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Smooth Transition as Bay Replaces LaFleur as FERC Chair

Congenial Tone at 1st Meeting Marred by More Protests

By Michael Brooks

WASHINGTON — The Federal Energy Regulatory Commission completed a bloodless transition Thursday as newcomer Norman Bay replaced five-year veteran Cheryl LaFleur as chairman in a meeting marked by the usual cordiality — and disruptive protesters.

Bay, who was appointed commissioner last August, officially assumed the chair on Wednesday from LaFleur, who had served as head of the panel since the November 2013 resignation of Jon Wellinghoff.

At the beginning of Thursday's meeting, Bay presented LaFleur with two gifts: a framed letter from the New England Patriots thanking her for her service as chairman and a FERC jersey, which Bay said he hoped she would wear at every open meeting. A diehard Boston sports fan, LaFleur often wears her teams' jerseys when they are in the playoffs.

After some affable remarks on LaFleur's tenure from Commissioner Philip Moeller, LaFleur said, "I plan to be around for a while, so we don't need to have any more tributes." LaFleur, who joined the commission in July 2010, has said she plans on finishing her term, which expires in June 2019.

'Excited' to Work with Each Other

The congeniality between the former and current chairman betrayed no resentment over the way in which Bay took over the gavel.


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While LaFleur publicly lobbied for the position after Wellinghoff's resignation, President Obama nominated Bay last year. The choice was widely seen as engineered by then-Senate Majority Leader Harry Reid (D-Nev.), who publicly,

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FERC Backtracks from ISO-NE Winter Reliability Order

By William Opalka

The Federal Energy Regulatory Commission on Friday backtracked from its January order directing ISO-NE to develop a market-based approach for its winter reliability program later this year (ER14-2407). (See *FERC Orders Market-Based Reliability Program Next Winter in ISO-NE*.)

FERC granted a request for rehearing made by the RTO, which said that gaining consensus from stakeholders would be difficult in such a tight schedule. It also argued that prematurely "overlaying" market-based solutions could create other problems and not be cost-effective. (See *ISO-NE: Reverse Market-Solution Order*.)

"Noting ISO-NE's observation that a winter

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FERC Approves Final Rule on Gas-Electric Coordination

Timely Nomination Deadline Changed; Start Time Change Rejected

By Ted Caddell

The Federal Energy Regulatory Commission on Thursday approved a rule to improve coordination of the wholesale natural gas and electric market schedules, adopting two gas scheduling changes but declining to move the start of the gas day to 4 a.m. CT from 9 a.m. CT. (RM14-2).

The rule revises the interstate gas nomination timeline, moving the timely nomination cycle deadline for scheduling gas transportation to 1 p.m. CT from 11:30 a.m. CT. It also adds a third intraday nomination cycle, which should allow shippers to better adjust to changes in demand.

Thursday's order was a win for the Natural Gas Council, which last year rejected an earlier start time, saying it would cause safety and contractual problems. The group represents nearly all the companies that produce and deliver gas, including members of the American Gas Association, America's Natural Gas Alliance, the Independent Petroleum Association of America, the Interstate Natural Gas Association of America and the Natural Gas Supply Association.

The failure to reach consensus between the electric and natural gas industries was noted in a FERC staff presentation at the commis-

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SPP NEWS

SPP Staff Plan on Kansas Tx Project Fails to Win MOPC Endorsement

By Rich Heidorn Jr.

TULSA, Okla. — SPP staff's recommendation that the RTO approve a 21-mile 115-kV line from Walkemeyer to North Liberal as part of a reliability solution in southwestern Kansas failed to win stakeholder endorsement last week.

Staff's solution received almost 64% support from the Markets & Operations Policy Committee, falling short of the two-thirds needed to recommend it to the SPP board.

Staff considered three alternatives, two of which would have delayed the line indefinitely, instead relying on operating guides for Sunflower Electric Power's 76-MW Cimarron River Station to provide relief from thermal or voltage violations.

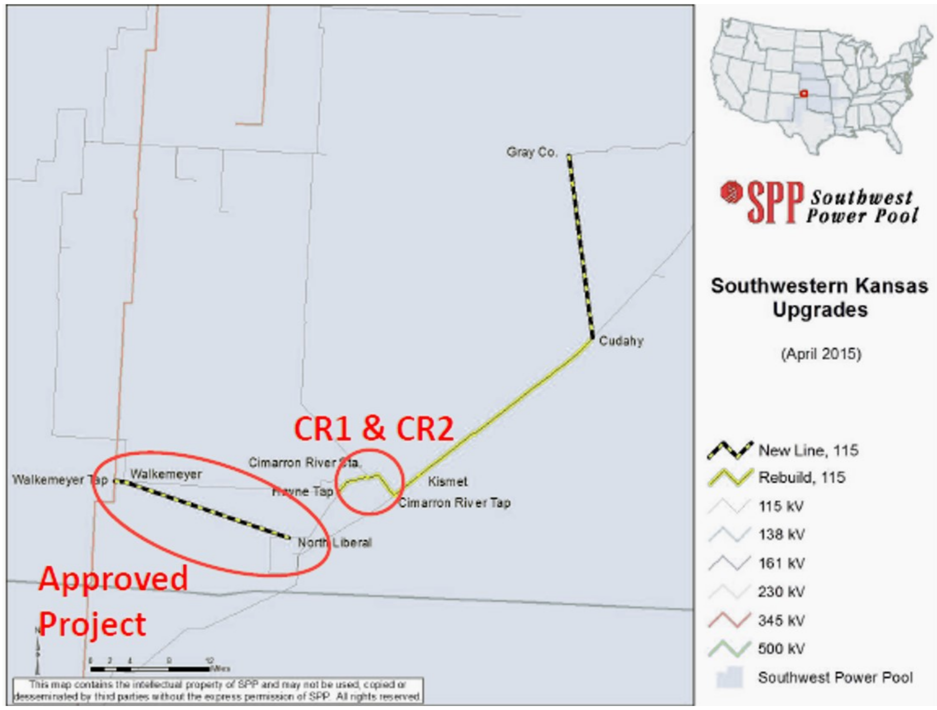
Option 1 would add a new substation with a 345/115-kV transformer on the Hitchland–Finney 345-kV line and a new 1-mile 115 kV line from the substation to Walkemeyer at an estimated cost of $17.8 million. Cimarron would be dispatched for up to 58 MW when needed to avoid violations.

