RTO Insider

Your Eyes and Ears on the Organized Electric Markets

ISO-NE ■ MISO ■ NYISO ■ PJM ■ SPP

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MISO Board Questions Execs on Entergy Out-of-Cycle Requests

By Chris O'Malley and Rich Heidorn Jr.

Under questioning from MISO board members, senior RTO officials last week defended their support for Entergy's controversial requests to spend $200 million on out-of-cycle transmission projects.

General Counsel Steve Kozey and Clair Moeller, executive vice president of transmission and technology, told the Board of Directors System Planning Committee on March 17 that MISO planners had followed the RTO's rules in recommending approval of the projects, the largest of which is a $187 million transmission upgrade near Lake Charles, La.

Committee Chairman Michael Evans did not ask the committee to endorse the projects to the full board, despite a request to do so from Phillip May, CEO of Entergy Louisiana and Energy Gulf States Louisiana. Evans said the goal of last week's 90-minute meeting was to "ventilate the subject fully."

Evans said the committee will invite the full board to take part in additional discussions in a conference call before their next face-to-face meetings beginning April 21.

At the Planning Advisory Committee meeting last month, the Transmission Developer and Independent Power Producer sectors voted against MISO staff's conclusion that the Lake Charles project qualified as an out-of-cycle reliability project. As a result, MISO officials said, the full board will conduct a "full review" of the request. (See *MISO Board to Review Entergy Lake Charles Project Following Stakeholder Pushback*.)

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MISO, PJM Ponder List of 'Quick Hit' Upgrades (p.10)

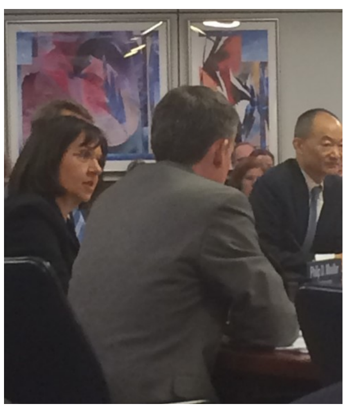
LaFleur Chairmanship Ending; Bay to Take Gavel

By Rich Heidorn Jr.

WASHINGTON — Chairman Cheryl LaFleur gaveled her final Federal Energy Regulatory Commission open meeting last week, nearing the end of a tumultuous 16-month term.

LaFleur, who was confirmed to a second, five-year term on the commission in July, is turning over the chairmanship to former FERC Office of Enforcement Director Norman Bay effective April 15.

Bay will assume the chairmanship under an unprecedented deal between the White House,



Cheryl LaFleur comments on her final meeting as FERC chairman as her replacement, Commissioner Norman Bay (right), listens. © RTO Insider

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Exelon, Pepco Ink Deal with Md. Counties, but Critics Stand Firm

By Suzanne Herel

Two key Maryland counties have agreed to support Exelon's controversial takeover of Pepco Holdings Inc. in return for promises to fund customer bill credits, grid reliability improvements, renewable energy projects, energy efficiency programs and help for low-income consumers.

Montgomery and Prince George's counties, suburbs of D.C., represent three-quarters of Pepco's customers in Maryland, where Attorney General Brian Frosh, consumer advocacy groups and environmentalists have been urging the Public Service Commission to reject the $6.8 billion deal. (See *Exelon ups Merger Offer in Maryland as AG Calls for Rejection*.)

The acquisition, which would give Exelon control of more than 80% of the state's electricity customers, also faces opposition from detractors in D.C. (See *Exelon Sweetens the Deal for DC in Pepco Takeover*.)

"We believe the agreement is significant because it was signed by a large consortium of low-income consumer advocates and recreational interest groups, in addition to Montgomery and

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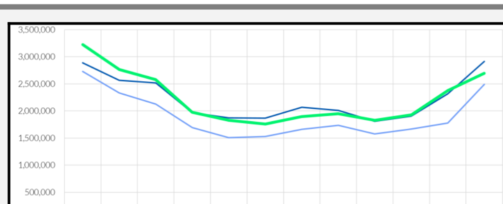
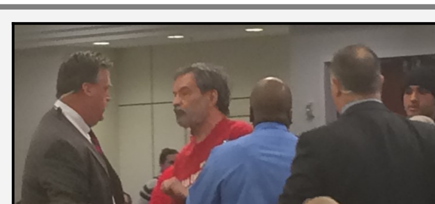
Also in this issue:



Natural gas demand and production both set records in 2014, FERC reported in its 2014 State of the Markets report last week. (p.11)



Protesters were led and carried out of FERC's open meeting last week. (p.12)

NYISO NEWS

FERC: Hearing or Settlement on Dunkirk RSSA Charges

By William Opalka

The Federal Energy Regulatory Commission last week ordered hearing and settlement procedures in a dispute over the costs of keeping NRG Energy's Dunkirk, N.Y., generating plant online for reliability.

At issue are charges National Grid — whose subsidiary, Niagara Mohawk Power, serves the region — proposed adding to its transmission service rate to reflect its costs under a reliability support services agreement for the coal-fired generator.

The New York Association of Public Power, Allegheny Electric Cooperative and the Municipal Electric Utilities Association of New York (MEUA) protested the charges as excessive and said they should be shared by other users of the transmission system in western New York, such as New York State Electric and Gas.

Need for Fact Finding

In February 2014, the commission accepted National Grid's proposed rates subject to refund and further order, saying it was not convinced the changes were just and reasonable.

FERC said last week that it needed to conduct fact finding to make a definitive ruling on the rate changes and underlying RSSA charges. It said a hearing would be conducted if National Grid and the protesters were unable to reach a settlement (ER14-543).

In a related order last week, FERC also denied a separate rehearing request by MEUA, which had challenged the commission's decision to waive the 60-day prior notice requirement to permit National Grid's filing to become effective July 1, 2013. The association had also objected to the commission's decision not to impose a full five-month suspension period (ER14-543-001).

"National Grid's customers were on notice that RSS-type costs were being incurred and were to begin to be passed through in [transmission service] charges beginning July 1, 2013, even though the exact costs would not be determined until a later time," FERC wrote.

The orders followed the commission's decision last month directing NYISO to draft standard rates and cost allocation provisions for reliability-must-run (RMR) services (EL15-37). (See *FERC Orders NYISO to Standardize RMR Terms in Tariff*.)

Dunkirk plant (Source: NRG)

Entergy Suit

Meanwhile, a new front opened in the Dunkirk dispute last month when Entergy sued the New York Public Service Commission, alleging it interfered with FERC authority in regulating wholesale electricity markets in June 2014 by approving an agreement between NRG and Niagara Mohawk to repower the plant with natural gas, allowing it to continue operating through 2025 (5:15-CV-230).

"NYPSC issued an order … that will keep the uneconomic Dunkirk generator in the market for a decade (through 2025), propped up by subsidies from a local utility and from a state agency," Entergy said in the complaint, filed in U.S. District Court for the Northern District of New York.

Dunkirk will receive out-of-market payments of $20.4 million per year from National Grid and a $15 million one-time subsidy from New York state.

Entergy, owner of the 838-MW James A. FitzPatrick nuclear plant in western New York, claims the agreement will suppress capacity auction clearing prices.

FERC last week rejected a similar "price suppression" argument by the Independent Power Producers of New York in a complaint over Dunkirk and a second generator receiving payments under RSSAs. (See related story, *NY Generators' 'Price Suppression' Complaint Dismissed*, p.3.)

Entergy's complaint raises constitutional challenges similar to those that led federal courts to void actions by regulators in New Jersey and Maryland to incentivize construction of new generation. (See *Rebuffed by Courts, CPV Seeks FERC End-Around*.)

Dunkirk Plant Chronology

1950: Dunkirk units 1 and 2, each 75-MW simple-steam coal plants, go into operation on Lake Erie, 55 miles southwest of Buffalo, N.Y.

1959-1960: Dunkirk adds units 3 and 4, 185 MW coal-fired, simple-steam units.

1999: NRG Energy acquires Dunkirk from Niagara Mohawk Power. NRG later converts the plant to use low-sulfur Powder River Basin coal and installs controls on mercury and nitrogen oxide emissions.

March 2012: NRG says it will mothball Dunkirk effective Sept. 10, 2012.

August 2012: The New York Public Service Commission approves a reliability support services agreement between NRG and Niagara Mohawk parent National Grid to keep Dunkirk operating to maintain system reliability. National Grid agrees to pay NRG $2.9 million per month for the nine-month period of Sept. 1, 2012, through May 31, 2013, with additional cost adjustments for taxes and coal costs, and credits for capacity market revenues earned by Dunkirk.

May 2013: The PSC approves a new RSSA between NRG and National Grid through May 31, 2015, at a cost of $2.1 million per month, with the same cost adjustments as the original RSSA.

February 2014: The Federal Energy Regulatory Commission accepts and suspends National Grid's proposed rates to cover the cost of the RSSA. FERC accepts the changes subject to refund and further order, saying it was not convinced the changes were just and reasonable.

June 2014: The PSC approves a $140 million plan to upgrade three Dunkirk units from coal to natural gas, with a capacity of 435 MW. The PSC selected the repowering over a plan to invest up to $76 million in transmission upgrades, which would have addressed reliability concerns and allowed the plant to close. Closing the plant, Chautauqua County's largest taxpayer, would have reduced the city's property tax revenues by more than 40%. The repowered plant is expected to pay about $8 million in property taxes annually.

October 2014: The Sierra Club files suit against the PSC over the repowering plan.

January 2015: National Fuel Gas and NRG announce a settlement allowing National Fuel to build a 9.3-mile pipeline to supply Dunkirk. National Fuel and Dunkirk Gas, an NRG affiliate, had originally offered competing pipeline proposals to the PSC.

February 2015: Entergy sues the PSC, alleging it infringed on FERC authority by approving the repowering plan.

March 2015: Niagara Mohawk informs PSC it will exercise its option to extend the RSSA for seven months through Dec. 31, 2015.

September 2015: Projected completion date of Dunkirk repowering.

NYISO NEWS

NY Generators' 'Price Suppression' Complaint Dismissed

By William Opalka

The Independent Power Producers of New York failed to persuade federal regulators that out-of-market payments that keep financially strapped generation operating to maintain system reliability suppress capacity prices.

IPPNY had claimed that NYISO's Market Administration and Control Area Services Tariff — which allows *de minimis* offers from capacity resources that would have left the market without reliability-must-run agreements or repowering agreements — disadvantaged other generators.

AES' Cayuga plant

"We find that IPPNY has failed to show that NYISO's tariff is unjust and unreasonable," the Federal Energy Regulatory Commission wrote last week in denying the complaint over the Cayuga and Dunkirk generating stations (EL13-62). (See related story, *FERC: Hearing or Settlement on Dunkirk RSSA Charges*, p.2.)

Owners of Cayuga and Dunkirk had notified state officials that the plants would be mothballed because they were not economic to operate. Both negotiated reliability support services agreements (RSSA) with transmission owners that were approved by the New York Public Service Commission.

IPPNY sought to have those resources excluded from the capacity market or required to offer at levels no lower than the resources' going-forward costs.

FERC said competitive capacity offers should reflect going-forward costs minus other sources of revenue. "If going-forward costs adjusted for revenues are very low, then it would be reasonable to expect a low capacity market offer that reflects the low going-forward costs," the commission said. "We agree with the New York commission that, when RSSA revenues are taken into consideration, the Cayuga and Dunkirk units' going-forward costs would likely be low."

Although FERC rejected IPPNY's complaint, it ordered NYISO to establish a stakeholder process to consider whether there are circumstances that warrant the adoption of buyer-side mitigation rules in the rest-of-state zone, and whether mitigation measures would need to be in place to address any price suppressing effects of repowering agreements.

"While we find that IPPNY has not satisfied its burden under section 206, we recognize that IPPNY's [complaint] raises concerns regarding whether changed circumstances in the rest-of-state may necessitate the prospective adoption of market power mitigation rules for the rest-of-state," FERC wrote.

Chairman Cheryl LaFleur further addressed that aspect in a news conference after Thursday's commission meeting. "The commission has drawn a distinction in its orders between new resources and existing resources. Where repowering falls is somewhere in the middle, which is one of the reasons we asked questions about that," she said.

