

The 2015 RGGI cap is 88.7 million tons. The RGGI cap declines by 2.5% annually until 2020.

RGGI auction results. Note: Percentages indicate share of allowances won by compliance entities. (Source: RGGI)

A regulated power plant must hold CO_2 allowances equal to its emissions for each three-year control period. RGGI's third control period began on Jan. 1, 2015, and extends through Dec. 31, 2017.

NYISO NEWS

Constitution Pipeline: Headed to Completion or to Court?

By William Opalka

Opponents of a 124-mile natural gas pipeline that would provide New York and New England access to Pennsylvania shale gas have threatened to go to court next week to force federal regulators to reconsider their approval of the project (CP13-499, CP13-502).

The proposed Constitution Pipeline won a certificate of public convenience and necessity from the Federal Energy Regulatory Commission on Dec. 2.

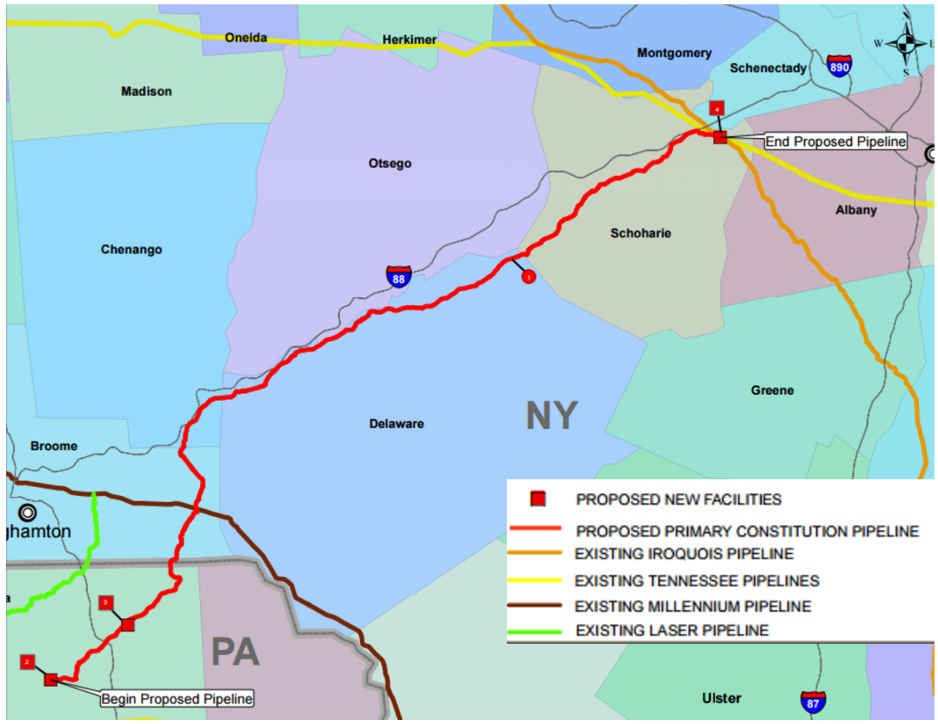
Stop the Pipeline, a citizens group intervening in the case, said it will go to court if FERC does not consider its request for a rehearing "on the merits" by Friday. The group is being assisted by the Pace Environmental Litigation Clinic, which lists environmentalist Robert F. Kennedy Jr. as a supervising attorney.

FERC issued a procedural order for rehearing on Jan. 27 but has not taken any further action. Pace said this amounts to a "constructive denial," a de facto refusal to rehear the case without an actual order saying so.

Stop the Pipeline said in its request for a rehearing that the certificate of public convenience was illegally granted before the New York State Department of Environmental Conservation had issued water quality permits and before constitutional questions of affected property owners were resolved. It also said that FERC violated federal law by separating this project from other gas infrastructure projects in New York that should have been reviewed in total.

ISO-NE says inadequate natural gas infrastructure has threatened reliability and driven up power costs as New England has become increasingly reliant on gas as fuel for electric generation. The region, which now relies on gas for about half of its power generation, sees prices spike on cold days when more gas is needed for home heating and the grid operator has to turn to expensive fuel oil.

The Constitution Pipeline, which is entering the final phase of environmental reviews by New York regulators, would start in Susquehanna County, Pa., and travel northeast through New York, where it would connect with the Tennessee Gas and Iroquois Gas pipelines.



Route of the proposed Constitution Pipeline. (Source: Constitution Pipeline)

Kinder Morgan's Tennessee pipeline is a major east-west natural gas artery that supplies Texas and Gulf Coast gas to upstate New York and New England.

The Iroquois pipeline heads to the southeast, serving New York City and its environs. An expanded compressor would be added by Iroquois in nearby Wright, N.Y., at the terminus of the Constitution line.

Constitution's path includes a section of New York that has its own potential for fracked shale gas. However, in December, New York Gov. Andrew Cuomo effectively banned the practice due to health concerns. (See *Cuomo Bans Fracking in New York*.)

Williams, Cabot Oil & Gas, Piedmont Natural Gas and WGL Holdings are partners in the Constitution project.

"There is this supply of stranded gas that is needed in New England that can't get there because the infrastructure hasn't kept up," said Christopher Stockton, a spokesman for Constitution. If permits are granted, construction would start this summer and take about a year, with the pipeline in operation by mid- to late 2016.

He added that the Pennsylvania supply, closer to where it is ultimately used, would cut fuel costs by half. Most of the natural gas currently used in New York and New England originates in the Gulf Coast and Texas.