Staff's suggestion, option 2, included the new substation and transformer but would add the Walkemeyer-North Liberal line for an additional $17.5 million, avoiding the need to rely on Cimarron for reliability.

Although option 2 had higher upfront costs, staff said it was about $1.4 million cheaper than option 1 on a net present value basis over 20 years ($68.9 million vs. $67.5 million).

Option 3, which would have relied solely on the Cimarron plant, had an NPV of $84 million and only "marginally" solved voltage violations, staff said.

Tom Hesterman of Sunflower said option 1 was the best choice, being a "statistical tie" with option 2 in NPV and having lower upfront costs.



Brian Gedrich of NextEra supported the 21-mile addition, saying "it could be the only competitive project" SPP approves in the current planning cycle.

The Cimarron plant has two natural gas-fired units: a 61-MW unit built in 1963 and a simple-cycle 15.5-MW combustion turbine added in 1967.

American Electric Power's Richard Ross was skeptical of reliance on the aging plant, saying Sunflower was not obligated to keep it running if it requires costly repairs. He said he feared the unit could fail, necessitating the Walkemeyer-North Liberal project — but without the lead time necessary to open it to competitive bidding.

Sunflower's Al Tamimi said the company invested heavily in the unit — adding a new cooling tower in 2014 — and had no plans to retire it. Southwestern Public Service's phase shifter can maintain system reliability if the Cimarron plant is unavailable, Tamimi added.

"I just don't think it's appropriate for us to continue to rely on a unit we can't rely on," Ross insisted.

"That's your opinion," Tamimi responded. "You don't know anything about the unit."

"I do know that if the unit fails tomorrow and you don't return it to service that … you're going to turn around next year and put it right in the model as unavailable and the project … that we're talking about here" will be required, Ross fired back. "And the difference will be whether or not you've pushed things out to where it's not a competitive project."

Antoine Lucas, director of planning, said staff would consider stakeholders' comments before making its recommendation to the board.

"I just don't think it's appropriate for us to continue to rely on a unit we can't rely on."

Richard Ross, AEP

SPP NEWS

Wind Waiver Rejected; SPP Members will Revisit Assumptions

By Rich Heidorn Jr.

TULSA, Okla. — SPP members last week rejected a request from Western Farmers Electric Cooperative for a waiver from a rule barring base plan transmission funding for wind generation projects that push wind's share of capacity above 20% of summer peak load.

Members of the Markets & Operations Policy Committee agreed with a staff recommendation, which found that Western Farmers' plan to add 100 MW of wind generation did not qualify for the waiver.

At the same time, members agreed that the 20% threshold — set years ago when SPP was comprised of smaller balancing authorities and there was concern over being able to balance large swings in wind generation — should be revisited now that is operating a vast area as a single balancing authority.

"I think some of the concerns about the operational challenges don't exist or the limit could be higher," said Antoine Lucas, director of planning. "But until there's a new standard, we need to follow the 20%."

Steve Gaw, representing The Wind Coalition, said the justification MISO presented to the Federal Energy Regulatory Commission for the limit was "entirely about reliability." Continuing the 20% limit now, he said, is "hard to justify."

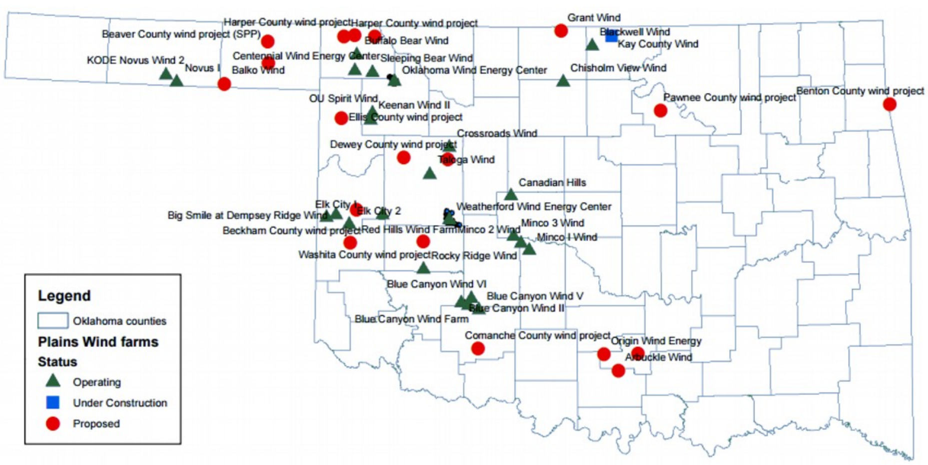
Mitchell Williams, representing Western Farmers, said the cooperative needs to add more baseload generation because it may turn its one baseload coal plant into a peaking unit under the Environmental Protection Agency's Clean Power Plan. The 100 MW from the Balko wind project — which the cooperative said was the most competitive resource available — would push wind from 19% to 25% of Western Farmers' peak load over the next decade.

"We don't think [the base plan funding] is a lot of money, but it's still money and I would not be responsible to my board if I didn't ask," Williams said.

American Electric Power's Richard Ross was unsympathetic. He suggested Western Farmers should have used the SPP screening study process so it could have considered the transmission costs before agreeing to purchase the wind capacity.