Action on Ginna RSSA Delayed 4 Months

By William Opalka

New York regulators last week delayed action on a financial lifeline for the R.E. Ginna nuclear plant in order to review its impact on ratepayers.

The approximately $200 million annual price tag for the reliability support services agreement prompted the New York Public Service Commission to open an inquiry, with initial filings due April 15 (14-E-0270).

The PSC's March 18 order defers action on Rochester Gas & Electric's request for approval of the agreement through July 29.

The RSSA, which is also pending before the Federal Energy Regulatory Commission, was supposed to be effective April 1. If approved, the agreement would be retroactive to April 1 and last until the end of September 2018.

RG&E and Exelon's Constellation Energy Nuclear Group were ordered by the PSC to enter the agreement because the plant is deemed necessary to maintain system reliability in western New York until a transmission project goes online in late 2018.

RG&E has estimated that under the agreement, an average residential customer would see bills rise about 4.2%, while costs for large primary customers would increase 6%.

Interveners representing competitive suppliers, residential ratepayers and environmentalists have complained about the RSSA's steep price, with industry and other large customers challenging RG&E's estimates before FERC. (See *New York Industrials Want Ginna Deal Tossed*.)

"RG&E worked diligently in the best interests of our customers to reach an agreement with Ginna, recognizing the importance of ensuring reliable service on reasonable terms for all parties," said Dan Hucko, a spokesman for RG&E.

"Given the important role of the proposed reliability support services agreement, we are working collaboratively with the PSC to accommodate the needed regulatory reviews in a timely fashion," Exelon spokeswoman Maria Hudson said.

FERC Staff Endorses Niagara Mohawk ROE Settlement

Trial staff at the Federal Energy Regulatory Commission has recommended approval of a settlement that would reduce transmission owner Niagara Mohawk Power's return on equity to 10.03% from the current 11.5%.

Niagara Mohawk, a unit of National Grid, reached the agreement with the Municipal Electric Utilities Association of New York, the New York Association of Public Power and the Allegheny Electric Cooperative.

Under the agreement filed with FERC last month, the new rate would be backdated to Nov. 2, 2012, resulting in a refund of $3.16 million. (See *Niagara Mohawk, Public Systems Reach ROE Settlement*.)

"The public interest is well served by a negotiated compromise," FERC staff wrote (EL12-101, EL13-16 and EL14-29).

— William Opalka

NYISO News

NYISO Rejects Protests on Voltage Compensation

By Rich Heidorn Jr.

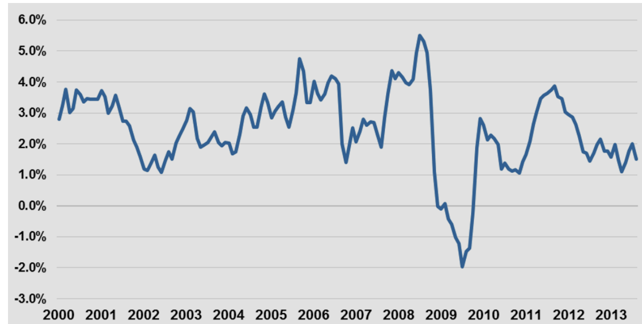
NYISO last week defended its proposed redesign of voltage support compensation, telling the Federal Energy Regulatory Commission it should reject calls by generators for additional inflation adjustments (ER15-1042).

On Feb. 13, NYISO proposed paying voltage support service (VSS) providers $2,592/MVAr for both leading and lagging capability, with annual increases based on the consumer price index (CPI). MVAr is the unit of measurement for reactive power capability.

The current rate is $3,919/MVAr annually based on lagging reactive power capability alone. Although the new rate is lower, the inclusion of both leading and lagging capabilities in the calculation is expected to result in total compensation about equal in the first year to how it has been in past years.

The proposal, the result of more than a year of discussions, won support of almost 80% of stakeholders, including more than half of the generation owners that voted, at the Nov. 20, 2014, Management Committee meeting, the ISO said.

On March 6, however, the Independent Power Producers of New York and Dynegy Marketing and Trade filed separate protests asking FERC to order the ISO to increase the compensation rate to reflect inflation since the existing rate was set in 2002.



U.S. consumer price index (CPI) 12-month change. (Source: Bureau of Labor Statistics)

IPPNY said it agrees with the ISO in using the CPI to escalate future payments. "If this reasoning serves to justify the use of the CPI to track inflation of costs from this point forward, the commission should apply the same reasoning retroactively to the escalation of costs over the last decade," the group said.

NYISO said the proposal to include an inflation adjustment in the compensation proposal "was one of the most contentious issues addressed in the stakeholder process." The ISO's initial proposal in September 2013 did not include any escalation for past or future inflation. The ISO added a going-forward inflator to its revised proposal to stakeholders in December 2013.

"Although a majority of stakeholders supported increasing the annual VSS compensation rate, they considered, and rejected, a proposal to escalate the proposed starting point for the 2014 VSS compensation rate by applying the annual CPI for each year from 2002 through the present," the ISO told FERC. "Neither did any NYISO market participant present any evidence during the stakeholder process to indicate that the existing compensation rate, as approved in 2002, was unreasonably low."

NYISO said it proposed the compensation changes due to the increased need for leading reactive power support. Since 2010, the number of requests for leading reactive power support has increased due to higher off-peak transmission voltages, the ISO said. More than 90% of the ISO's reactive power support requests since 2010 have been for leading reactive power; before 2010, more than 90% of the requests were for lagging reactive power support.

FERC Upholds Most of NYC Market Power Order

By William Opalka

The Federal Energy Regulatory Commission last week left intact most of its 2010 order meant to mitigate market power in the installed capacity market in New York City.

FERC denied rehearing on most challenges to its order, which affirmed changes to the NYISO Tariff (EL07-39-006, ER08-695-004, ER10-2371).

However, it clarified the previous order's consideration of demand response programs that may benefit from state policies or subsidies.

The order accepted NYISO's compliance filing with the exception of its proposal to grant a blanket exemption from offer floor calculations for all payments and other benefits to special case resources (SCR) under state programs. An SCR is a demand-side resource that participates as a supplier in NYISO's capacity market.

"We clarify that our May 20, 2010, order did not intend for NYISO to rule on the legitimacy of particular state programs. However, neither did we intend to grant a blanket exemption for all state programs that subsidize demand response," FERC wrote.

The order removes a requirement in the 2010 ruling that NYISO provide a list of criteria governing which payments are included in offer floor calculations. Instead, the commission will decide petitions for exemptions on a case-by-case basis.

The order granted rehearing on whether payments under Consolidated Edison's distribution load relief program and the New York State Energy Research and Development Authority rebate program should be excluded from the SCR offer floor.

That shift resulted in a partial dissent from Commissioner Norman Bay.

"The commission announced five years ago that it did not intend 'to interfere with state programs that further specific legitimate policy goals.' Yet that is precisely what the majority does today by declaring the ConEd and NYSERDA programs to be presumptively improper exercises of market power," Bay wrote.

The order denied rehearing on a challenge to the demand curve price used for calculating the default offer floor.

ISO-NE NEWS

After Delay, Split FERC Accepts ISO-NE Order 1000 Filing

By William Opalka

A divided Federal Energy Regulatory Commission last week accepted ISO-NE's second regional compliance filing to implement Order 1000, a filing that had languished for more than a year while the commission had only four members (ER13-193, ER13-196).

FERC largely affirmed its May 2013 order accepting ISO-NE's regional planning and cost allocation process. It found proposed revisions, filed by ISO-NE and the Participating Transmission Owners Administrative Committee in November 2013, largely complied with the directives in its first order, requiring the parties to make additional filings on some provisions.

In a post-meeting news conference, Chairman Cheryl LaFleur was asked if the delay meant the commission had been deadlocked at 2-2 in the time it awaited replacements for former Chairman Jon Wellinghoff, who resigned in November 2013, and John Norris, who stepped down last August. Norman Bay replaced Wellinghoff in August but the commission remained short one member until Colette Honorable was sworn in Jan. 5.

"That's a reasonable inference," LaFleur responded. "It was 3-to-2 the first time and it was 3-to-2 this time so it took five people to vote it out," she said.

Dissents over ROFR

The order affirms the commission's prior findings that ISO-NE must remove right-of-first-refusal provisions and that the *Mobile-Sierra* doctrine does not preclude that requirement. The *Mobile-Sierra* doctrine presumes that freely negotiated wholesale energy contracts are just and reasonable unless they are found to seriously harm the public interest.

Commissioners Phillip Moeller and Tony Clark partially dissented from the order, saying the majority did not adequately address concerns regarding the *Mobile-Sierra* doctrine.

"On rehearing, the commission again declines to provide the actual quantitative or granular analysis of public interest harm that is required to overcome the *Mobile-Sierra* protection previously granted. The result in the instant case is thus legally suspect," Clark wrote. "Moreover, the decision has the unfortunate side effect of calling into question the commission's commitment to upholding the regulatory certainty provided under our *Mobile-Sierra* decisions."

The majority wrote that "the commission must determine whether the instrument or provision at issue embodies either (1) individualized rates, terms or conditions that apply only to sophisticated parties who negotiated them freely at arm's length; or (2) rates, terms or conditions that are generally applicable or that arose in circumstances that do not provide the assurance of justness and reasonableness associated with arm's-length negotiations."

In granting a partial rehearing, ISO-NE is permitted to restore certain provisions that recognize the transmission owners' rights to retain use and control of their existing rights of way.

The commission found just and reasonable the proposal to allocate costs of public policy transmission upgrades 70% to the region based on load-ratio share and 30% to those states whose public policy necessitated the project. FERC gave ISO-NE 60 days to file additional modifications.

Additional Filings Required

The commission also required ISO-NE and the Participating Transmission Owners Administrative Committee to make additional compliance filings that:

- Specify a process for transmission providers to enroll in the transmission planning region;
- Describe the process through which participating transmission owners will identify transmission needs driven by federal public policy requirements that will be evaluated in the local transmission planning process and how they will be evaluated;
- Revise the definition of a nonincumbent transmission developer in the ISO-NE Tariff to require that a participating transmission owner that proposes to develop a transmission facility not located within or connected to its existing electric system enter into a nonincumbent agreement;
- Modify study deposit provisions to provide a description of the costs to which the deposit will be applied, how those costs will be calculated and an accounting of the actual costs; and
- Revise the ISO-NE Tariff and Operating Agreement to provide a consistent definition of the term "backstop transmission solution" and remove language that would require a Participating Transmission Owner to continue developing a backstop transmission solution beyond what was originally proposed.

PJM NEWS

PJM MRC/MC Preview

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

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

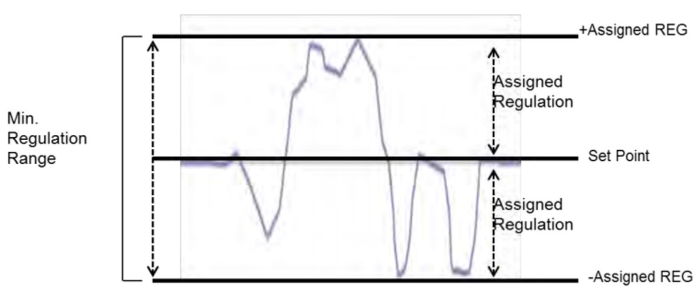
Markets and Reliability Committee

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

Members will be asked to endorse the following manual changes:

A. Manual 11: Energy & Ancillary Services Market Operations — Adds a method for screening of demand bids by load-serving entities. Bids would be limited to the LSE's calculated zonal peak demand reference point for the day plus whichever value is more, 30% of the reference point or 10 MW. PJM said the need for such limits was illustrated by the default of a retail provider in January 2014. Due to an input error, the company entered a demand bid about 100 times the retailer's actual load. (See *MIC Briefs*.)

B. Manual 12: Balancing Operations — Revisions describe the required regulation range, specifying that resources are required to symmetrically provide the total amount of regulation assigned. The changes also detail how performance evaluations are conducted and further define the basepoint around which the resource will be regulating.