The Constitution project is now before the New York DEC, where an extended comment period ended in late February. Opponents said they delivered 5,000 comments to the department office in Albany on the final day and now believe the project is in trouble.

DEC permits and approvals are required for construction and operation of the pipeline. Additional permits from the U.S. Army Corps of Engineers and the U.S. Fish and Wildlife Service are also pending.

The 30-inch pipeline would deliver 650,000 dekatherms of gas per day. The pipeline was first proposed in April 2012.

This pipeline is essentially parallel to the New York section of Kinder Morgan's proposed Northeast Energy Direct pipeline. The Kinder Morgan project is two years behind Constitution in the regulatory and planning cycle, with proposed operations in 2018.

COMPANY BRIEFS

NRG Yield Buys Stakes in Two Colorado Wind Farms

NRG Yield is buying majority stakes in two Colorado wind farms with a combined capacity of 63 MW. The company also announced it is buying a 1.4-MW fuel cell project in Connecticut.

NRG is buying the wind farm interests from Invenergy. Spring Canyon II and Spring Canyon III, consisting of 35 GE turbines, began operations last year and sell their output to Platte River Power through a 25-year power purchase agreement. NRG is buying the University of Bridgeport Fuel Cell project from Fuel Cell Energy.

The two transactions are valued at about $41 million.

More: *SeeNews Renewables*

Xcel Asks Minnesota PSC to Limit Large-Scale Solar

Xcel Energy has asked the Minnesota Public Service Commission to limit the aggregation of smaller solar "gardens" that qualify as large-scale projects.

The request is in response to the popularity of the state's Solar Rewards Community program, which already has attracted proposals totaling 431 MW. Minnesota law restricts smaller, community "garden" solar projects to 1 MW, but allows projects to band together to form larger facilities in order to take advantage of location and transmission connections. Xcel cited one proposal for 50 MW of 1 MW gardens in a suburb near Minneapolis.

Among Xcel's suggestions: limit co-located applications to 1 MW or less; allow co-located applications from single developers as long as they don't exceed 1 MW; and limit applications from multiple developers at co-located sites to 1 MW. Xcel said community solar projects are expensive and add 1.5 to 1.8% to ratepayer bills.

More: *Midwest Energy News*

Arkansas Electric Co-op Looking at More Hydro

Arkansas Electric Cooperative Corp. this month filed preliminary permit applications with the Federal Energy Regulatory Commission for three new hydroelectric generating stations on the Arkansas River with a total capacity of 123.6 MW.

AECC surrendered previous licenses it held for hydro projects at several locks and dams on the river, saying they were uneconomic to develop at the time. But AECC said it has revived interest in the hydro potential of lock and dam Nos. 3, 5 and 6. The licenses for those facilities, held by another entity, expired at the end of February. An Entergy Arkansas transmission line runs close to the proposed stations.

AECC built three other hydropower plants on the river between the late-1980s and 2000 with a total capacity of 167.4 MW.

More: *P-14663-000*; *P-14664-000*; *P-14665-000*

NRG Plant Likely Customer of Controversial PennEast Pipeline

NRG Energy said it would likely switch its Gilbert Station in New Jersey from burning ultra-low sulfur diesel to natural gas if the controversial PennEast pipeline is built to deliver gas from Pennsylvania's Marcellus Shale region.

The pipeline is owned by a consortium of companies, including affiliates of four New Jersey utilities serving most of the state's natural gas customers. Pipeline opponents say that no customers directly on the pipeline route would benefit. The comments from NRG are the first public acknowledgement that a local industrial customer might tap into the PennEast line.

More: *NJ.com*

FP&L Buying, then Closing Jax Coal Plant to Get CO2 Credits

Florida Power & Light is paying $520 million for a modern 250-MW coal-fired power plant near Jacksonville, Fla., that it plans to shut down within two to three years.

FP&L has been paying $120 million a year to buy power from the Cedar Bay Generating Plant under a long-term power purchase contract. The utility says it will be able to cut $70 million in annual costs and reduce carbon emissions by a million tons per year if it buys the plant and shuts it down.

FP&L, a subsidiary of Juno, Fla.-based NextEra, filed a request for the acquisition and proposed shuttering of the plant with the state Public Service Commission.

More: *Jacksonville Business Journal*

MGE Bows to Shareholders to Increase Renewables

Madison Gas & Electric agreed to expand its renewables development in response to pressure from shareholders.

The company agreed to work with the shareholder group and a designated consultant to "study adding substantial and measureable amounts of renewable energy" to its supply mix.

A group of MGE Energy shareholders were pushing a proxy proposal calling for the utility to obtain 25 percent of its energy from renewable sources by 2025. The shareholders agreed to drop their proposal after the company made its commitment.

More: *Journal Sentinel*

SunEdison Buys into Storage Market, Acquires Solar Grid Storage

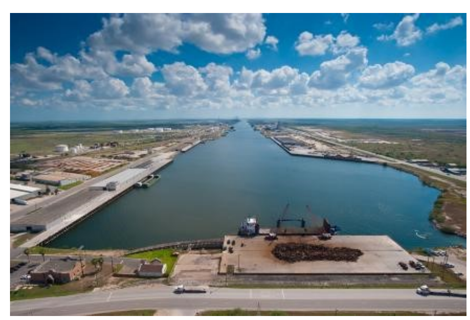
SunEdison, a major developer of renewable power projects, announced it has purchased a four-year-old solar generation and storage startup.