Although the waiver request won only 33% support, there appeared to be consensus among members on the need to revisit the limit as more wind is expected to be added under the EPA rules.

"This is not going away," said Bill Grant of Southwestern Public Service. "It's coming at us like a freight train."



Oklahoma wind farms as of February 2014. The Balko project is in the panhandle. (Source: Kansas Energy Information Network)

FERC Backs Oklahoma Coal Unit on MATS Delay

By Ted Caddell

Operators of an Oklahoma coal-fired generator seeking a temporary reprieve from the Environmental Protection Agency's mercury rule received an assist from federal energy regulators last week.

The Federal Energy Regulatory Commission told the EPA on Thursday that Unit 1 of the Grand River Dam Authority's 490-MW Grand River Energy Center near Chouteau, Okla., is necessary to preserve system reliability in SPP.

EPA's Mercury and Air Toxics Standards (MATS), which took effect in 2012, gave generators three years, until April 16, 2015, to comply. State environmental regulators were permitted to grant one-year extensions, which the Oklahoma Department of Environmental Quality did for the GRDA plant.

GRDA asked EPA to issue an administrative order allowing an additional one-year delay to April 16, 2017, saying it needs the time to complete construction of a new, gas-fired combined-cycle unit at the site.

Without Unit 1, according to the authority, it will be unable to meet SPP's 12% required reserve margin. The authority also noted that the plant was called on for voltage support six times in 2014.

"The reliability of the bulk power system depends in part on whether utilities meet an appropriate planning reserve margin," FERC told the EPA. "Absent a significant change in future circumstances, our view is that GRDA's Unit No. 1 is needed as requested by GRDA to maintain electric reliability."

The need for Unit 1's output also was confirmed by SPP. In a letter attached to GRDA's petition to EPA, SPP said that it "concurs with GRDA's assessment regarding GRDA Unit 1's criticality for reliability absent other system changes."

GRDA said that it sometimes has problems obtaining transmission service to deliver power from outside of the GRDA balancing area when one or both of its existing units are offline.

The final decision on the waiver will be made by EPA.

SPP NEWS

SPP ITP10 to Include 3 Scenarios for EPA Clean Power Plan

By Rich Heidorn Jr.

TULSA, Okla. — SPP's next 10-year transmission plan will consider three future scenarios to assess the potential impact of the Environmental Protection Agency's Clean Power Plan, members agreed after a lengthy debate last week.

The Markets & Operations Policy Committee decided the 2017 Integrated Transmission Planning 10-Year Assessment will include one scenario assuming regional compliance with the EPA rule and one assuming state-by-state compliance. The third scenario will be a business-as-usual case that assumes the EPA rule is abandoned — due, for example, to a legal challenge or a change in leadership at EPA after the 2016 presidential election.

EPA plans to issue the final rule this summer. It is intended to reduce power generation CO_2 emissions by 30% from 2005 levels.

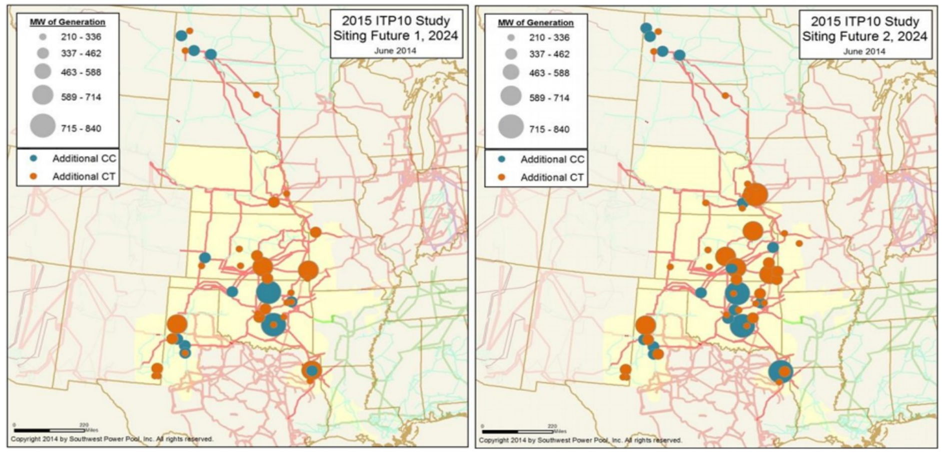
SPP this month released a study estimating the RTO could comply with the rule through a regional approach that includes a $45/ton carbon adder and 7.8 GW of additional generation, most of it wind. The study estimated an annual cost of $2.9 billion in increased energy costs and capital spending for new gas and wind generation. It did not evaluate additional transmission that may be needed, an element ITP10 will seek to quantify. (See *SPP: $45/ton Adder, Wind, Gas Meets EPA Carbon Rule*.)

The Economic Studies Working Group had recommended use of three futures, including one that assumed increased load growth as a result of the elimination of the Clean Power Plan. MOPC members amended that to assume normal load growth — creating a business-as-usual scenario as a comparison with the regional and state-by-state compliance schemes.

Members first rejected a proposal to include a fourth future that included an "extreme" EPA final proposal. It won only 41% support. A second vote limiting the study to the regional and state compliance scenarios but allowing the working group to seek approval of a third future, also fell short at 57%.

Fundamental Questions

The debate over the study revealed fundamental questions over the RTO's planning strategy.



SPP's 2015 10-year plan compared a business-as-usual case (Future 1), which projected the need for 15.3 GW of new conventional generation at 60 sites, with a decreased baseload scenario (Future 2), which projected a need for 21 GW of new conventional generation at 82 sites. The latter scenario assumed the retirement of all coal units less than 200 MW and a 20% reduction in hydropower capacity due to drought. (Source: SPP)

"Once again we are doing the absolute minimum and not looking at the long-term future," said Kristine Schmidt, vice president of regulated grid development for ITC Holdings.