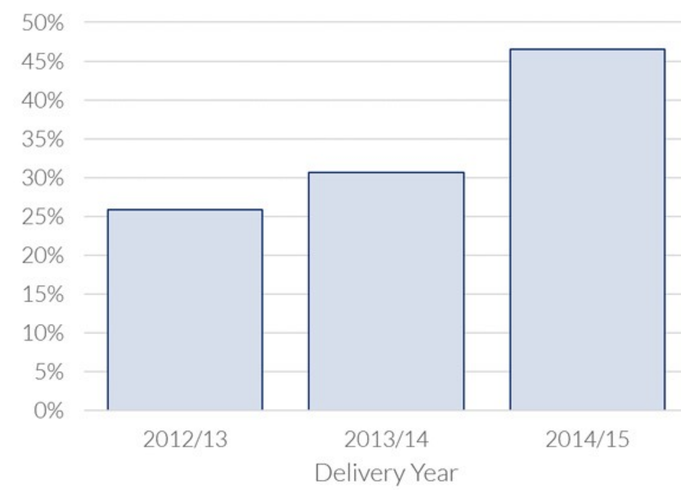
PJM requires resources to provide symmetrical regulation from their set points. (Source: PJM)

3. FTR REVISIONS (9:30-9:45)

Members will be asked to approve non-substantive revisions regarding financial transmission rights. The changes concern clearing deadlines, bilateral trades and Tariff references.

4. ENERGY MARKET UPLIFT SENIOR TASK FORCE (9:45-10:15)

Members will be asked to endorse revisions to rules regarding treatment of combustion turbine lost opportunity costs and a proposal that uplift be treated as an input to the Regional Transmission Expansion Plan. Under the new CT rules, PJM would use the generator's energy schedule to calculate opportunity costs except for self-scheduled units, for which the lesser of the available cost- or price-based curves would apply.



Percentage of cleared DR replaced before delivery year. (Source: PJM)

5. DEMAND RESPONSE FORECAST FOR USE IN RTEP (10:15-10:30)

Members will be asked to OK a proposed change to demand response modeling assumptions used in load deliverability analyses. The new method would use the average of the last three years of committed DR for each zone. (See *Change Proposed in PJM Demand Response Modeling*.)

6. FERC ORDER 1000 (10:30-10:45)

Members will be asked to endorse a $30,000 non-refundable fee for studying proposed transmission improvements with estimated costs of $20 million or more. The fee would apply to both greenfield projects and upgrades by incumbent transmission operators. The Federal Energy Regulatory Commission last month rejected an earlier proposal to exempt transmission upgrades from the study fee. (See *FERC Rejects Fee on Greenfield Transmission Projects*.)

Members Committee

CONSENT AGENDA (1:20-1:25)

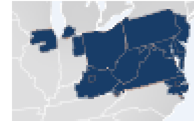
B. Members will be asked to approve Tariff and Operating Agreement revisions to implement Coordinated Transaction Scheduling (CTS) with MISO. The objective is to improve interchange scheduling efficiency by aligning energy scheduling with interface prices and adding the option for market participants to schedule energy transactions using an interface bid. (See *PJM, MISO Reach Agreement on New Interchange Product*.)

ENDORSEMENTS (1:25-1:40)

1. FERC Order 1000: See MRC agenda item #6, above.

— Suzanne Herel

PJM NEWS



Exelon, Pepco Ink Settlement with Md. Counties

Continued from page 1

Prince George's counties," Exelon spokesman Paul Adams told *RTO Insider*.

The agreements, filed with the PSC, bring with them a delay in a decision while the public is given time to weigh in.

The parties involved can submit testimony on the settlement until March 30. This is also the deadline for testimony on another settlement with The Alliance for Solar Choice filed March 2. Written public comments may be submitted through April 9.

Hearings Set for April

Evidentiary hearings are set for April 7-9. The PSC had planned to issue its decision on April 8; now it is shooting for April 29.

In a statement announcing the new schedule, the PSC said, "According to the request, the joint applicants have entered into two settlement agreements that they believe resolve all contested issues in this proceeding."

The Maryland Office of People's Counsel, however, continues to urge the PSC to reject the deal.

"Generally, we disagree with that," People's Counsel Paula Carmody told *RTO Insider* last week. "Our perspective is that the transaction is not good for our state, not good for ratepayers and not in the public interest."

Carmody noted the number of parties yet to be won over — among them the Maryland Energy Administration, the staff of the PSC and groups including the Coalition for Utility Reform.

That organization's counsel, Montgomery County Councilmember Roger Berliner, submitted a filing March 3 asking the PSC to require Exelon to increase its commitment to reliability, renewable energy and distributed generation.

"Exelon is trying to pick folks off, but appreciate the dynamic they face," Berliner said in an interview, echoing Carmody's list of critics.

People's Counsel Brief

In a brief filed with the PSC, the OPC said, "Nothing in the revised commitments or in the joint applicants' initial brief overcomes the substantial harms and risk that will result if the subject acquisition is approved."

It added, "The joint applicants' commitments that supposedly provide benefits — those concerning reliability, the Customer Investment Fund and low-income assistance — also provide little, if any, value."

The proposed conditions, OPC said, don't address what Maryland stakeholders will lose: "the ability and right to compare the policy proposals and performance of two investor-owned utilities serving customers in Maryland that are subject to the same laws and regulations."

"The concern about Exelon is that it will favor its nuclear power plants at the expense of renewable energy. In the absence of Exelon making a commitment to renewable and distributed energy in Maryland, I don't think this merger will be found in the public interest."

'Necessary but not Sufficient'

Berliner commended some of the settlement's aspects, in particular Exelon's agreement to pay $500,000 for the PSC to retain a consultant to study how to transform the electric grid; a commitment to improve reliability by 2018; and the creation of a $50 million "Green Sustainability Fund" to stimulate investment in solar, energy storage and other distributed generation.

"There are good things in the settlement with the counties," Berliner said. "But to use legal terminology, they are necessary but not sufficient. The bar is a little higher for this merger to be found in the public interest.

"I think they need to do more."

Maryland Gov. Larry Hogan has delayed the appointment of two new members of the PSC until after the five-member board rules on the Exelon deal. The governor has nominated Michael L. Higgs Jr., a telecommunications attorney, and Jeannette M. Mills, former chief customer service officer for Exelon's Baltimore Gas and Electric.

DC Opposition

Meanwhile, three members of the D.C. Council have penned a letter to the District's PSC urging the commission to reject the deal, saying that it is not in the public interest, as required by law.

Mary Cheh, Elissa Silverman and Charles Allen said the transaction creates a conflict of interest between Exelon, a producer of electricity, and Pepco, which buys electricity and distributes it.

"A producer looks for the highest prices for its product, but a buyer looks for the lowest prices," they said.

They cited the commission's 1999 approval of Pepco's proposed divestment of its generation assets as being in the public interest and yielding "non-monetary, but no less important, benefits to District ratepayers."

"With Pepco substantially out of the generation business," the PSC wrote at the time, "there will be less motivation for the company to act as an inhibitor to the development of a competitive generation market in the District."

The councilmembers concluded that "the only real beneficiaries of the takeover will be Pepco shareholders (Exelon is buying them out at a more than 24% premium over market value) and Exelon Corp. (which will capture a steady, reliable stream of revenue to offset its riskier generation assets)."

The D.C. Office of People's Counsel, which also is critical of the proposed deal, said last week that it was too early to tell if the settlement proposed in Maryland would benefit D.C. consumers.

"At this time, the Office of People's Counsel is focused on the evidentiary hearings" set for March 30 through April 8, People's Counsel Sandra Mattavous-Frye said. "There may be terms in the Maryland settlement proposal that may be of benefit to District consumers, but I still need more time to carefully examine the details and to determine whether any of these have value to the District of Columbia."

The acquisition has been approved by the staff of the Delaware PSC, 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.

SPP NEWS

FERC Rejects Order 1000 Waiver on SPP-SERTP Seam

By Chris O'Malley

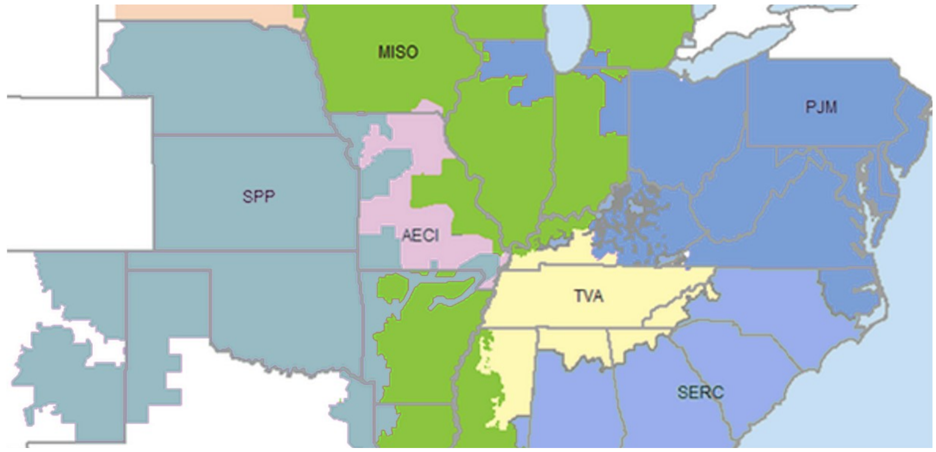
The Federal Energy Regulatory Commission said last week that SPP must engage in interregional coordination and cost allocation with the Southeastern Regional Transmission Process region (SERTP), rejecting the RTO's request for a limited waiver of Order 1000 requirements.

FERC's ruling came in a 94-page order that approved Order 1000 compliance filings by SPP and the SERTP utilities, subject to additional filings (ER13-1939).

SPP had argued its only interconnection to SERTP was via Associated Electric Cooperative Inc. (AECI), which supplies 51 local electric cooperatives in Missouri, Iowa and Oklahoma.

Because AECI is "a non-commission jurisdictional utility" that does not intend to revise its Open Access Transmission Tariff to implement Order 1000, SPP argued, it was impossible for the RTO to comply with Order 1000's requirements regarding the SERTP seam.

A waiver is also appropriate, SPP argued, because it and AECI already engage in interregional coordination through a joint operating agreement. The two regions have been exploring revisions to the JOA to provide "similar benefits that the requirements of Order No. 1000 intend to provide," SPP said.



SPP's seam with AECI. (Source: MISO)

FERC noted, however, that AECI voluntarily enrolled in the SERTP region. "As a result, SPP and SERTP are neighboring transmission planning regions," the commission said.

Large Number of Interconnections

FERC also said the RTO is connected to AECI "to a greater degree than SPP suggests" because of the large number of interconnections between AECI and 10 SPP members, including Kansas City Power & Light and Westar Energy.

The commission also rejected SPP's claim that FERC had set a precedent for its request when it granted a waiver to Maine Public Service Co. FERC noted that Maine Public Service is not interconnected to the United States but rather to Canada. That unique situation made it impossible to join a transmission planning region consistent with Order 1000.

The commission accepted interregional cost allocation filings by SERTP members Southern Co., Duke Energy Carolinas, Louisville Gas & Electric, Kentucky Utilities and Ohio Valley Electric Corp. with a few caveats.

FERC ordered the companies to provide identical language in provisions on cost allocation, data exchange and the identification of interregional transmission facilities.

FERC Nixes SPP Plan to Review TO Revenue Requirement Filings

The Federal Energy Regulatory Commission last week rejected SPP's proposal that the RTO review the information that transmission owners include in their initial revenue requirement filings after joining the RTO (ER15-859).

SPP filed the proposal with FERC in January as a result of a 2014 settlement reached with Southwestern Public Service Co. in a dispute over whether the transmission facilities of Tri-County Electric Cooperative were eligible to be included in SPP transmission rates (EL13-15, EL13-35).

SPP said the review process, which was unanimously approved by the SPP Members Committee, was intended to identify issues that might result in challenges to the initial rate filings. The RTO said it would have no authority to prevent a transmission owner from overriding SPP's concerns in its filing with FERC.