With the purchase of Solar Grid Storage, SunEdison is venturing into the energy storage business. Solar Grid Storage specializes in linking solar installations with lithium-ion battery systems. It has completed four such projects and is in the planning stage with three more.

Terms of the purchase were not disclosed.

More: *Clean Technica*

Exelon Seeks Permits for LNG Facility in Brownsville, Texas



Annova LNG, majority owned by Exelon Generation, filed a request with the Federal Energy Regulatory Commission to build a natural gas liquefaction plant and export terminal on 650 acres at the Port of Brownsville, Texas.

For Exelon Generation, best known for op-

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COMPANY BRIEFS

Continued from page 17

erating the nation's largest nuclear fleet, this will be the first foray into the LNG export business. "The project represents a potential opportunity to diversify Exelon's role in the energy business in an area that shows strong growth potential: natural gas exports," Exelon Generation President and CEO Ken Cornew said.

The U.S. Department of Energy recently authorized Annova to export up to 342 billion cubic feet of gas per year to free-trade agreement countries. The company said construction of the $3 billion "mid-scale" terminal would take four years. It will require 26 separate federal, state and local permits and licenses.

More: Exelon; San Antonio Business Journal

Exelon's Limerick Nuclear Station Gets Additional NRC Inspection

The Nuclear Regulatory Commission has ordered an extra inspection at Exelon's Limerick Generating Station in Pennsylvania after identifying an unspecified security issue during an inspection last June.

Limerick was notified of the inspection as part of its annual assessment. Post-9/11 security procedures prohibit the agency and the company from providing details about security lapses, but a company spokeswoman said the issue has been fixed.

"We promptly corrected a technical security concern identified last year, and at no time was the security of the facility, our workers or local residents compromised," Dana Melia said.

More: Mainline Media News

Anti-Nuclear Group Calls on NRC to Withhold Watts Bar 2 License

An anti-nuclear group called on the Nuclear Regulatory Commission to hold off on licensing the Tennessee Valley Authority's new Watts Bar 2 nuclear station until the TVA reviews earthquake and flood risks at the plant. Watts Bar 2 is currently scheduled to go into operation by the end of this year.

The Southern Alliance for Clean Energy said the earthquake and tsunami that destroyed the Fukushima plant in Japan in 2011 underscores risks not currently planned for at Watts Bar 2. The reactor will be the first new commercial unit to come online in 20 years.

"It shocks the conscience that the NRC is preparing to issue an operating license for Watts Bar Unit 2 potentially this June without completing its post-Fukushima review of seismic and flooding risk," an alliance spokeswoman said. TVA said it made several changes to the plant's original design, which were approved by the NRC's Advisory Committee on Reactor Safeguards.

More: Chattanooga Times Free Press

Westar Files for $125 Million Rate Increase in Kansas

Westar Energy requested a $125 million rate increase to pay for environmental upgrades at its coal-fired power plants and for service life extension work at the Wolf Creek nuclear station near Burlington, Kan.

In a filing with the Kansas Corporation Commission, Westar said nearly half of the increase would pay for coal-plant upgrades to meet federal Clean Air Act standards. One-third would go toward improvements at the Wolf Creek nuclear plant, of which Westar owns 47%. The rate increase would boost a residential customer's bill about $13 a month.

A state consumer advocate agency indicated it would challenge the request.

More: Wichita Eagle

PPL Issues RFP for 370,000 MWh of Alternative Energy Credits

PPL Electric Utilities is looking to buy more than 370,000 MWh of alternative energy – wind, biomass, solar – in order to meet its Alternative Energy Portfolio Standard requirement in Pennsylvania.

It has hired NERA Economic Consulting to act as RFP manager. The delivery period would start June 1 and run for six years. The bid date for the RFP is April 1.

More: North American Wind Power

FirstEnergy Invests $748M In Infrastructure Projects

FirstEnergy's three Ohio utilities, which last year spent more than $1 billion on "Energizing the Future" upgrades, want to spend $784 million this year to improve the overall efficiency and reliability of its electric system.

Toledo Edison plans to put $120 million toward upgrading infrastructure. Ohio Edison and The Illuminating Company expect to spend $383 million and $281 million, respectively, for reliability programs. The expenditures include more than $475 million for transmission projects owned by FirstEnergy's American Transmission Systems Inc.

More: Zacks

-- Compiled by Ted Caddell

FEDERAL BRIEFS

FERC Approves Algonquin Pipeline Expansion Through New England

The Federal Energy Regulatory Commission last week approved a much-needed natural gas pipeline expansion project to supply New England.

Spectra Energy's Algonquin Incremental Market Project, which will run from New York to Massachusetts through Connecticut and Rhode Island, still needs approval from the New York Department of Environmental Conservation before construction can begin.

FERC discounted opponents' concerns about the pipeline's proximity to Entergy's Indian Point nuclear generating station. "I'm dumbfounded that FERC could just be blithely going ahead," said Susan Van Dolsen of the group Stop the Algonquin Pipeline Expansion.

More: The Journal News

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FEDERAL BRIEFS

Continued from page 18

Sen. Alexander Blasts NRC for Not Asking for More Yucca Funding

Alexander

U.S. Sen. Lamar Alexander (R-Tenn.) criticized the Nuclear Regulatory Commission for failing to request additional funding that he says will be required to license the Yucca Mountain nuclear waste repository in Nevada.