Board of Directors Vice Chairman Harry Skilton said the 18-month timeline for completion of the study is too long. "This is unbelievably ridiculous that it takes this long," he said.

Lanny Nickell, vice president for engineering, said the length of the study process reflects the incorporation of stakeholder input. "We have a very open and transparent stakeholder process," he said. "That is very valuable, but it takes time."

The debate continued during Wednesday's meeting of the Strategic Planning Committee, as Skilton, Board Chairman Jim Eckelberger and member Phyllis Bernard called for changes.

Eckelberger said MOPC's debate over whether it should spend $270,000 in planning staff salaries for a fourth future was shortsighted considering the at least $8 billion the RTO expects to spend on new transmission.

"We've got this all backwards," he said. We're "trying to put the right lines in the right place. We don't want to misspend money. We don't want to get it wrong. We want to have as much foresight as possible. We have not built the robust capability within SPP to get this right — and it's one of our primary responsibilities."

Steve Gaw, representing The Wind Alliance, said SPP needs information on a variety of generation sources it may call on under the EPA plan. "You can't get there with two futures — or with three if one of them is a business-as-usual case."

Skilton and Bernard also called for a broader range of scenarios.

"I'm not in favor of planning too far out, but I'm in favor of planning much more broadly — casting a really wide net," she said. "But don't necessarily try to project it too far forward because we don't know what's coming."

Skilton said the RTO also should seek a shorter planning cycle — ideally six months instead of a two years.

"People have told me six months is impossible," he acknowledged. "We may not get to six months but we won't be at 24."

Nickell said he would relay the board's thoughts to the newly formed Transmission Planning Improvement Task Force, which has been charged with producing "more progressive, forward-thinking, regional planning processes that are more responsive" to the continued growth of SPP's transmission system and markets in response to federal and state environmental regulations and reliability rules.

"If I could boil it down," said Nickell, "you all said you want it bigger, better, quicker… more agile."

SPP NEWS

SPP MOPC OKs New Rules for Calculating Mitigated Offers

By Rich Heidorn Jr.

TULSA, Okla. — SPP's Markets & Operations Policy Committee last week approved new rules on how mitigated offers will be calculated for generators that fail market power tests, choosing a solution that includes default values for variable operation and maintenance (VOM) costs.

It was the second time the group had approved new rules on mitigated offers. In December, the SPP Board of Directors rejected a proposal that had been approved by MOPC over the objections of the Market Monitoring Unit, saying it wanted a solution that had broader support.

The new proposal, which passed on a voice vote, did not win the MMU's endorsement, however.

MMU Director Alan McQueen told MOPC that the revised proposal's use of default VOM values was an improvement because it reduced ambiguity. He also praised the inclusion of an adder for frequently mitigated resources.

Too 'Generic'

But he said he was concerned that the proposal "removes any reference to competitive levels," replacing it with "variable O&M," a term he said is too "generic" because it could refer to costs incurred over a decade. That does not conform to the Federal Energy Regulatory Commission's mitigation premise that offers are "approximately equal to short-run marginal cost," he said.

"It actually adds ambiguity back into the overall process that the Market Monitor is going to have to use," he said.

McQueen said this would cause problems both when the MMU is reviewing offers from units that claim costs higher than those in the default schedule and when it and stakeholders conduct their annual review of the default levels.

SPP rules allow units found to have market power to submit market offers of up to 125% of the mitigated energy offer, which would be based in part on the VOM defaults. Thus a combined-cycle plant with a heat rate of 10 MMBtu/MWH that would be paid $41/MWh, including $6 in VOM based on the default table, could receive as much as $51.25/MWh, with an implied VOM of $16.

The 'Next Enron'

"When is the next Enron going to be entering the SPP market?" McQueen asked. "Do you want them to be deciding what should be included in the reference level or do you want the Market Monitor, who's listening to everybody who's in the market?"

McQueen said that based on his discussions with generators, he believed 80% of them supported use of the defaults.

Richard Ross of American Electric Power disagreed. "I can add up fairly easily enough megawatts [opposing defaults] to figure out that it isn't 80%."

Nevertheless, Ross said AEP would support the new rules.

Jake Langthorn of Oklahoma Gas & Electric said he was disappointed that the default solution did not include compensation for maintenance obligations under long-term service agreements. "If the LTSAs were included, we wouldn't have a beef with it," he said.

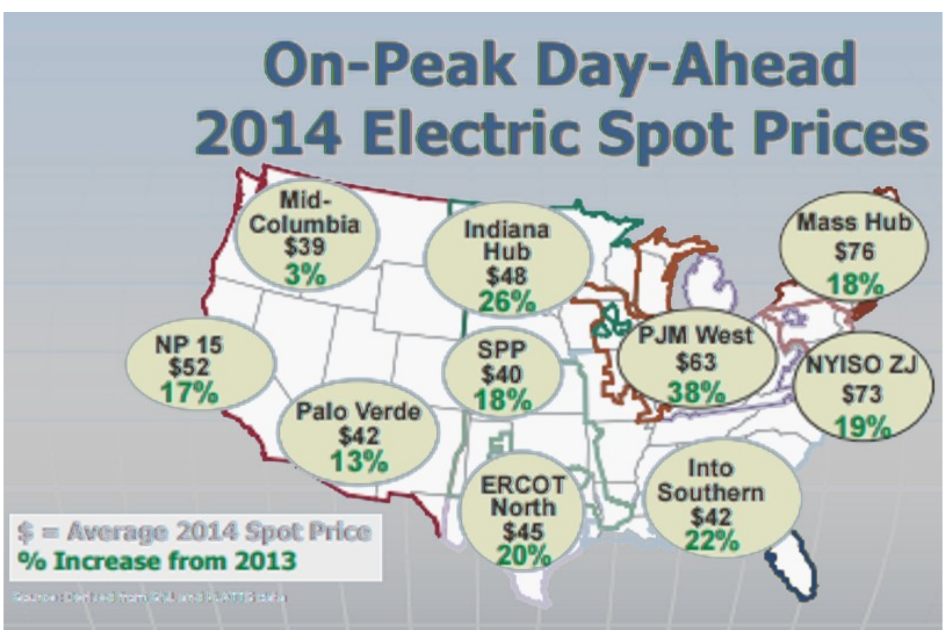
Staff Supports

Although the solution did not have the unqualified support of members and the MMU, SPP Chief Operating Officer Carl Monroe said RTO staff supported the proposal because it resolved some of the longstanding disputes over VOM calculations.