The Missouri Joint Municipal Electric Utility Commission, the Kansas Power Pool and South Central MCN, a competitive transmission company that plans to partner with electric cooperatives and municipal utilities in SPP, filed protests in February.

The commission said the proposed review process, which could take as long as six months after a new transmission owner's execution of the SPP membership agreement, was unreasonable.

"We agree with protesters that SPP's proposed six-month review process could unjustly and unreasonably impair a new transmission owner's ability to recover its costs," the commission said.

The commission said it recognized that SPP was attempting to create a consensus solution based on the 2014 settlement.

"However, we find that the review process SPP proposes to mandate here could unjustly and unreasonably impair a new transmission owner's ability to recover its costs for transmission service it provides under the SPP Tariff."

MISO NEWS

MISO, PJM Ponder List of 'Quick Hit' Upgrades

By Chris O'Malley

Faulted by some stakeholders for not approving cross-border transmission projects under terms of their joint operating agreement, MISO and PJM have identified what lower-voltage flowgate projects could be done quickly and cheaply on their own sides of the seam.

The RTOs have jointly identified more than two dozen flowgate projects that could relieve market-to-market congestion.

The list of upgrades includes at least 14 projects totaling more than $45 million on the PJM side and 12 totaling $59.5 million on the MISO side.

Eric Laverty, MISO's director of subregional planning, told his RTO's Planning Advisory Committee on March 18 that the projects were not identified as the result of complicated modeling but through simple analysis of congestion history during 2013 and 2014.

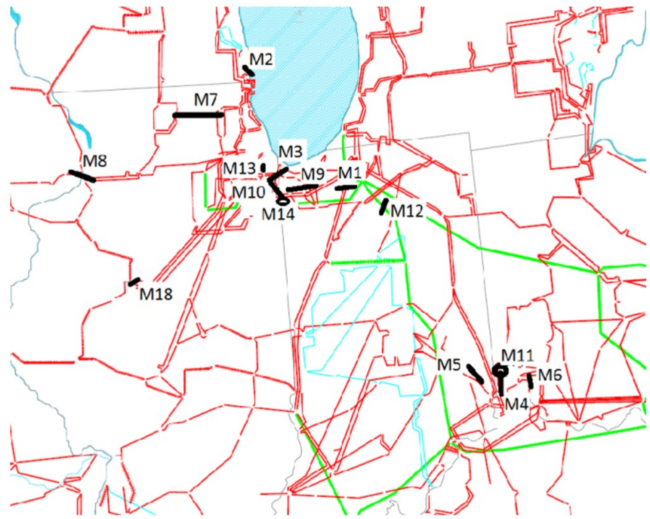
Flowgates that showed significant day-ahead and balancing congestion in 2013 and 2014, and M2M flowgates that caused auction revenue rights infeasibilities, were included. Solutions had to be completed and provide a payback on investment quickly. Greenfield projects were not considered.

"We didn't run these through a full set of futures for market efficiency-type analysis," Laverty said, sharing information from a recent PJM/MISO Interregional Planning Stakeholder Advisory Committee.

"Here's the cost. Here's what the congestion has been over the past couple years. Does this [upgrade] make sense?"

PJM engineers have been using production cost simulations to study issues on their side of the seam. Both RTOs modeled special transfer conditions, such as those resulting from high wind production and increased Michigan imports.

M1	Stillwell 345/138 kV -or- Stillwell_Dumont345
M2	Pleasant Prairie 22.8/345 kV Xfm # T2
M3	Burnham- Sheffield 345 kV
M4	Miami Fort-Hebron 138 kV
M5	Batesville - Hubbel 138 kV
M6	Todhunter 345/138 kV
M7	CherryValley - SilverLake 345kV
M8	Quad city - Cordova 345 kV
M9	Roxana Paraxair 138 kV
M10	Burnham - Munster 345 kV
M11	Miami Fort 345/138 kV
M12	WVPA Richland - Rochester Tap 69 kV
M13	17714-Hegewisch 138 kV
M14	Munster 345/138 kV
M18	Tazwell 345/138 kV Xfm # T1



Potential 'quick hit' M2M upgrades in MISO. (Source: MISO)

Smaller 'Quick Hits'

Laverty said the upgrades didn't amount to high-dollar projects, with the largest potential MISO project an $11.9 million upgrade at the Burnham-Sheffield 345-kV flowgate.

Also, "they're not rising to a reliability project yet," he said, but could grow more costly over time.

George Dawe, vice president of Duke-American Transmission Co., asked if the upgrades would be eligible for competitive solicitations if they were delayed and became reliability projects. Laverty said no. Later, referring to a potential southwest Michigan project, he added, "We don't know yet."

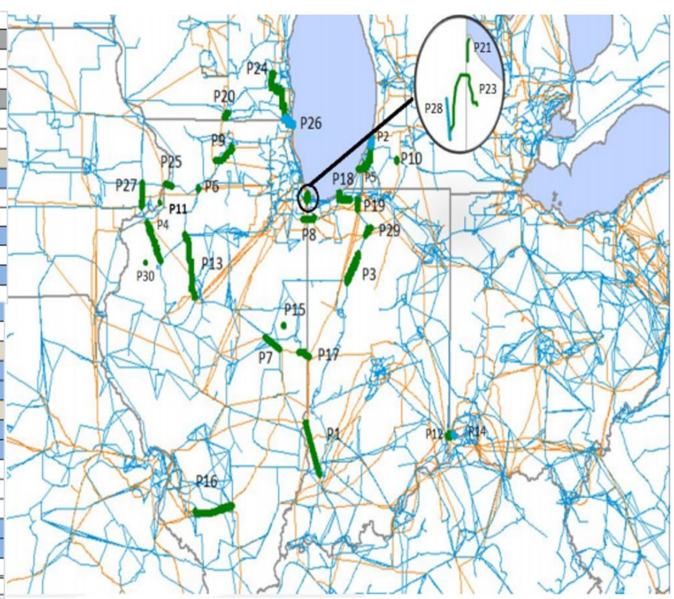
For now, PJM and MISO need "to get a pulse" of transmission owners to see if they have an appetite for making improvements. "It's a matter of building the business case for these projects," Laverty said.

These "quick hit" projects will be the subject of additional review at the April IPSAC meeting, with conclusions and recommendations likely in May.

The extent to which the projects improve conditions for utilities on the seams is yet to be seen.

Last December, Northern Indiana Public Service Co., a MISO member flanked by

P1	Breed-Wheatland 345kV
P2	Benton Harbor - Palisades 345kV
P3	Monticello-East Winamac
P4	Oak Grove-Galesburg 161k
P5	Cook-Palisades 345 kV
P6	155 NELS345KV 15503
P7	Rising 45TR1
P8	Crete-St Johns Tap 345
P9	Byron-Cherry Valley 0621 or 0622
P10	Cumberland-Bush 138 kV
P11	Beaver Channel-Sub 49 161 kV
P12	Miami Fort 345/138
P13	Kewanee-Edwards 138kv
P14	Miami Fort-Hebron 138 kV
P15	Rantoul-Rantoul JCT 138 KV
P16	PrairieState - WMtVernon 345 KV
P17	Bunsonville-Eugene 345 kV
P18	Michigan City - Laporte 138 kV
P19	Stillwell 345/138
P20	Paddock-Townline 138
P21	State Line - Wolf Lake 138 kV
P22	74 KEWAN 138 KV 6101 3
P23	BURNHAM345KV BUR-SHE1
P24	Arcadian-Zion 345 kV
P25	Beaver Channel-Albany 161
P26	Pleasant Prairie-Zion 345
P27	Davnprt-E. Calamus 161
P28	17714-Hegewisch 138
P29	Burr Oak-Plymouth 138 kV
P30	Galesburg 161/138 Xfm #2



Potential 'quick hit' M2M upgrades in PJM. (Source: PJM)

Continued on page 10

MISO NEWS

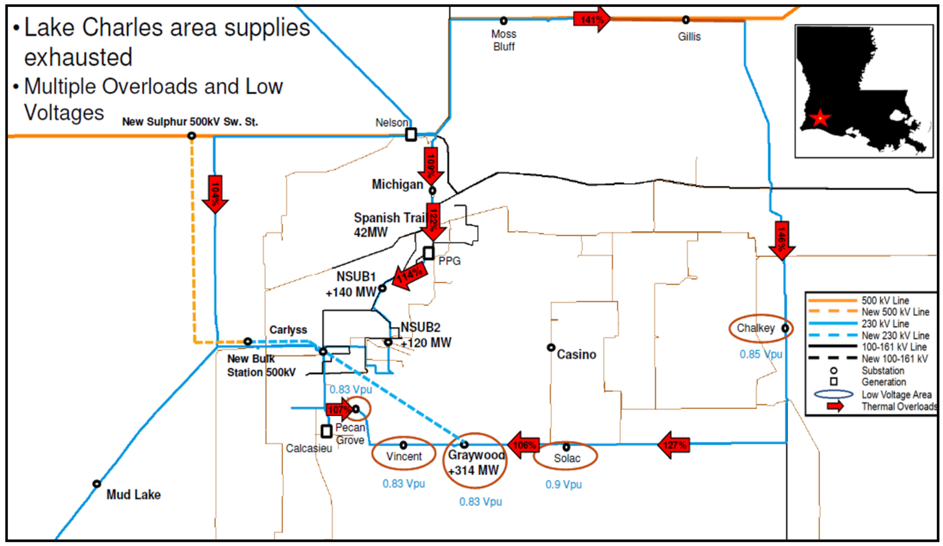
MISO Board Questions Execs on Entergy Out-of-Cycle Requests

Continued from page 1

In previous meetings and in letters to the board, critics have challenged Entergy's load forecasts as speculative and say the project's scale suggests benefits beyond that of a baseline reliability project, the only type of project permitted under MISO's out-of-cycle procedure. They questioned why Entergy didn't see large industrial growth coming early enough to include it in the MISO Transmission Expansion Plan (MTEP), instead of asking for out-of-cycle approval that deprives transmission developers an opportunity to compete.

The critics also said MISO failed to conduct a thorough review of the Lake Charles project as required under the RTO's rules. The IPP sector said that the business practice manual for transmission planning (BPM-20) provides for up to six months of study for an out-of-cycle review and that it implies multiple Technical Study Task Force meetings are possible during the review. MISO conducted just one task force meeting before endorsing the proposal at the PAC meeting, the IPP sector said.

Jeffrey Webb, senior director of expansion planning, countered that the BPM does not require an "extended series of meetings." Webb also said MISO had no authority to reject a transmission owner's load forecasts.



MISO reliability analysis of Lake Charles projected load growth. (Source: MISO)

Need Questioned

Kip Fox, representing the Competitive Transmission Developer sector, listed a series of industrial projects that have been shelved or delayed — evidence, he said, that much of the growth expected at Lake Charles is speculative.

"It is not speculative," responded Charles Long, director of transmission planning for Entergy. "Certainly with any forecast there's uncertainty. But I can tell you there's enough need coming to Lake Charles to necessitate this project." Entergy says more than 500 MW of new load is under contract with another 300 MW "probable" this year.

MISO presented an analysis showing the increased load would cause voltage problems and thermal overloads as high as 146% of line ratings. (See map.)

Board Chairman Judy Walsh expressed support for staff, saying she was "sort of skeptical that [MISO's review was] not robust enough."

She also voiced reservations over whether MISO should "become the validators of load" projections.

But she also expressed concern that while Entergy might save eight months by winning approval as an out-of-cycle project rather than submitting it for inclusion in the MTEP process, "you could lose that [time] in a dispute at FERC."

Moeller said those skeptical of Entergy's forecasts can challenge the company when

Continued on page 21

MISO, PJM Ponder List of 'Quick Hit' Upgrades

Continued from page 9

PJM in eastern Indiana and Illinois to the west, complained to the Federal Energy Regulatory Commission that the RTOs haven't approved a single cross-border transmission upgrade project under the JOA (EL13-88). FERC ordered a technical conference on the issue.

Market Congestion Projects

MISO's Planning Advisory Committee also received an update Wednesday on potential "high-benefits-to-cost" solutions involving 14 congested flowgates in four areas: southern Indiana, southern Illinois, northern Indiana/southeast Wisconsin and Iowa/Minnesota.