Alexander said in a Senate Appropriations subcommittee hearing last week that the NRC has unspent funds in its budget to start the licensing process, but will need more resources. "So I think it's fair to ask the question: Knowing that there are additional steps and they will cost money, why would you not request additional funds in your budget?"

Alexander, a nuclear power proponent, has said it is crucial to break the "25-year stalemate" over nuclear waste.

More: *The Hill*

Judge Criticizes EPA's Response to Foundation's Records Request

A federal judge criticized the Environmental Protection Agency's "fumbled" response to a Freedom of Information Act (FOIA) request by a conservative group, but ruled that the group failed to prove the agency acted in bad faith and declined to award damages.

Judge Royce Lamberth in D.C. said the EPA allowed some records, including emails, to be destroyed in spite of pending discovery requests from the Landmark Legal Foundation, which sought the records to determine if the agency delayed issuing regulations before the 2012 election for political purposes.

"Despite admonitions from this court and others … EPA continues to demonstrate a lack of respect for the FOIA process," Lamberth wrote in his opinion. "Neither EPA nor its counsel has offered Landmark or this court any indication of regret."

More: *The Hill*

PennEast Opponents Say FERC Consultant has Conflict of Interest

The mayor of a New Jersey town in the path of the proposed PennEast Pipeline has called on the Federal Energy Regulatory Commission to replace an environmental consultant hired to review the project, saying the consultant's ties to the shale-gas industry present a conflict of interest.

Hopewell Township Mayor Harvey Lester says the FERC consultant, Tetra Tech, is a paid member of the Marcellus Shale Coalition, an industry trade group that supports the proposed 114-mile pipeline to carry natural gas from the Marcellus Shale region in Pennsylvania into New Jersey.

The New Jersey chapter of the Sierra Club also objected to FERC's hiring of Tetra Tech to review the project's environmental impact statement. "This is an outrageous conflict of interest and a violation of the FERC rules," wrote Director Jeff Tittel.

More: *NJ.com*

House Committee Chair Seeks Deleted EPA, McCarthy Texts

U.S. Rep. Lamar Smith (R-Texas), chairman of the House Science Committee, said he'll seek a subpoena to obtain text messages to and from Environmental Protection Agency Administrator Gina McCarthy if the agency doesn't give them up voluntarily.

Smith said the agency declined to provide the text messages to the Competitive Enterprise Institute in response to a public records request. The agency provided emails but has said it did not believe that text messages were required to be retained.

More: *The Hill*

NRC: 94% of US Reactors in Top Performance Categories

The Nuclear Regulatory Commission's annual assessment letters show that 75% of the nation's 100 nuclear reactors met all safety and security objectives in 2014, and 94 of those reactors were in the top two performance categories.

Nineteen reactors were identified as needing one or two "low significance" items. They are Calvert Cliffs 2 (Maryland); Clinton (Illinois); Davis-Besse (Ohio); Diablo Canyon 1 and 2 (California); Fermi 2 (Michigan); Fitzpatrick (New York); Limerick 1 and 2 (Pennsylvania); Millstone 3 (Connecticut); Oconee 1 (South Carolina); Oyster Creek (New Jersey); Palisades (Michigan); Point Beach 2 (Wisconsin); River Bend (Louisiana); Salem 1 (New Jersey); St. Lucie 1 (Florida); Waterford (Louisiana) and Wolf Creek (Kansas).

Two reactors — Pilgrim (Massachusetts) and Point Beach 1 (Wisconsin) — fell into the "degraded" performance category and will be the subjects of increased oversight. The twin-unit Arkansas Nuclear One reactors fell into a fourth category of oversight after the NRC made safety findings of "substantial significance."

More: *NRC*

EPA Designates Mahomet Aquifer as 'Sole Source'

The Environmental Protection Agency has designated the Mahomet Aquifer system in east-central Illinois as a "sole source" aquifer, raising the possibility of heightened federal review of projects in an area that may be targeted for natural gas development involving hydraulic fracturing.

The "sole source" designation, which means more than half of the population depends on the aquifer as its drinking water source, allows the EPA to review the effect that any federally funded project might have on the aquifer.

Gas exploration companies have leased mineral rights in the region, although the amount of drilling is less than the state first anticipated.

More: *EPA*

DOE Report Sets National Wind Energy Goal of 35% by 2050

A Department of Energy report says that wind energy could provide 35% of the nation's electricity by 2050, up from the current 4.5%, if the cost of wind turbines comes down and new territories are opened up for development.

The report, "Wind Vision: A New Era of Wind Power in the United States," makes no policy recommendations, but it does provide what it calls a "roadmap of targeted actions."

The American Wind Energy Association said the goal is within reach. "We can do this," said Tom Kiernan, CEO of the association. "The industry stands ready to achieve these numbers."

More: *USA Today*; *Energy Department*

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FEDERAL BRIEFS

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Burns Touts Safety Improvements; Group Says NRC is Too Slow

The chairman of the Nuclear Regulatory Commission said the agency and the nuclear industry have improved safety at U.S. reactors since the 2011 Fukushima disaster, but a watchdog group accused the NRC of "sluggishness" in improving standards.

NRC Chairman Stephen Burns said that "both the NRC and the U.S. nuclear industry took swift and decisive action to address many of the key lessons learned from that event." He said the main safety improvements would be completed by the end of 2016.

But Allison Fisher, outreach director of Public Citizen, said the NRC "has yet to require nuclear power plant operators to complete implementation of a single one of the post-Fukushima safety upgrades recommended by the agency's own staff."