Richard Dillon, SPP's director of market design, noted that FERC's recent State of the Markets report found the RTO's day-ahead on-peak power price to be the second-lowest in the country last year at $40/MWh, higher than only the $39 at the Mid-Columbia pricing hub in the Pacific Northwest.

"That is a good indicator that even at 125% [of the mitigated offer] the competitive price is under market," Dillon said.

"Columbia is all hydro. Being only behind a hydro system is a problem."



(Source: FERC)

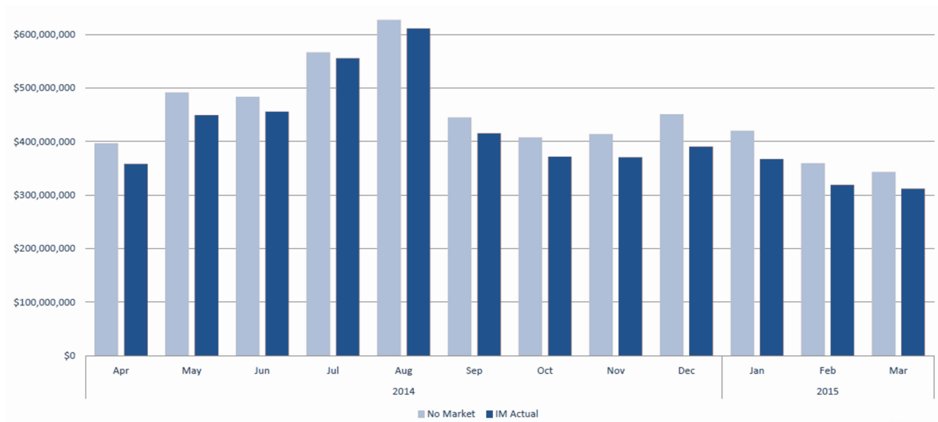
SPP NEWS

SPP Markets & Operations Policy Committee Briefs

Integrated Market Year-One Savings: $210 Million

SPP said its integrated marketplace produced net savings of about $210 million in the first year after combining 16 balancing authorities into the marketplace.

Over the rolling 12-month period ending in March, the market produced gross benefits of $430 million, or $210 million after accounting for $170 million in historical savings and $50 million in annual cost. That analysis excludes March 2013, the first month of the transition, when the RTO operated with higher unit commitments than required.



SPP said its integrated marketplace resulted in production cost savings in each of the last 12 months. (Source: SPP)

SPP-MISO Market-to-Market Showing Results

SPP's market-to-market initiative with MISO, which began last month, is paying dividends, SPP's Bruce Rew told members. Rew said there was activity on all but two days in March, with daily settlements ranging from $2,000 to more than $1 million.

Rew said the two RTOs are working to address "oscillation" at some locations, where congestion returns almost immediately after being relieved.

"It's working," he said. "It needs some improvements and we're working closely with MISO to do that."

Proposal on Disqualifying Regulation Resources Remanded

The Markets & Operations Policy Committee remanded Revision Request 33 to the Market Working Group. The request would allow SPP to disqualify resources from participation in the regulation market for poor performance.

Bill Grant of Southwest Public Service Co. said he was concerned that the rule was overly strict and that its requirement that resources respond within four seconds would result in the unnecessary disqualification of many resources.

"You're already financially incented to respond. So we're questioning the need for disqualification altogether," he said. "… If we're going to start disqualifying people over four-second deployments, people need to understand that because most people's [energy management system] might not respond in four seconds."

Staff said SPP's intent is to improve the response of the poorest-performing "outliers." Staffers said they have never disqualified a resource.

Members approved RR44 and RR45, which add details on how SPP calculates regulation resources' actual mileage for settlement purposes.

Members OK Short-Term Unit Commitment Study

Members approved RR49, which would create a short-term reliability unit commitment (RUC) study as part of the intra-day RUC process. The study will provide results for 15-minute intervals, allowing operators to make unit commitments with more granularity than the current one-hour study. It is expected to reduce the number of real-time manual commitments.

Delays on Z2 Credit Fix Spark Frustration

Members expressed frustration with SPP's slow progress in creating a process for properly crediting and billing transmission customers for system upgrades under Tariff attachment Z2. Repeated delays in the project led SPP to reorganize the staff team handling it. SPP's software vendor is now projecting completion of the project by June 2016.

The project has proven more complex than originally expected because of the need to avoid over-compensating project sponsors, and to include a way to "claw back" revenues from members who owe SPP money for other reasons. Accounting for transfers of reservations has also proven a challenge.

"I have been dealing with this issue for so many years," said Steve Gaw, representing The Wind Coalition. "I don't know how many years ago we were being told that it would be fixed 'next quarter.'

"I don't have any more faith in the dates," he continued. "I just don't know when there's going to be accountability [to the] folks who have been owed money for all of this time."

Monroe acknowledged the frustration. "We're playing with the hand we've been dealt," he said.