Seventeen transmission developers submitted 45 solutions, including 10 carried over from the 2014 market congestion planning study. Twelve of the 45 proposals passed the benefit-cost threshold.

The projects identified in southern Illinois and southern Indiana show particular promise as "those two areas have been hammered by congestion," said Digaunto Chatterjee, senior manager of economic studies.

Chatterjee said MISO has been studying some areas of the grid "over and over and over" enough to know they stand out as particularly problematic.

"These are real problems with real market participants that have real pain," he said.

FERC NEWS

FERC: 2014 a Record-Breaking Year for Natural Gas

By Rich Heidorn Jr.

WASHINGTON — Natural gas demand and production both set records in 2014, while gas trading declined for the fourth straight year, the Federal Energy Regulatory Commission reported last week.

Natural gas developments dominated FERC's annual State of the Markets presentation in a year that also saw higher electric prices.

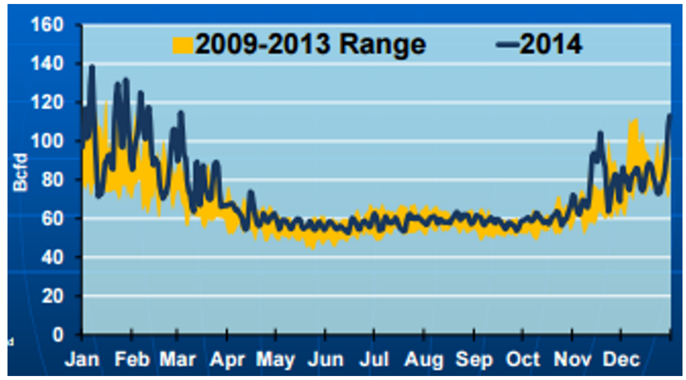
Demand and Production

The coldest winter in more than a decade helped push natural gas demand to a record 70.7 Bcf/d, with residential and commercial demand up 3% and industrial demand increasing 2%. The record came despite a cooler-than-normal summer, which resulted in a 3% decline in gas demand for electricity generation.

Natural gas production grew 5% to an average of 68.4 Bcf/d, breaking the previous record from 2013. The Marcellus shale formation in Pennsylvania and the Eagle Ford shale play in Texas were responsible for more than one-third of the production increase.

Despite the crash in crude oil prices — from $115 per barrel in mid-June to $53 at the end of December — natural gas production has remained above 71 Bcf/d in 2015, above levels for the same time last year.

Following last winter, the U.S. had only 822 Bcf of natural gas in storage, the lowest level since 2003. But a record injection totaling almost 2.8 Tcf — almost 10% above the previous high — returned storage levels to 3,611 Bcf by Nov. 1, only 5% less than the five-year average.



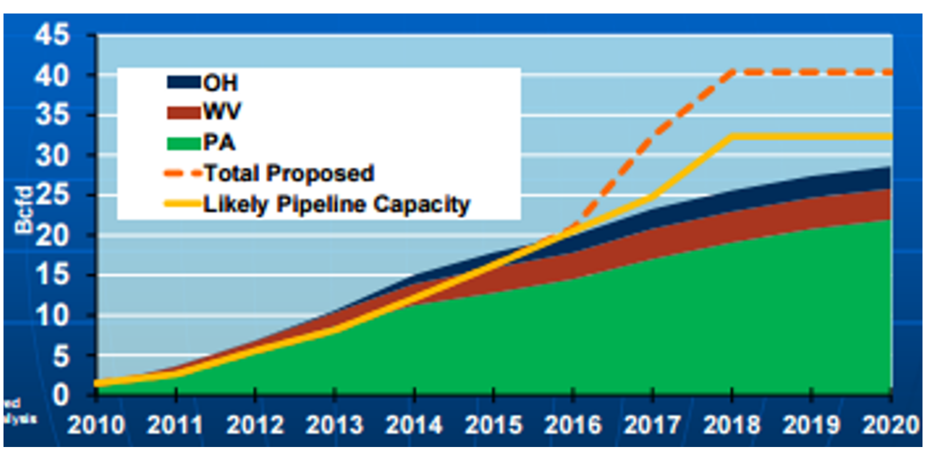
Record U.S. natural gas demand in 2014
(Source: FERC 2014 State of the Markets)

New Pipelines

Almost 4 Bcf/d of new pipeline capacity entered service in the Marcellus and Utica shale regions in 2014, including 1.5 Bcf/d in gathering lines and about 2.5 Bcf/d to serve Northeast demand. Still, a lack of pipeline capacity resulted in prices below $2/MMBtu in parts of the Marcellus region. Future pipeline expansions are planned to deliver Northeast gas to markets in eastern Canada, the Midwest, the Southeast and the Gulf Coast.

The summer of 2014 resulted in several firsts, with the Northeast becoming a net gas exporter and New York and Boston recording gas prices below Henry Hub.

The commission said forward price curves indicate that natural gas, rather than coal, will be on the margin for the balance of 2015, as it was in 2012. That, commission staff said, could result in coal-fired generation displacing some gas generation this summer. "If oil prices remain at current levels, we could continue to see increased use of oil for power generation," FERC added.



Infrastructure is struggling to keep pace with Marcellus production.
(Source: FERC 2014 State of the Markets)

Gas and Renewables Continue to Displace Coal

The U.S. added 10.8 GW of electric generating capacity in 2014, after showing a net loss of 3 GW in 2013 due largely to coal and nuclear retirements.

Natural gas capacity rose by 7.7 GW, while wind capacity grew by 5 GW. Solar added almost 4 GW.

Financial Trading

RTOs increased their dominance of financial trading with 96% of electricity products traded outside ERCOT occurring at an RTO hub, up from 92% in 2013. Only NYISO and PJM saw increases in trading volumes for the year, with PJM increasing its market share to 73% of trading on Intercontinental Exchange, an increase from 68% in 2013.

Natural gas trading volumes on ICE dropped by more than one-quarter in 2014, the fourth decline in a row. "Less volatile prices hurt speculative trading profits; this caused companies, particularly large banks, to reduce or eliminate their trading exposure," the commission said.

Electricity Prices

Despite essentially no increase in electricity demand, average spot prices rose across the country last year, largely due to high prices in the first quarter. The largest increase was in PJM, where average on-peak day-ahead prices at the Western Hub rose 38% to $63/MWh.

FERC NEWS

Protests Continue at FERC — on Camera

By Rich Heidorn Jr.

WASHINGTON — About 10 protesters were led or carried out of the Federal Energy Regulatory Commission's open meeting last week after defying the commission's "no interruptions" rule with chants of "Stop construction at Cove Point!"

FERC security leads a chanting protester out of the commission's open meeting last week, as reporters capture the action on camera. Photography had been banned from open meetings until a March 9 order from FERC. © RTO Insider

Ted Glick, national campaign coordinator at the Chesapeake Climate Action Network, briefly resists security guards attempting to escort him out of the FERC meeting. © RTO Insider

On March 9, the commission issued an order saying it no longer will allow protesters to read statements before its meetings, as Chairman Cheryl LaFleur previously had permitted since the activists began appearing regularly at commission meetings last fall.

The new policy came after protesters — no longer content to read a statement before the session — disrupted January's open meeting and a February technical conference on the Clean Power Plan. (See *FERC Cracks Down on Protesters*.)

The order also ended the commission's ban on the use of cameras — which meant that the first test of the new policy was captured by photographers, including those from *Politico* and *RTO Insider*.

The commission's secretary began the meeting by reading a summary of the new policy, which also was posted on a large sign outside the meeting room.

Immediately thereafter, two protesters stood up, facing the commissioners, but were confronted by security as they attempted to speak. One of the protesters was Ted Glick, national campaign coordinator at the Chesapeake Climate Action Network. Glick had previously said he did not think the order expressly prohibited unscheduled speakers.

As the two were being ejected, seated protesters — like the others, wearing red T-shirts with slogans such as "FERC Doesn't Work" — took up the chant and were led from the room.

Finally, a group that had taken seats on the floor in front of the audience were forced to leave.

The commission briefly left the meeting room during the episode, which lasted for about four minutes. Security guards said later that the protesters were escorted out of the building. No one was arrested.

Over the past year, FERC has been the target of environmental activists over its approval of natural gas pipelines and export terminals, including Dominion's Cove Point site on the Chesapeake Bay near Lusby, Md., which is now under construction.

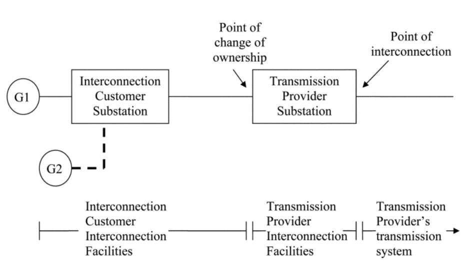
The challenge of dealing with the protesters now falls to Commissioner Norman Bay, who is scheduled to replace LaFleur as chairman on April 15. Beyond Extreme Energy, the organization that has been coordinating the protests, said it is hoping to attract more than 500 demonstrators to FERC in May.

In November, about 100 climate change protesters blockaded FERC headquarters, snarling traffic on First St. N.E. About 25 were arrested. (See *Federal Briefs*, Nov. 3, 2014.)

Generator Tie Lines Exempted from OATT Rules

Generation owners will be exempted from federal open access transmission rules, allowing them to reserve excess capacity on their tie lines for the first five years of operation, under an order approved by regulators last week.

The Federal Energy Regulatory Commission, which has been studying the issue since a 2011 technical conference, said it will grant a blanket waiver from Open Access Transmission Tariff (OATT) requirements for "interconnection customer's interconnection facilities," or tie lines (RM14-11).



Under previous policy, a tie line owner must make excess capacity available to third parties unless it can justify its planned future use of the line. The new rule creates a five-year "safe harbor" period during which a tie line owner is assumed to have plans to use the excess capacity on its facilities.

The order eliminates the need for generation owners to seek OATT waivers, a requirement that the commission said created an undue burden. "While the commission has processed scores of requests for transmission tariff waivers in recent years, a third party has requested service, and thus required the interconnection customer to file a tariff, in only four instances total," commission staff said in a presentation on the new rule.

Third parties seeking to obtain access to tie lines can do so through the procedures applicable to requests for interconnection and transmission service under sections 210, 211 and 212 of the Federal Power Act, which allow tie line owners to negotiate access with third parties.

FERC NEWS

LaFleur Chairmanship Ending; Bay to Take Gavel

Continued from page 1

which wanted Bay named chairman immediately, and Senate Republicans, who wanted LaFleur to remain in charge.

While LaFleur won confirmation 90-7, Bay — attacked by some Republicans for his lack of regulatory experience and controversies over his role as Enforcement director — cleared on a 52-45 party-line vote. With the Republicans now in control of both houses of Congress, he will enter the chairmanship without LaFleur's reservoir of goodwill.

Among the immediate challenges Bay will face is how to handle protesters who have become fixtures at commission meetings. (See related story, *Protests Continue at FERC — on Camera*, p. 12.) He also will be seeking consensus on the commission's role in ensuring reliability isn't harmed as a result of federal regulations on carbon dioxide emissions. (See *FERC Seeking Its Role on Carbon Rule 'Safety Valve'*.)

LaFleur was appointed acting chairman in late November 2013 to replace Jon Wellinghoff. After LaFleur and Bay were confirmed by the Senate, President Obama removed the "acting" from LaFleur's title.

At Thursday's meeting, LaFleur's fellow commissioners, FERC staffers and audience members celebrated her tenure with a standing ovation. Bay thanked her for what he called her "outstanding leadership."

"As passionate as she is about Boston area sports teams," he said of LaFleur, who dons Red Sox and Patriots jerseys at commission meetings when her teams are in the playoffs, "I think she's even more passionate about the work of FERC."

In a press conference after the meeting, LaFleur cited the commission's work on capacity and energy markets, natural gas infrastructure, physical security of the grid and geomagnetic disturbances as among the accomplishments of her tenure in the commission's center chair.

She also will leave her mark with appointments of new heads for the Office of Energy Market Regulation, the Office of Energy Policy and Innovation and the General Counsel's office.