More: *The Hill*

NRC to Review Korea Electric's APR1400 Nuclear Reactor

The Nuclear Regulatory Commission announced that it will conduct a full design certification review of the APR1400 nuclear reactor design from Korea.

The NRC said a design for a 1,400-MW reactor submitted in December by Korea Electric Power Corp. and Korea Hydro and Nuclear Power met the requirements for a full certification review. The agency's review will determine whether the reactor design meets U.S. safety requirements.

The APR 1400 is a pressurized water reactor based on the Korean Optimized Power Reactor 1000.

More: *Penn Energy*

McConnell Urges US Governors to Defy Clean Power Plan

McConnell

U.S. Sen. Mitch McConnell (R-Ky.) wrote an op-ed urging governors to refuse to implement the Environmental Protection Agency's proposed emissions reduction regulations, calling the regulations an "attack on the middle class."

McConnell, a coal proponent and Obama administration foe, said governors could simply refuse to submit their state plans to the government.

"Think twice before submitting a state plan — which could lock you in to federal enforcement and expose you to lawsuits — when the administration is standing on shaky legal ground and when, without your support, it won't be able to demonstrate the capacity to carry out such political extremism," he wrote in the *Lexington Herald-Leader*.

More: *Lexington Herald-Leader*

Study: PJM Has Most at Stake In Fate of Order 745

PJM stakeholders face the greatest potential disturbance in the use of demand response in the wholesale capacity market if a D.C. Circuit Court of Appeals ruling limiting the jurisdiction of the Federal Energy Regulatory Commission is allowed to stand, according to a report released by EnerKnol Research, an energy policy analytics company.

However, the study concluded DR resources would continue to grow. "Demand response resources could still thrive in retail and ancillary markets if Order 745 is vacated, but with varying impacts to industry," Chief Policy Strategist Erin Carson said in the report, "Demand Response to Grow Under Alternate Scenarios Regardless of FERC Order 745."

PJM is set to receive more than $20 billion in demand response value through future capacity commitments.

FERC and PJM have petitioned the U.S. Supreme Court to hear the case. (See *FERC Files EPSA DR Appeal with Supreme Court*.) The RTO in January submitted to FERC a contingency plan to incorporate DR in May's Base Residual Auction if the Supreme Court allows the ruling to stand.

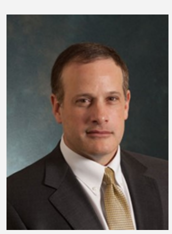
More: *EnerKnol Research*

-- Compiled by Ted Caddell

STATE BRIEFS

DELAWARE

PSC Commissioner Nominated For Superior Court Judgeship



Clark

Jeffrey J. Clark, a Dover attorney and member of the Public Service Commission since 2005, has been nominated to fill a vacancy on the Superior Court, Delaware's main civil and criminal trial court.

Gov. Jack Markell is expected to nominate a new commissioner for the five-member PSC if the Senate confirms Clark's nomination. Clark, an Army veteran, received his bachelor's degree from the U.S. Military Academy at West Point and his law degree from Widener University School of Law.

More: *Delaware State News*

ILLINOIS

Cleanup Continues Following Fiery Oil Train Derailment

The U.S. Environmental Protection Agency is supervising an elaborate cleanup of wetlands after a BNSF freight train hauling 103 tanker cars carrying crude oil from North Dakota derailed March 5 near the riverfront town of Galena and burst into flames, prompting an evacuation.

Twenty-one tanker cars left the track, seven ruptured and five caught fire. Firefighters were unable at first to put out the flames and concentrated on keeping the fire from spreading. No injuries were reported.

The site is near where the Galena River meets the Mississippi and the historic home of President Ulysses S. Grant.

The accident was the latest fiery derailment of a train hauling oil

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STATE BRIEFS

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from mid-continental shale fields, which are underserved by pipelines.

More: EPA

INDIANA

IPL Seeking Charges Not Recoverable in Basic Rate Case

The Indiana Office of Utility Consumer Counselor objects to an Indianapolis Power & Light proposal to add three rate adjustment mechanisms and new accounting treatment, which the consumer advocate says are outside the scope of a basic rate case IPL filed in December (44576).

IPL's proposals include an "RTO adjustment." IPL said it is being allocated $15.9 million in MISO-related MTEP 13 project costs through 2019. IPL also said in filings with the Indiana Utility Regulatory Commission that it expects to be allocated $91.7 million in Schedule 26A multi-value project costs in that time period. Among other mechanisms, IPL seeks to create a "major storm damage reserve" account.

But the OUCC, along with industrial and consumer ratepayer groups, told the Indiana commission that such mechanisms and accounting treatment are not changes to IPL's "basic rates and charges" and should not be included in the rate case proceeding. IPL could be forgiven for perhaps being a little rusty — it hasn't filed a basic rate case for 20 years, not since 1995. The utility seeks an annual increase in revenues of nearly $68 million, an overall jump of 5.6%.

IPL is in the midst of several major capital projects. It's adding $511 million in new pollution controls at its coal-fired plants. It's building a new, natural gas-fired generating station in Morgan County. IPL also is converting some of its coal-powered units at its Harding Street station, south of downtown Indianapolis, to natural gas.

More: IOUCC

LOUISIANA

Study Cheers Anti-Net Metering Crowd, Outrages Solar Industry

A draft economic study that questions the value of residential solar tax credits is eliciting howls of protest from the state's solar supporters.