2016 ITPNT Scope Approved

MOPC approved the scope of the 2016 Integrated Transmission Planning Near-Term (ITPNT), including the automatic recommendation of the notices to construct from

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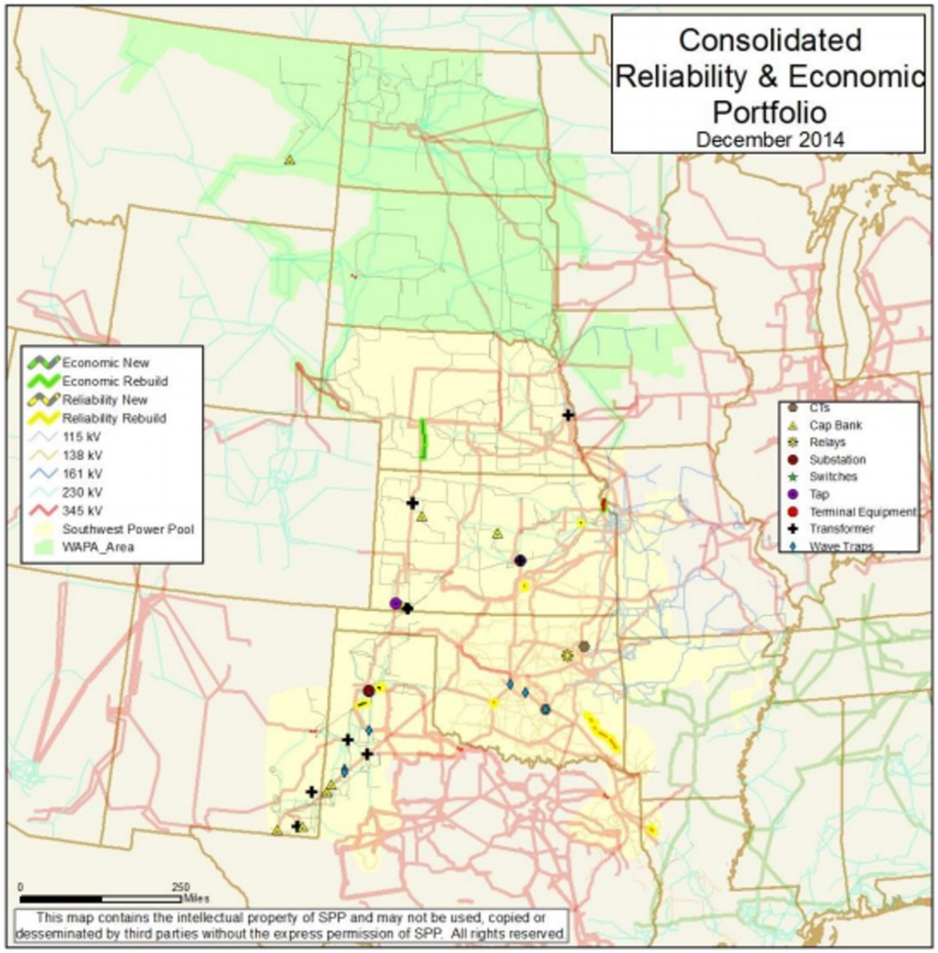
the Consolidated Balancing Authority scenario.

The 2016 ITPNT's primary focus is to identify solutions required to address potential reliability problems under normal conditions (no contingency) and (N-1) scenarios. It will include modeling of the system through 2020.

It will also reflect improved dispatch of wind resources and include the Integrated System — the Western Area Power Administration Upper Great Plains, Basin Electric Power Cooperative and Heartland Consumers Power District — as SPP members. (See *Spurned by Entergy, SPP Expands in Great Plains*.)



2015 ITP10 (Source: SPP)

Regional Allocation Review Delayed

Members approved delaying the regional cost allocation review until new models are developed for the 2017 Integrated Transmission Plan 10-Year Assessment. This would delay completion of the RCAR II analysis until July 2016.

Members were concerned with proceeding with the models being used in the 2015 ITP10, which are about two years old and do not include Kansas City Power and Light's January decision to stop burning coal at its Montrose power plant in Clinton. The company plans to close or convert one of its units to natural gas by 2016 and make similar decisions on the remaining two units by 2021.

SPP, which completed its last cost allocation review in 2013, is required to conduct such reviews every three years.

Keystone XL pipeline map. (Source: TransCanada)

Keystone Pipeline Would Add SPP Loads

The controversial Keystone XL pipeline would add at least 400 MW of load to SPP based on its use of about 20 pumping stations at 20 to 25 MW each, said Jay Caspary, SPP director of research, development and special studies.

Caspary said those loads, in addition to unserved loads in New Mexico and Kansas, helped justify the Notices to Construct that SPP has issued.

Bary Warren of Empire District Electric said SPP should be wary of overestimating loads, saying that gas and oil producers have recently announced 30 to 50% cuts in capital spending due to falling oil prices.

"The projects are probably needed," he said. "The question is when are they needed? Should they be competitively bid? … At what voltage?"

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Charters Approved

The committee approved the charter of the newly formed Stakeholder Prioritization Task Force and approved a revised charter for the Transmission Planning Improvement Task Force with no substantive changes.

MOPC also approved a change in the charter of the Transmission Working Group, allowing an increase in its membership from 20 to 24. Two of the seats will be assigned to representatives of WAPA-UGP and Basin Electric. Existing SPP members will be able to apply for one of the additional two seats on the working group. Chief Operating Officer Carl Monroe said other committees may see similar increases in their membership to accommodate the new members.

The new charter also updates the group's scope to include:

- Changes to the SPP portion of North American Electric Reliability Corp. flowgates;
- Reviewing and developing rating criteria, including minimum design standards;
- Reviewing and approving study information for interconnections; and
- Reviewing technical and reliability aspects of all policies, business practices, study scopes, SPP criteria changes and tariff changes.

— Rich Heidorn Jr.

FERC Rejects Rehearing Request on SPP Order 1000 Filing

Bay Hints at Constitutional Challenge to State ROFRs

By Rich Heidorn Jr.