"The work of the commission takes place over a long time horizon and so I built on the work of my predecessors," she said. "And that work will still be ongoing in the new configuration of the commission."

She also took note of the turbulence of 2014, with uncertainty over her reappointment, the early departure of Commissioner John Norris and an inspector general's investigation into the release of sensitive security information under Wellinghoff. (See *Dust Settled, LaFleur Sees Improved Morale at FERC*; *DOE IG Warns FERC Information Security 'Severely Lacking'*.)

"From a very personal perspective, I think providing what I hope was steady and sustained leadership to the commission — at a time when it had been through a lot of upheaval during the inspector general investigation and some unexpected things that took place at a time when I didn't even know my own future — is what … I take most satisfaction from."

Bay's ascension to the chairmanship may not be the last of the changes this year on the 11th floor of 888 First St. N.E.

Republican Commissioner Philip Moeller's term expires June 30. Moeller said earlier this month he would consider a new term but gave no indication that he will be renominated.

"I'm still enjoying it," he told *RTO Insider*. "I've gotten a lot of encouragement to stick around. But ultimately it's up to the Senate and president. Stay tuned."

FERC Rejects Dominion Rate Request

By Michael Brooks

The Federal Energy Regulatory Commission last week rejected Dominion Virginia Power's request to push back the effective date for a rate revision by more than year, a change that would have cost transmission customers $11.1 million (ER15-856).

Dominion had asked FERC to change the effective date of revised transmission depreciation rates from April 1, 2013, to Jan. 1, 2012. FERC approved the revised rates last April.

FERC said changing the date would violate its rule against retroactive ratemaking, a charge the North Carolina Electric Membership Corp. made in a February protest to the request. (See *NCEMC: Dominion Request is 'Retroactive Ratemaking'*.)

"The filed rate and retroactive ratemaking doctrines both bar a public utility from charging a rate other than the rate properly filed with the commission, and similarly bar the retroactive imposition of an increased rate for service already provided," FERC said. "However, this is precisely what Dominion proposes to do in the instant filing … by now proposing to charge customers an additional $11.1 million from Jan. 1, 2012, through March 31, 2013."

Dominion said it requested the extension because of a Virginia State Corporation Commission ruling that increased its depreciation expense and accumulated depreciation effective Jan. 1, 2012 — the date of a depreciation study commissioned by Dominion. The SCC told FERC it supported Dominion's request, saying it is standard practice to use the date of the study as the effective date for changes in depreciation rates.

FERC responded that "we are not suggesting that a Jan. 1, 2012, effective date would be inappropriate for retail rates, which is within the purview of the states. In this case, however, Dominion will receive all of its transmission operations and maintenance expenses through its formula rate, and its allowed rate of return and associated income taxes on all unrecovered plant balances. Furthermore, the commission has previously accepted rates that reflect regulatory differences from what this commission requires for accounting purposes and what state commissions require for state rate purposes."

FERC NEWS

FERC Approves NERC Risk-Based Registry

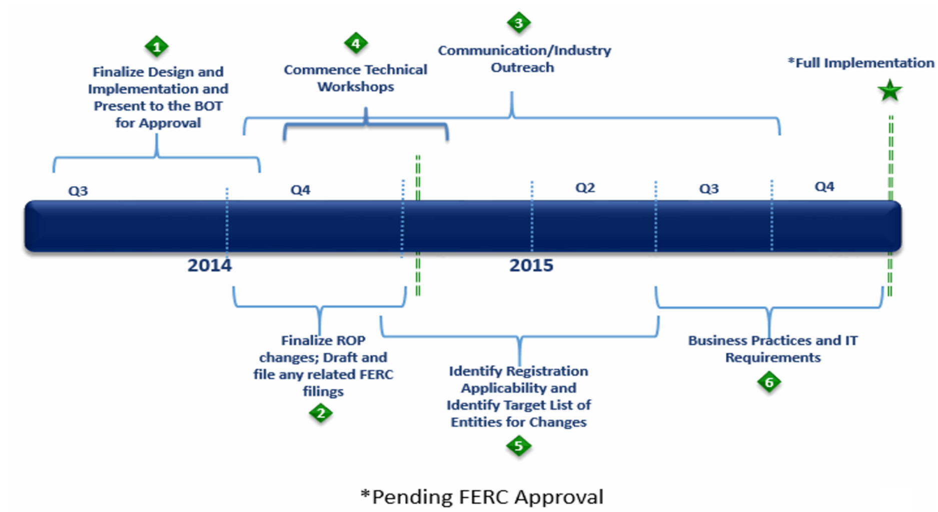
By Rich Heidorn Jr.

About 500 organizations will be relieved of some grid reliability regulations and another 200 exempted entirely under the North American Electric Reliability Corp.'s new method for classifying entities under its jurisdiction.

The Federal Energy Regulatory Commission last week approved NERC's Risk-Based Registration (RBR) initiative, with a few modifications and caveats (RR15-4).

The order approves NERC's proposals to:

- Remove purchasing-selling entities and interchange authorities as functional registration categories. Because these entities' activities are commercial in nature, their removal poses little or no risk to reliability, NERC said. FERC rejected a proposal to also remove load-serving entities from registration, ordering NERC to provide more information to ensure that there are no reliability gaps.
- Raise the threshold for registering entities as distribution providers to those with loads of 75 MW or more, up from 25 MW. NERC also will provide a subset list of reliability standards to distribution providers that are subject to NERC rules solely due to their operation of underfrequency load shedding protection systems. The change is expected to affect about 100 entities, representing less than 1% of load served by NERC-registered distribution providers.
- Align five functional registration categories with the 2012 revised definition of the bulk electric system.



NERC risk-based registration timeline (Source: NERC)

- Make procedural changes to its registration process, including the introduction of a "materiality" test for registration.

NERC's Compliance Registry currently lists more than 1,600 organizations responsible for about 4,300 reliability functions under 15 functional entity categories.

The commission said the changes would allow regulators to focus resources on entities with the greatest potential impact on reliability.

NERC said the changes will reduce regulation of about 700 organizations, with about 200 exempt from all NERC rules, and another 500 removed from some registrations while remaining regulated under others. For example, interchange authorities, which verify and communicate interchange schedules, are also registered as either a balancing authority or reliability coordinator.

FERC Chairman Cheryl LaFleur called the changes "another significant step in the evolution" of the mandatory reliability standards ordered by the Energy Policy Act of 2005.

In February, FERC approved NERC's risk-based approach to reliability compliance monitoring and enforcement, which will reduce the kinds of reliability violations subject to NERC enforcement, with "minimal"-level risk issues subject to less oversight (RR15-2). (See *New NERC Enforcement Methods Allow Self-Logging Minor Risk Issues*.)

Commissioner Norman Bay said that it is "incumbent on NERC to show that reliability is in fact being enhanced" as a result of the changes.

FERC Accepts Formula Rate Protocols from MISO, SPP, PJM Utilities

The Federal Energy Regulatory Commission last week accepted revised transmission formula rate protocols by four SPP and MISO utilities that had deficient protocols.

The commission also accepted a new protocol from Louisville Gas & Electric and Kentucky Utilities, a PJM member in Kentucky and Virginia.

While accepting the filings, FERC required further compliance filings within 60 days from Black Hills Power, which serves parts of South Dakota, Wyoming and Montana; Empire District Electric Co., with territory in Missouri, Kansas, Oklahoma and Arkansas; Kansas City Power & Light and KCP&L Greater Missouri Operations, with customers in Missouri and Kansas; and Westar Energy, which serves parts of Kansas.

The commission ordered the revisions for the SPP in July 2014, saying the existing protocols had impeded the ability to review and appeal transmission owners' cost claims. The commission ordered similar revisions for MISO transmission owners in 2013. (See *FERC OKs MISO, TO Rules on Formula Rate Challenges*.)

The commission found that the provisions related to rate challenge procedures and transparency in all of the filings generally comply with directives in the July 2014 orders, but they required some additional modifications.

COMPANY BRIEFS

TVA Halts Major Construction For 20 Years After Watts Bar

The Tennessee Valley Authority, releasing its 20-year integrated resource plan, said it anticipates no new major power generation projects after the Watts Bar 2 nuclear facility, which is scheduled to start operations at the end of the year.

According to the plan, TVA predicts slow load growth and says it will be able to replace retiring coal plants with purchased power, energy efficiency or moderate construction plans. It said 26 of its 59 coal-fired plants will retire by the end of next year. There are no plans to restart construction at the Bellefonte Nuclear Power Plant in Alabama, where it has already invested $6 billion.

"We really don't see an immediate need for any new large baseload capacity beyond what we already have underway," TVA Vice President Joe Hoagland said.

More: *Chattanooga Times Free-Press*

Fire at Xcel's Black Dog Station Injures Worker

A fire in a coal bunker last week at Xcel Energy's Black Dog Generating Station in Burnsville, Minn., injured one worker and forced the evacuation of dozens of others, but operations at the 538-MW plant were unaffected.

The cause of the fire and explosion in the Unit 4 coal bunker is under investigation. The same plant experienced a fire and explosion in 2010 that destroyed 200 feet of the plant's west wall. Three firefighters were injured in that blaze.

More: *PennEnergy*

Philip Morris, Dominion Building Largest Solar Facility in Virginia

Dominion Virginia Power and Philip Morris USA are building a 2.4-MW solar plant on the grounds of a Philip Morris facility in suburban Richmond.

The 8,000-panel solar farm will be Virginia's biggest. Dominion has built and operates 4.8 MW of solar generation in Virginia. It plans to increase solar capacity up to 200 MW by 2020.

More: *PennEnergy*

PSEG Takes Salem 1 Offline After Missing Repair Deadline

PSEG Nuclear took Salem Unit 1 offline after missing a Nuclear Regulatory Commission-imposed repair deadline.

Workers at the 1,150-MW unit were unable to restart one of five cooling units in the containment area. NRC regulations say if one cooling unit remains inoperable for seven days, the reactor must be shut down.

Salem 1 is the oldest of three units that PSEG Nuclear operates at its site on Artificial Island on the Delaware River in southern New Jersey. The company did not say when the plant would go back into operation.

More: *The News Journal*; *NJ.com*

NextEra Proposes 150-MW Wind Farm in North Dakota

NextEra Resources has begun to reach out to property owners about its plans to build a $250 million 150-MW wind project in eastern Stark County, N.D.

According to an application filed with the state Public Service Commission, NextEra would spread 87 wind turbines over about 61 square miles. It has secured a 30-year power purchase agreement from Bismarck-based Basin Electric Power Coop. for the output.

NextEra has 11 North Dakota wind farms.

More: *Dickinson Press*

AEP Wins Permission to Cut Customers' Power Remotely

The Public Utilities Commission of Ohio last week granted American Electric Power's request to remotely disconnect delinquent electricity customers, becoming the first Ohio utility to use its smart meters to shut off service without conducting a home visit.

AEP said it will not apply the policy to some vulnerable customers, including those with mental disabilities or who rely on medical equipment. Customers still will receive several warnings before their power is shut off. Consumer advocates opposed the change, saying it will lead to an increase in disconnections.

The new policy, which applies to 132,000 customers, will go into effect Aug. 1 and last for two years, when AEP will have to reapply.

More: *Columbus Dispatch*

Williams Gets Green Light For Rock Springs Expansion

Williams has received federal approval to construct and operate a $79.5 million, 11-mile expansion to its Transcontinental Pipeline to deliver gas to Old Dominion Electric Coop.'s new Wildcat Point Generating Facility in Cecil County, Md.

The Rock Springs Expansion Project is expected to provide 192,000 dekatherms daily of firm natural gas transportation service to the power plant.

More: *FERC*; *Williams*

FE Wants to Ship Mansfield's Ash to Hatfield's Ferry Plant Site

FirstEnergy wants permission to ship the coal ash from its Bruce Mansfield Plant in Beaver County, Pa., to an existing dump at a closed power station in Greene County to the north.