The report, prepared by David Dismukes, a Louisiana State University economist, concludes that the state's 50% home-solar installation tax credit cost Louisiana $89 million more than the benefits it brought. Solar advocates say the study did not consider impacts on transmission and production costs and focused only on the tax credits.

The study was released in an email blast by a pro-utility member of the Public Service Commission, Eric Skrmetta, whose re-election was strongly opposed by solar advocates. "This study is a blatant attempt to undermine the rights of Louisiana residents and to prevent the growth of the solar industry," said Barry Goldwater Jr., former congressman, son of the 1964 GOP presidential nominee and solar advocate.

More: WWL-TV

MARYLAND

House Panel Rejects Tree-Trimming Restrictions

A House committee defeated legislation Friday that would have prohibited electric utilities from removing trees on private property unless they were considered hazardous and the property owner had consented. The bill also would have required utilities to comply with the International Society of Arboriculture's "Best Management Practices for Utility Pruning of Trees."

After the House Economic Matters defeated the proposal, the sponsor of a similar Senate bill withdrew his version of the legislation.

The bills were filed after homeowners unsuccessfully sought an injunction last fall to bar Pepco Holdings Inc. from removing trees from their properties. Pepco has defended its tree-trimming practices as an effort to comply with the state's 2011 electric reliability law.

More: Bethesda Magazine

MICHIGAN

Lansing Joining with Developer on 20-MW Solar Project

The Lansing Board of Water and Light quadrupled the size of a proposed solar project after reviewing proposals to build a photovoltaic system on the grounds of a former GM plant.

The utility chose Vermont-based groSolar to construct the 20-MW solar farm, which initially was envisioned as a 5-MW project. "We got a whole lot of bids, there was a lot of interest," said George Stojic, the utility's director. "It just made sense to scale this thing up."

The project would be built on the former Verlinden plant in Lansing.

"We are a summer-peaking utility," Stojic said. Solar fits into that very well for two reasons, he said: "It's there in the summertime if we need it, and it helps offset transmission costs."

Michigan currently has 23 MW of solar generation online, none larger than 1.5 MW.

More: Midwest Energy News

MINNESOTA

Supreme Court Rules CapX2020 Tx Builders Must Buy Whole Farm

The builders of the CapX2020 transmission line – which would run from South Dakota to Minnesota – must buy an entire farm owned by recalcitrant landowners rather than simply acquiring an easement, according to the state Supreme Court.

The court ruled that a 1977 "Buy the Farm" law that requires utilities to offer to purchase entire farms when traversing properties for power lines applied to the Great River Energy project.

Landowners Dale and Janet Tauer balked at granting permission to build the transmission line through their property and argued that Great River should be forced to buy the entire farm.

More: Minnesota Public Radio

MISSISSIPPI

Former Gov. Barbour Backs Troubled Kemper Plant

Former Gov. Haley Barbour, now working for an economic development firm, said Mississippi Power's costly Kemper gasification and carbon capture plant eventually will be a valuable asset to the region.

Barbour compared the project, already years behind schedule and nearly $4 billion over budget, to the Grand Gulf nuclear gen-

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STATE BRIEFS

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erating station, which he said was delivered late and over budget but has become an economic source of base load generation. "There has been a couple of billion dollars in cost overruns," Barbour said, "but the stockholders of the Southern Co. paid every dime of that."

The State Supreme Court recently ordered Mississippi Power, a Southern Company subsidiary, to refund more than $200 million of a rate increase related to the Kemper project because it was improperly approved by the state Public Service Commission.

More: *Mississippi Business Journal*

MONTANA

Senator Writing Bill to Save Colstrip Plants from Closing

A state senator is preparing a bill that would exact a penalty from power plants near the Colstrip coal mines if they shut down, a response to legislative efforts in neighboring states to curtail the consumption of fossil fuels.

Sen. Duane Ankney, whose district borders four power plants fueled by Colstrip coal, is crafting a bill mandating the owners of a power plant that closes prematurely to pay "impact fees" for up to 20 years. "If they want to close Colstrip, then they're going to pay," he said. "Pay to play."

Ankney's proposal is a response to legislation pending in Washington state aimed at replacing fossil-fueled plants with renewable energy. Many of the Colstrip power plants are owned by utilities in the Pacific Northwest. Puget Sound Energy in Washington state denied that it planned to retire its Colstrip plant. The other owners of Colstrip plants include PPL Montana, NorthWestern Energy, Portland General Electric, Avista and PacifiCorp.

More: *Missoulian*

NEW YORK

Wind Power Sets New Record at 1,524 MW, 7% of NYISO Load

Wind generators in the state set a record on March 2 when they churned out 1,524 MW, about 7% of NYISO's 20,894-MW load. The previous record was 1,513 MW on Nov. 18, 2014.

"Wind power continues to grow as a power resource, and the NYISO continues to optimize our electric system's use of renewable power," said NYISO President and CEO Stephen G. Whitely.

NYISO enhances its wind management system by letting wind generators submit offer prices, the first RTO in the nation to use a competitive bid process in this way. There currently is 1,744 MW of wind generation in New York, up from 48 MW in 2005. Another 2,000 MW in proposed projects is under review.

More: *NYISO*

NORTH CAROLINA

Duke Wants to Pay Solar Producers 15% Less on Projects 5 MW or Less

Duke Energy is asking the Utilities Commission to allow it to pay 15% less for the electricity it buys back from solar producers. The commission sets the price for solar every two years.