The Federal Energy Regulatory Commission last week rejected LS Power's request for rehearing on SPP's Order 1000 procedures and accepted the RTO's December compliance filing (ER13-366).

The transmission developer had challenged the commission's October 2014 order allowing SPP to retain tariff provisions requiring consideration of state law and rights-of-way in the early stages of its competitive bidding process. The commission had made a similar finding in a ruling on PJM last May, reversing the directive it had originally given. (See Order 1000 Reversal: Reality Check or Surrender to Incumbents?)

> **"The commission's order today does not determine the constitutionality of any particular state right-of-first-refusal law. That determination, if it is made, lies with a different forum, whether state or federal court."**
>
> **Norman Bay, FERC Chairman**

FERC said LS Power's challenge "seeks to expand the reach of Order No. 1000's reforms by prohibiting SPP from recognizing state or local laws or regulations when deciding whether SPP will hold a competitive solicitation."

The commission noted that while Order 1000 barred any federal right of first refusal for incumbent transmission owners in commission-jurisdictional tariffs, it did not require removal of references to state or local preferences.

While recognizing that FERC lacks jurisdiction to overrule state laws, Chairman Norman Bay issued a concurring statement that seemed to invite a constitutional challenge to state laws that prohibit nonincumbent developers from winning the right to build a transmission project.

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

The commission also rejected LS Power's challenge to SPP's process for evaluating competitive bids, saying the RTO "has sufficiently demonstrated that the proposed weighting of its evaluation criteria is not unduly discriminatory and will result in a regional transmission planning process that selects more efficient or cost-effective transmission solutions."

While it rejected LS Power's rehearing bid, the commission said SPP's rights-of-way provision is vague. It ordered the RTO to revise tariff language "that refers to 'rights-of-way where facilities exist' to make it consistent with the commission's finding that retention, modification or transfer of rights-of-way remain subject to relevant law or regulation granting the rights-of-way."

The commission said the revision would address a protest by South Central MCN, a competitive transmission company that plans to partner with electric cooperatives and municipal utilities in SPP. It denied South Central's request to schedule a technical conference on RTO competitive bidding processes under Order 1000 as outside the scope of the SPP proceeding.

MISO News

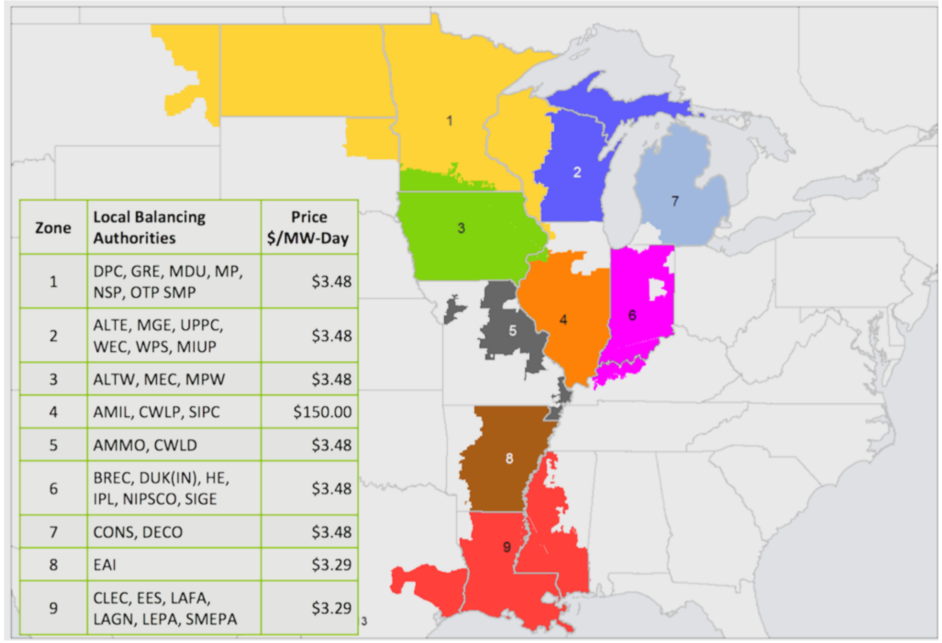
Cornucopia of Capacity at MISO Auction, but Famine Could Follow as Coal Plants Retire

By Chris O'Malley

MISO completed its third annual Planning Resource Auction last week, with prices falling in most zones, while the Illinois zone saw a large jump that will boost revenues for Dynegy's coal fleet and Exelon's Clinton nuclear plant.

With 136,359 MW committed, MISO said it has adequate capacity for the 2015/16 planning year beginning June 1 but acknowledged that the 2016/17 period could see capacity shortfalls amid the ongoing retirement of coal-fired generation.

Most of that — 122,965 MW — was generation resources. The remainder consists of 5,938 MW of demand resources, 3,986 MW of behind-the-meter generation and 3,469 MW of external resources.



Zone	Local Balancing Authorities	Price $/MW-Day
1	DPC, GRE, MDU, MP, NSP, OTP SMP	$3.48
2	ALTE, MGE, UPPC, WEC, WPS, MIUP	$3.48
3	ALTW, MEC, MPW	$3.48
4	AMIL, CWLP, SIPC	$150.00
5	AMMO, CWLD	$3.48
6	BREC, DUK(IN), HE, IPL, NIPSCO, SIGE	$3.48
7	CONS, DECO	$3.48
8	EAI	$3.29
9	CLEC, EES, LAFA, LAGN, LEPA, SMEPA	$3.29

2015/2016 Auction clearing pricing overview. (Source: MISO)

The auction resulted in a slight increase in Zone 1, big drops in Zones 2-3 and 5-9 and a nine-fold increase in Zone 4:

- Zones 1-3 and 5-7, consisting of MISO North/Central but excluding Illinois, cleared at $3.48/MW-day. That compares with $3.29 in Zone 1 and $16.75 in Zones 2-3 and 5-7 in 2014/15.
- Zone 4, comprising much of Illinois, cleared at $150/MW-day, compared with $16.75 a year earlier.
- Zones 8-9, comprising MISO South, cleared at $3.29/MW-day, compared with $16.44 a year earlier.