The Akron company faces a 2016 deadline to close the current landfill that receives Bruce Mansfield's waste, but its first choice for an alternative, a closed strip mine in neighboring Fayette County, needs a dewatering facility that has not yet received permits. Until the strip mine site is built, FirstEnergy wants to deliver the ash to the Hatfield's Ferry Power Station site, where the power plant closed in 2013, but its ash landfill still has "several years" of capacity, a company spokeswoman said.

More: *Pittsburgh Business Times*

-- Compiled by Ted Caddell

FEDERAL BRIEFS

Interior Department Releases Rules For Fracking on Federal Lands

The Department of the Interior on Friday released its long-awaited rules for oil and gas development on federal and tribal lands, which could set a nationwide standard for the controversial practice of hydraulic fracturing.

The new rules require more stringent standards for storage of wastewater produced from fracking and for drilling companies to disclose chemicals used in the hydraulic fracturing process. Exploration companies will also have to provide more information about nearby existing wells, which can inadvertently become pathways for fracking fluids to migrate into groundwater.

"We need to update our regulations to make sure they can keep up with evolving technologies and innovation by industry," Interior Secretary Sally Jewell said.

While the rules will govern only about a tenth of drilling sites, mostly in Western states, the new regulations set a national standard that might be applied to states where oil and gas regulations are more lenient. "We think this is going to be a template for how the federal government expects the states to regulate water as part of their own oversight of fracking," said Kevin Book, managing director of energy research firm ClearView Energy Partners.

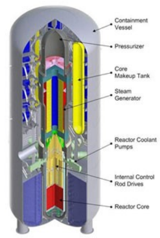
The oil and gas industry's supporters criticized the rules as too harsh and said they would increase costs for drillers whose margins already have been depressed by slumping energy prices. "America's energy boom is one of the best things going for our economy and keeping it going should be one of the federal government's top priorities," said House Speaker John Boehner (R-Ohio).

Some environmental groups said the rules weren't stringent enough. The rules have been in the works since 2012 and took into account 1.5 million public comments.

"There is a lot of fear and public concern, particularly about the safety of groundwater and the impact of these operations," Jewell said. "We believe these standards are essential."

More: *The Wall Street Journal* (subscription required); *The Hill*

NRC Gives Westinghouse OK To Test Modular Reactor



The Nuclear Regulatory Commission has given Westinghouse Electric permission to test its small modular reactor design after the company satisfied a safety review that began in 2012.

The NRC issued its Safety Evaluation Report after the company submitted detailed analyses on what would happen in the event of a small loss of coolant accident, or LOCA. Westinghouse said its passive safety systems eliminate the potential for a larger LOCA.

The 225-MW pressurized water reactor's design is adapted from the company's larger AP1000 reactor, which received a design certification amendment from the NRC in 2011.

More: *Nuclear Street*

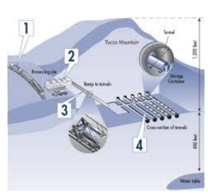
NRC Denies Vt.'s Request to Delay Review of Vermont Yankee Decom.

The Nuclear Regulatory Commission denied a request by Vermont officials to delay a review of the permanent shutdown of the Vermont Yankee nuclear plant.

State officials have expressed concern that Entergy, the plant's operator, wants to cut emergency preparedness procedures for the plant during decommissioning. The NRC said the state did not file a timely request to delay the review by the Atomic Safety and Licensing Board. The commission said the state could refile its request.

More: *Bennington Banner News*

NRC Paying for Yucca Groundwater Studies



The Nuclear Regulatory Commission plans to spend $2 million to complete a groundwater impact study for the site of the Yucca Mountain nuclear waste storage facility.

The Department of Energy, which is no longer interested in developing the site, decided not to fund the groundwater study. The NRC, which is considering revitalizing the nuclear waste storage project, announced it will fund the study ahead of public sessions scheduled for September.

More: *Las Vegas Review-Journal*

DOE Buying 5M Barrels of Crude To Replace Stock Sold Last Year

The Department of Energy is buying 5 million barrels of crude oil to replace an amount it sold last year out of the U.S. Strategic Petroleum Reserve in a test sale.

The markets are working in the government's favor, as oil prices have plummeted more than 50% since March 2014, when it sold the oil for an average price of $93.75 a barrel. The average price of sweet crude was about $47.05 a barrel last week.

By law, the department is required to replace any stocks sold within a year. The strategic petroleum reserve, with a total capacity of 727 million barrels, currently stands at about 691 million barrels.

More: *The Wall Street Journal* (subscription required)

UD Declines Congressional Request For Funding Info on Climate Denier

Grijalva

The University of Delaware declined a request from the ranking Democrat on the House Committee on Natural Resources to disclose the funding received by David R. Legates, a climate-change skeptic.

U.S. Rep. Raul Grijalva of Arizona demanded to know the sources of funding for Legates, a climatology professor who has co-authored several contrarian studies with Wei-Hock Soon, who received funding from the Southern Co. Legates was the state climatologist until he was fired in 2011, in part for refusing to stop using his title when spreading his skeptical views on climate change.

The university cited academic freedom for declining to provide Legates' funding sources.

More: *Inside Climate News*

Continued on page 17

FEDERAL BRIEFS

Continued from page 16

NRC Gives Environmental OK For TVA's Sequoyah Nuke Plant

The Nuclear Regulatory Commission has approved the environmental assessment required for a 20-year license extension at the Tennessee Valley Authority's Sequoyah Nuclear Power Plant in Soddy-Daisy, Tenn.

The NRC approved the assessment at the twin-unit plant despite challenges from activists who argued that TVA hasn't made necessary safety improvements in response to the Fukushima disaster in Japan. "The NRC side-stepped most of the complaints that we raised," said Louis Zeller, executive director for the Blue Ridge Environmental Defense League.

If the final license extension is approved, TVA would be able to operate both 1,148-MW units until 2041.

More: *Chattanooga Times-Free Press*

Sequoyah nuclear plant (Source: NRC)

-- Compiled by Ted Caddell

STATE BRIEFS

DELAWARE

PSC Approves Increase In Bloom Energy Subsidy

Bloomenergy

The Public Service Commission has approved an increase in the subsidy that Delmarva Power customers pay to fuel cell manufacturer Bloom Energy. The surcharge, adjusted periodically, will cost a typical customer about $4.34 a month.

Bloom Energy enjoys a 21-year deal under a 2011 law that guarantees revenue for power generated from its 30-MW fuel cell operation. In exchange, Bloom has to guarantee jobs and an ongoing operation in Delaware. Bloom currently receives about 16.687 cents/kWh, more than Delmarva's 10.75-cent/kWh advertised rate.

More: *The News Journal*

ILLINOIS

ComEd Unveils 11th-Hour Clean Energy Bill

ComEd. An Exelon Company

Commonwealth Edison supporters have introduced another clean-energy bill into the mix as state lawmakers spar over conflicting visions of renewable power legislation.

ComEd's bill, introduced by Sen. Kimberly Lightford (D-Maywood) and Rep. Bob Rita (D-Blue Island) aims to foster growth in clean energy for households, such as solar power, and for microgrids to provide greater reliability and resiliency.

The utility also proposes a $100 million program to build 5,000 Chicago-area electric vehicle charging stations.

Some suspect the bill is intended to build support for other legislation backed by ComEd parent Exelon, which would create a ratepayer surcharge to subsidize carbon-free nuclear power. (See *Exelon-Backed Bill Proposes Surcharge to Fund Illinois Nukes*.) Environmentalists and green energy advocates are supporting a third bill they say would create tens of thousands of new jobs by boosting state goals for renewable power and energy efficiency.

More: *Crain's Chicago Business*

IOWA

Senate Likely To Allow IUB Selection To Stand Without Investigation

Senate Democrats say they won't challenge the appointment of Geri Huser to chair the Utilities Board.

Gov. Terry Brandstad picked Huser, identified as a business-friendly former state representative, to succeed Republican Libby Jacobs as board chairwoman. Jacobs will remain on the three-person board. Sheila Tipton, a Democrat with a legal background in utilities regulation, was not reappointed.

Huser

Huser's appointment came a month after the board ordered MidAmerican Energy to refund $2 million to customers. A MidAmerican Energy executive confirmed that the company recently met with the governor and criticized the refund decision. (See *MidAmerican's Fingerprints on Shakeup of Iowa Utilities Board?*)

More: *The Des Moines Register*

KANSAS

Renewables' Tax Exemption to Be Limited to 10 Years

A bill before the Senate Assessment and Taxation Committee would put a 10-year limit on property tax exemptions for renewable power projects.

The incentive has been in place since 1999, but the proposal would modify the tax breaks so that they would expire 10 years after the launch date of each project. The Kansas Division of the Budget estimates that existing renewable power projects would pay about $18 million annually in

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STATE BRIEFS

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taxes in 2025, which could be used for school funding.

The proposal to end the unlimited tax break amounts to "bait and switch," said Jeff Riles, manager of regulatory of affairs for Enel Green Power North America. Supporters say the incentive attracted many wind, solar and other renewable energy projects to Kansas.

More: Associated Press

MAINE

Missing "And" Cuts Efficiency Investments by $36 Million

The Public Utilities Commission has reduced the amount utilities are required to pay into a fund that subsidizes energy efficiency programs by about $36 million — and it's all because of a missing "and" in the statute.

The early version of the bill that created the Efficiency Maine Trust stated that funding would be determined by "total retail electricity and transmission and distribution sales." The adopted legislation stated funding would be based on "total retail electricity transmission and distribution sales."

The result is that electricity supply sales are not included, decreasing funding from $59 million to $23 million. Two of the three PUC members say the program should be funded exactly as the legislation stated. Energy efficiency advocates are contemplating a legal challenge to restore the $36 million "and."

More: Bangor Daily News

MANITOBA

Manitoba Man Can't Stop Tx Lines Across Property

A Manitoba man who bought 50 acres outside the small town of Richer, Manitoba, is upset that Manitoba Hydro is planning to erect 200-foot transmission towers on his property, part of its proposed Manitoba-Minnesota transmission line.

"It never would have dawned on me that Manitoba Hydro could just come and say, 'Hey, we're cutting your property in half and taking some of it and there's absolutely nothing you can do about it,'" Conrad Thiessen said. A company spokesman said he understood Thiessen's frustration but that "if it's moved from his property, it may impact four others down the road, and is that any fairer?"

Thiessen said he has contacted his elected officials but so far hasn't had any luck.

More: CBC News

MARYLAND

Opposition Growing for Proposed 45-Tower Wind Power Project

Opposition is mounting to the proposed Mills Branch Wind Project, which would place 500-foot-tall wind turbines near the Eastern Shore town of Kennedyville.

Opponents to the project, which developer Apex Clean Energy of Charlottesville, Va., said would include 35 to 45 turbines, gathered for an organizational meeting last weekend. They have also launched a website, Keep Kent Scenic.

"With a forest of wind turbines visible up to 25 miles away, Kent County tourism will no longer enjoy its scenic resource, and historic properties and homeowners can expect a big hit on property values," the organization stated.

More: The Star Democrat

MINNESOTA

Regulators Defer Decision on Xcel's Request on Solar Gardens

The Public Utilities Commission has denied a request from Xcel Energy to limit the size of community "solar gardens."

Xcel, which is required under the state's net-metering law to buy electricity produced by the small solar cooperatives at a set price, argued that solar gardens more closely resemble utility-scale operations, whose output would be put out for a bid at a lower price competitive with wholesale markets.

The commission said it has decided "at this time" not to limit the size of solar gardens.

"Potential adjustments, if any, to the program will be fully evaluated" in a few months, said a PUC official.

More: Minneapolis Star-Tribune

MISSOURI

City, Coalition Want to Revisit 40-year Prairie State Contract

Columbia officials and a pro-competition advocacy group want to review the municipal utility's 40-year power purchase contract with Prairie State Energy Campus in Illinois.

Columbia Water and Light procures about a quarter of its power from the coal-fired Prairie State complex under a 2006 contract. But concerns about energy costs and climate change have caused some advocates to rethink the wisdom of the long-term commitment.

"In addition to locking us into burning fossil fuels for the next 40 years, thereby undermining our ability to transition to clean energy, this contract gives us no ability to negotiate the price of the energy we purchase," City Councilman Ian Thomas said.