The Duke request, filed with the commission last week, is the utility's latest effort to curb the amounts it pays solar producers. Duke pressured the commission to reduce the size of eligible projects from 5 MW to 100 kW, a proposal the commission rejected in January.

More: *Charlotte Observer*

Duke Fined Another $25 Million For Power Plant Ash Contamination

The state environmental agency assessed a record $25 million fine against Duke Energy for allowing coal ash ponds and dumps to contaminate groundwater for years.

The Department of Environment and Natural Resources sued Duke in 2013, a year before the company's massive coal ash spill into the Dan River. That suit alleged that Duke allowed coal ash at its power plants to contaminate groundwater and waterways. Those suits remain undecided.

But the company acknowledged in late 2013 that it allowed coal ash from its Sutton plant to contaminate wells in the area, and agreed to pay up to $1.8 million for a water line to a nearby low-income community.

The water line and the fine, however, do little to ease the minds of others who may be in the path of the spreading plume of contaminated groundwater. "Until the state actually forces Duke to clean up the mess that people are sitting in right next to that plant, $25 million doesn't mean anything to them," said Kemp Burdette of the environmental group Cape Fear Riverkeeper.

More: *Charlotte Observer*

NORTH DAKOTA

Massive Wastewater Spill Spurs Move Toward 'Gathering' Regulation

Legislators have introduced two bills to regulate "gathering lines" that collect oil, gas and wastewater from well sites after a ruptured pipe discharged 2.2 million gallons of salty wastewater into a creek for 12 days.

The bills call for future gathering lines to be installed with leak monitoring systems and to be secured by bonds. Gathering lines are not regulated by any state agency, nor the U.S. Pipeline and Hazardous Materials Safety Administration.

The leak of the Meadowlark Midstream pipeline near Williston contaminated a creek and two rivers before it was stopped Jan. 6. Officials say the spill doesn't pose a health threat, and no water wells were impacted. The North Dakota Department of Health estimates it will take at least five years to clean up. The state Department of Mineral Resources is investigating why the company wasn't using an automated leak detection system.

More: *Inside Climate News*; *Jamestown Sun*

OHIO

PUCO Approves Two 138-kV Lines for AEP Improvement Plan

The Power Siting Board of the Public Utilities Commission of Ohio approved two 138-kV transmission lines as part of a reliability improvement plan proposed by American Electric Power.

A 17.3-mile line in Ross County will connect to a new substation at Biers Run. The second project, a 19-mile line, will connect the Biers Run sub to an existing substation in Circleville. The projects are designed to improve reliability in the Chillicothe and Circleville areas.

More: *Chillicothe Gazette*

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STATE BRIEFS

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PENNSYLVANIA

Sunoco Withdraws Petition to Have Pipeline Declared Public Utility

Sunoco Logistics Partners LP has withdrawn the last of its petitions before the Public Utilities Commission seeking exemption from local zoning ordinances for its 300-mile Mariner East pipeline, which will carry natural gas liquids from the Marcellus Shale region.

Sunoco had sought to use its public utility status to bypass local zoning laws to build structures around 31 pump stations and valve stations on the pipeline route, which prompted a backlash from some municipalities and anti-fossil fuel activists. Now, Sunoco says it has negotiated zoning approvals or is modifying its plans to comply with local zoning regulations and no longer needs the exemptions.

More: The Patriot-News

PUC Approves PPL's Spinoff of Generating Units to Form Talen

The Pennsylvania Public Utility Commission approved the spinoff of PPL Corp.'s generation and pipeline assets.

The greenlight resolves one regulatory impediment to the move, which involves the combination of PPL's assets with those of Riverstone Holdings LLC into a new publicly traded entity, Talen Energy Corp. PPL shareholders will own 65 percent of Talen.

PPL Electric Utilities, which provides electric distribution service to approximately 1.4 million customers in Pennsylvania, is not affected by the transaction.

More: PPL; The Morning Call

VIRGINIA

Dominion Slammed for Trying to Shield Information from Audits

State officials turned down a request from Dominion Virginia Power to keep some financial information secret during an upcoming public review.

Dominion made the request just weeks after the General Assembly took away the State Corporation Commission's authority to order customer rate cuts or refunds through 2022. Opponents said that Dominion's request reinforced their fears that that the utility would use the legislation to hide certain financial information, despite a vow from the company that its filings would be transparent.

The SCC ruled against Dominion's request and ordered the company to submit a complete financial filing in time for its 2015 review. Dominion said it would comply.

More: Washington Post

WEST VIRGINIA

Gov. Signs Bill Giving Legislature Final Say in Clean Power Plan

West Virginia is coming up with its own plan to meet emissions reductions proposed by the Environmental Protection Agency's Clean Power Plan. But the state Legislature, not state environmental regulators, will have the final say.

Gov. Earl Ray Tomblin last week signed H.B. 2004, taking away the rule-making role from the state Department of Environmental Protection.

The move was lauded by the coal industry. "This law will ensure West Virginia's elected officials have a say in the regulations that ultimately impact their state's families and businesses," said Mike Duncan, president and CEO of the American Coalition for Clean Coal Electricity. "Legislation like H.B. 2004, as well as similar actions by other state Legislatures, underscores broad opposition across the country to EPA's overzealous and illegal proposal."