More: KOMU

NEW JERSEY

JCP&L Announces Refund Finally – But Storm Costs Eat it Up

The Board of Public Utilities approved a refund from Jersey Central Power & Light for overbilling its customers, but it offset the reduction by allowing the company to recoup expenses from repairing damage from major storms. The decision has taken two years to settle.

The BPU ordered the utility owned by FirstEnergy to refund $115 million for overbilling the costs of transmission system maintenance. But it cut the proposed rebate to about $35 million to allow the utility to

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recover costs from storms in 2011 and 2012, including Hurricane Sandy.

"I was happy the board upheld their rate decrease, but I was hoping for more," said Stefanie Brand, director of the Division of Rate Counsel. Monthly bills for residential customers will decrease by about $1.68 a month.

More: *The Record*

Henkels & McCoy Agrees to Pay $600,000 in Ewing Gas Explosion

Giant utility contractor Henkels & McCoy will pay a $600,000 penalty to the Board of Public Utilities to settle claims about its role in a fatal gas explosion in Ewing last year.

The company was repairing a power outage for utility Public Service Electric & Gas when its workers drilled through a mismarked PSE&G natural gas main. The crew did not notify emergency responders about the incident, and hours later an explosion killed the resident of a nearby house where the stray gas had migrated underground.

PSE&G has already agreed to pay $1 million in fines.

More: *The Princeton Packet*

NORTH CAROLINA

Coal Ash I: Groups Urge Court To Uphold Duke Ash Cleanup Ruling

North Carolina environmental groups last week urged the state Supreme Court to uphold a 2014 lower court ruling that they say requires Duke Energy to immediately halt groundwater pollution from its coal ash pits.

Duke, which is appealing the ruling, says the lower court decision became moot after the legislature created a statewide Coal Ash Management Commission that will prioritize the cleanup of four of Duke's ash pits. But environmental groups say the decision covered all of Duke's 14 identified pits and required an immediate total cleanup.

The coal ash issue has been front and center in North Carolina. Duke agreed to pay a $100 million fine related to a massive ash leak last year into the Dan River and a $25 million fine for groundwater contamination from its Dutton plant near Wilmington.

More: *News & Observer*

Coal Ash II: Judges Back McCrory in Coal Ash Commission Make-up

McCrory

A three-judge Superior Court panel ruled that the General Assembly erred when it created a commission charged with overseeing the cleanup of Duke Energy's coal ash pits, ruling that the appointment of the commission's membership was an executive function, not a legislative role.

The judges said lawmakers ignored the mandate for separation of legislative and executive powers when they formed the commission and appointed six of its nine members. House Speaker Tim Moore and Senate leader Phi Berger said they would appeal the ruling.

If it is upheld, the ruling could mean that Gov. Pat McCrory, a former Duke Energy executive, would choose most or all of the commission's members.

More: *Citizen-Times*

NORTH DAKOTA

Co. that Spilled 2.2M Gallons of Brine Proposes New 14-Mile Pipeline

Summit Midsteam, whose wastewater pipeline leaked 2.2 million gallons of oil-drilling brine in January, is seeking permits to build a new pipeline, this one for oil.

Summit subsidiaries Meadowlark Midstream and Epping Transmission asked the Public Service Commission to approve a plan to convert an existing 10-mile "gathering" pipeline to a transmission pipeline. The company said the oil pipeline is made of stronger materials than the water pipeline and would have increased safety systems, including pressure and flow sensors monitored in a control center. The water pipeline was supposed to be monitored by regular patrols, but that system failed to detect the brine leak for several days.

"I think right-of-way patrolling is something we've learned to do probably better," Meadowlark spokesman John Millar said. "We're still trying to figure out why with the patrols we did have in place we didn't see this spill. We think that's going to be a more prominent part of our surveillance."

More: *Prairie Business Magazine*

OHIO

Lawmakers Join to Preserve State Parks from Fracking

Democratic and Republican lawmakers collaborated to prohibit oil and gas development in state parks in draft legislation designed to speed up state permitting for hydraulic fracturing operations.

As a result of last-minute discussions, state parks will be protected, but fracking will be allowed in state wildlife areas and in state forests, although surface disturbances will be prohibited. Nature preserves will continue to be protected.

The General Assembly approved fracking on state lands in 2011, but Gov. John Kasich imposed a moratorium by declining to name anybody to the governing authority, the Oil and Gas Commission. The new legislation will enable the commission to be activated again.

More: *Columbus Dispatch*

Historic Low Prices Don't Slow Oil and Gas Drilling in State

The Utica Shale region in Ohio continues to be a hotbed of oil and gas production, despite the plunge in energy prices.

According to the federal Energy Information Administration, the Utica region, along with the Marcellus region to the east and north, will continue to show increased production of gas and oil in the coming months.

"The biggest thing that differentiates Utica from the other regions is Utica is relatively young," said Jozef Lieskovsky, an analyst for the EIA. Younger wells typically produce at a higher rate than mature wells.

More: *Columbus Dispatch*

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STATE BRIEFS

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PENNSYLVANIA

PUC Judges Recommend Lower Rate Hike for Met-Ed Customers

Administrative law judges have recommended a 10.9% rate increase for Met-Ed customers. The FirstEnergy subsidiary is seeking a 17.8% increase.

The recommendation was part of a larger rate proceeding dealing with FirstEnergy's four Pennsylvania utilities. The judges recommended increases ranging from 7.4 to 13.1% for West Penn, Penelec and Penn Power.

The Public Utility Commission is set to consider the recommendations at a meeting in May.

More: *York Daily Record*

VIRGINIA

DEQ Approves NRG's Cleanup Plan For 17,000 Gallons of Oil at Plant

The state Department of Environmental Quality last week approved NRG's plan to recover fuel oil and to clean up tons of contaminated soil at a former Pepco power plant in Alexandria on the Potomac River.

Officials estimated that 17,000 gallons of fuel oil leaked from the plant's tanks. NRG said it plans to complete the cleanup over the next three years, and monitor soil and groundwater for two years after that.

The deputy director of Alexandria's transportation and environmental services said the contaminated groundwater is not near any wells and poses no health threat.

More: *The Washington Post*

-- Compiled by Ted Caddell

Connecticut Resource Outlook Improves, but Challenges Remain

By William Opalka

Connecticut's Department of Energy and Environmental Protection issued its integrated resource plan last week, warning of natural gas pipeline constraints and stiffer competition for renewable resources.

Although energy efficiency is expected to flatten load growth, the blueprint for the 10-year period through 2024 predicts the New England region will need new resources to offset the retirement of more than 3,000 MW of generation.

Three new Connecticut generators cleared in ISO-NE's Forward Capacity Auction for 2018-2019 in February: a 725-MW combined-cycle plant in Oxford and two 45-MW combustion turbines in Wallingford. (See *Exelon, LS Power Join CPV in Adding New England Capacity*.)

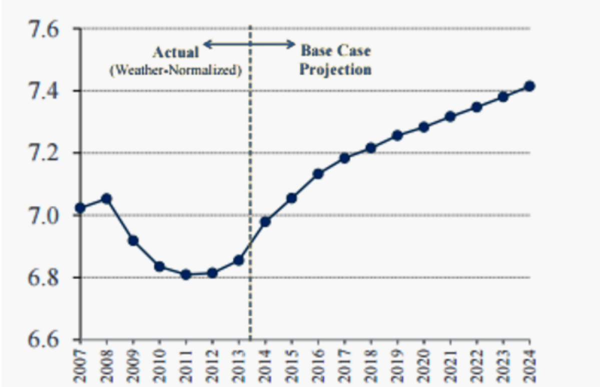
The outcome of the capacity auction, which ISO-NE officials hailed as a success for their new Pay-for-Performance rules, had been uncertain when Connecticut issued a draft of the IRP in December. (See *Connecticut: Power Prices to Rise 63% by 2024*.)

The IRP advocates a regional approach to expand natural gas infrastructure. DEEP says that at least 1 Bcf/d of natural gas transportation capacity or equivalent gas storage is needed for at least 30 days during the winter.

The final IRP also noted a tightening in the availability of renewable power, saying that as neighboring states try to reach their renewable energy goals, competition for the limited supply could cause a shortage by 2017.

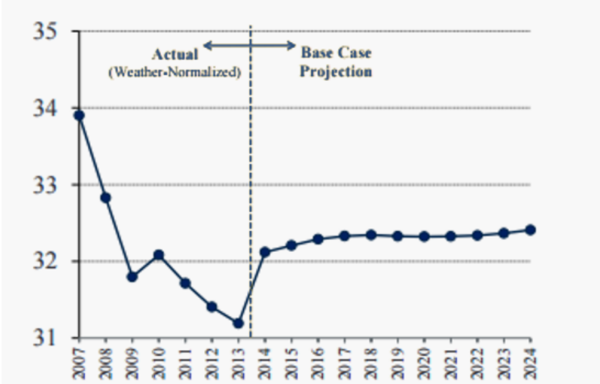
Connecticut, Massachusetts and Rhode Island are joining together to procure new Class I Renewable Energy projects: wind, solar, small hydro, biomass and fuel cells of at least 20 MW and large-scale hydropower projects constructed after Jan. 1, 2003. (See *New England States Combine on Clean Energy Procurement*.)

Connecticut Peak Loads* (GW)



*net of energy efficiency

Connecticut Annual Consumption (TWh)



(Source: Connecticut Department of Energy and Environmental Protection IRP)

MISO Board Questions Execs on Entergy Out-of-Cycle Requests

Continued from page 10

it seeks approval from the Louisiana Public Service Commission. He also noted that Entergy was taking on financial risk. "It's not in their interest to spend almost $200 million to serve load that isn't there," he said.

Attorney Noel Darce, representing the PSC, said the commission's staff wants the MISO board to approve the requests without delay. He said the PSC "retains full authority to approve the certification and to review the prudence of the expenses incurred on this project."

Scope Challenged

Director Evans asked staff to verify that MISO had met its obligations to follow its BPM and other procedures, wondering aloud: "How can you get a 700-MW load that's a surprise?"

He also pressed staff on their conclusion that Lake Charles is a baseline reliability project, saying "it would appear from the letters [to the board] that there's not universal agreement."

In a March 12 letter, ITC Holdings Vice President Kristine Schmidt noted that Entergy's request states that, in addition to addressing reliability concerns, the project "will also facilitate future economic development in the area."

"Facilitation of future economic development is the definition of a market efficiency project, not that of a baseline reliability project. While there may be components of the [Lake Charles] project which are needed for reliability, the entire project possesses a much broader scope than what would be required to meet those reliability needs," Schmidt said.

NRG Energy said MISO should determine whether the Lake Charles project includes upgrades that should be directly assigned to Entergy's end users and not socialized across all users of the system. It noted that when one of NRG's cooperative customers sought to bring new load onto the system, the costs of the "cut-in" for the load were directly assigned to the co-op.

NRG also noted Entergy's plans to construct a large combined-cycle generator "in and around the same location as where the proposed upgrades are to be done."

"Under FERC precedent, a new power plant must bear its own development costs and cannot be allowed to benefit from a deliberately timed, self-serving 'reliability' transmission project," NRG said.

In his own letter on March 16, Entergy's May said that the project is "the optimal and most efficient solution to the identified need." Construction of smaller, incremental upgrades would be inefficient and difficult to manage and would threaten Entergy's ability to meet its required June 2018 in-service date, he said.

May said if the Lake Charles project were designated as a market efficiency project, and underwent the full competitive bidding process — "not to mention any litigation that may flow from the process" — it's likely the in-service date of upgrades would be pushed out to at least 2020.

Moeller noted that often a customer will reveal the need for load at the last minute "and then you can't move fast enough to meet their needs."

Moeller said the Lake Charles dispute — the first out-of-cycle project to face any stakeholder opposition, he said — is an example of friction between the traditional monopoly business model and the emerging, competitive developer segment resulting from Federal Energy Regulatory Commission Order 1000. "It's those two business models that are colliding in many of these comments," he said.

On this, finally, there was consensus.

"This is an entirely different world," agreed George Dawe, vice president of Duke-American Transmission Co. The old world was "transmission owners nodding their heads at each other's transmission owner projects."

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