More: State Journal

-- Compiled by Ted Caddell

New York Industrials Want Ginna Deal Tossed

By William Opalka

A group of large electric customers asked federal regulators to reject an agreement to keep a nuclear power plant in western New York operating.

The group said the Federal Energy Regulatory Commission should reject a reliability support services agreement ordered by the New York Public Services Commission to keep the 580-MW R.E. Ginna plant financially viable to serve customers of Rochester Gas & Electric (ER15-1047).

The utility and NYISO said the plant is needed to maintain system reliability until a transmission project that would bring additional energy into the Rochester area is completed in late 2018. An agreement filed with the PSC on Feb. 13 guarantees annual payments of about $210 million, minus some adjustments for support services. (See Ginna Nuclear Plant Wins Contract to Keep Operating).

The interveners — 60 large industrial, commercial and institutional energy consumers — say the out-of-market payments would distort NYISO's wholesale electricity markets and result in "potentially staggering rate impacts to RG&E's retail electric customers."

RG&E estimated an average residential customer would see bills rise about 4.2% while costs for large primary customers would increase 6%. The exact amount will depend on the monthly output of the plant and changes in wholesale energy and capacity market prices.

The group says RG&E's estimates understate the impact of the increases because they are averaged over the life of the 3.5-year agreement and are based on the total bill, including commodity costs unaffected by the deal. Primary customers would see increases of 9.05% in 2015. "On a delivery-rate-only basis, the RSSA apparently would result in increases of over 20% to retail customers," the protest says.

Exelon unit Constellation Energy Nuclear Group said it has lost $100 million over the last three years operating the plant. It said it would mothball the plant without an agreement.

However, opponents to the deal have previously said no formal proceeding to shutter the plant has been started, and the move by CENG is an attempt to sidestep the lengthy and costly process to formally retire a nuclear plant. The interveners say reliability-must-run contracts should only be allowed when there is concrete evidence the plant would otherwise retire.

Michigan Leaders at Odds over Deregulation

Continued from page 5

at George Mason University, wrote in a report two years ago for the Michigan-based Mackinac Center for Public Policy.

According to the report, before competition began in the state, in 2002, Michigan's rates were well above the national and Great Lakes state average. Two years after competition was introduced, rates fell below the national average. But after the 10% cap and other changes in 2008, rates increased rapidly. By the end of 2012, rates were 18% above the national average.

Michigan electric customers have paid $10.5 billion above market rates since 2009, claims Energy Choice Now.

Kuipers noted that there's a backlog of electric customers who want to join the choice program but cannot because of the 10% cap.

Almost 6,500 customers participated in the electric choice program as of last December, with about 11,000 customers waiting in the queue, according to the PSC.

That doesn't count other customers who are interested in joining the program but haven't applied because of the waiting line, Energy Choice Now spokeswoman Maureen McNulty Saxton said.

The choice program is dominated by commercial and industrial customers and public institutions such as school districts. There are virtually no residential customers participating.

MISO Flexible

All MISO states excluding Michigan and Illinois operate under traditional regulated monopolies.

"MISO's view is that we can work with either regulatory framework," MISO spokesman Andy Schonert said. "Through the stakeholder process we try to develop an approach that accounts for differences on a state-by-state basis. The resource adequacy requirement and OMS Survey are ways to help give that region-wide view for the regulators and load-serving entities responsible for ensuring resource adequacy."

PJM Reducing Transmission Spending by $3.2 Billion

Continued from page 1

estimated at $177 million, resulting in a net reduction of $3.2 billion from the spending anticipated at the end of 2013.

Generation Withdrawals

PJM said the network upgrade cancellations resulted from the withdrawal of 212 generation interconnection requests totaling 15,302 MW, one-quarter of them for wind turbines.

Generator deactivations announced in 2014 (left) and selected baseline upgrades driven by retirements (right). (Source: PJM 2014 RTEP)

Generation withdrawals can reflect developers' response to capacity auction prices. PJM also took note of the boom-bust cycle of wind development, based on the availability of the federal Production Tax Credit. The most recent iteration of the PTC covered only projects under construction by the end of 2014.

Network upgrades allow customers to interconnect to the PJM grid and obtain capacity rights. Such upgrades are recommended to the PJM board based on system impact studies, after developers receive facility study agreements.

Slowdown in Retirements

Baseline upgrades include both market efficiency projects to reduce congestion and reliability projects needed to correct violations, such as those identified in thermal and voltage analyses.

PJM said the reduction in baseline upgrades reflects flat load growth and a slowdown — perhaps temporary — in retirements of coal-fired generation. The RTO received 31 generator deactivation requests in 2014, totaling about 4,300 MW, down from 14,444 MW in 2012 and 7,745 MW in 2013.

The retirements were largely driven by the Environmental Protection Agency's Mercury and Air Toxics Standards, which take effect this year. PJM has begun analyzing the impact of EPA's proposed limits on generator CO_2 emissions, which are expected to create a new wave of retirements. (See related story in *PJM Transmission Expansion Advisory Committee Briefs*, p.9.)

The 2014 RTEP includes 27 transmission upgrades in PJM's Mid-Atlantic and Western regions to address retirements. The upgrades include both new and upgraded transmission lines, transformers, shunt capacitors and substation improvements.

Since 1999, PJM's board has approved almost $25.7 billion in transmission projects, including $21.5 billion of baseline transmission upgrades and $4.1 billion in facilities needed to connect more than 60,000 MW of new generation. Almost $10 billion of those projects are in service with an additional $4.2 billion under construction.

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