"While Dynegy is clearly the largest beneficiary of the MISO capacity auctions results, Exelon also gains via ownership of its Clinton nuclear asset," UBS analyst Julien Dumoulin-Smith said in a report last week.

Dynegy said in a press release that its 4 GW coal-fired Illinois Power Holdings fleet cleared 1,864 MW at $150/MW-day, including 1,709 MW to cover retail load obligations. Its separate 2,980-MW "coal segment" also cleared 398 MW at that price.

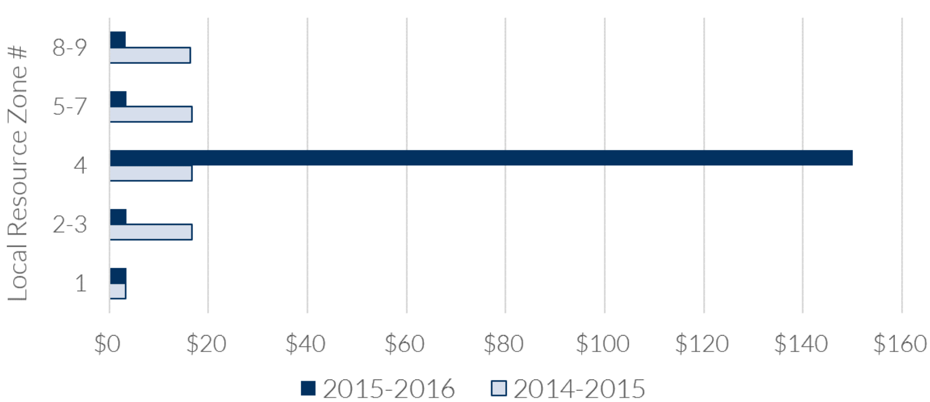
Exelon spokesman Paul Elsberg confirmed that the Clinton plant cleared the auction but said the increase was insufficient to make the plant profitable. Exelon has been pushing legislation that would charge Illinois electricity users a fee to ensure the continued operation of Clinton and two other unprofitable nuclear generators. (See *Exelon-Backed Bill Proposes Surcharge to Fund Illinois Nukes.*)

"The auction results reduce Clinton's economic losses, but the plant remains uneconomic and may prematurely shut down absent Illinois legislative changes to outdated policies that do not allow nuclear energy to compete on a level playing field with other zero-carbon resources," Elsberg said in a statement.

"The wholesale price increases from the auction are small compared to the price spikes that would occur if Clinton is forced out of the market. According to the Illinois Commerce Commission and grid operators, closing the Clinton plant alone would cause wholesale energy prices to rise by $240 million to $340 million annually."

Clinton would earn $58 million in capacity revenue if it bid and cleared all of its 1,065 MW capacity. Elsberg declined to say how much capacity Clinton cleared.

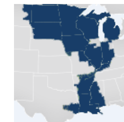
MISO said market participants lowered offers in most zones as a result of small changes in the balance of resources and load and an increase in Fixed Resource Adequacy Plans (FRAPs).



MISO Planning Resource Auction clearing prices ($/MW-day) (Source: MISO)

Continued on page 10

MISO NEWS



MISO Seeks Stakeholder Input on Out-of-Cycle Process amid Entergy Controversy

By Chris O'Malley

CARMEL, Ind. — Stinging from objections to Entergy's proposed Lake Charles transmission upgrade, MISO has launched discussions that could lead to refinements in its procedures for handling out-of-cycle requests.

The procedural review was initiated after transmission developers and independent power producers objected to staff recommendations that the MISO Board of Directors approve Entergy's six out-of-cycle requests. The largest and most controversial request is a $187 million transmission upgrade that it says is needed to support new industrial development around Lake Charles, La. (See *MISO Staff Hold Firm on Entergy Out-of-Cycle Request*.)

The MISO board could vote on the requests Thursday.

"We really want you guys to dig in and really tell us how you believe things should be," Matthew Tackett, a MISO principal advisor, told the Planning Advisory Committee on Wednesday.

Stakeholders have challenged Entergy's load projections and questioned its assertion that the projects were needed to meet base reliability needs. They've also alleged that MISO failed to follow its Business Practices Manual and that it provided only limited opportunity for stakeholder review.

Entergy said the need to serve additional industrial load wasn't realized until after the conclusion of the annual MISO Transmission Expansion Plan (MTEP) process. MISO officials said Entergy's out-of-cycle request was consistent with publicly announced industrial plant expansions and economic growth data for Lake Charles. MISO said Entergy has not shared some specifics about the projected new load growth, citing customer confidentiality.

Ambiguities?

One issue rising out of the Entergy request is tariff language that states that an out-of-cycle project review must be driven by "urgent" needs that require an expedited review.

MISO's Business Practices Manual states that such out-of-cycle projects have a need date within three years and an expected in-service date within four years of an OOC project submission. George Dawe of Duke-American Transmission Co., who represents the Transmission Developers sector, sought a rationale for the difference between need date and in-service date.

"I agree that the language as written could use some improvement," Tackett said.

The term "urgent" could "be a little bit ambiguous," said Tia Elliott, director of regulatory affairs at NRG Energy.

Tackett said the review ultimately comes down to striking a balance between adequate stakeholder vetting and successfully addressing the need "in a timely manner."

Dawe has complained that MISO's review of Entergy's request seemed rushed and predestined for approval.

Tackett stressed that the out-of-cycle approval process is designed for special circumstances, not for long-term projects that ordinarily would be reviewed within MTEP.

He also said MISO has limited authority to override or invalidate a distribution company's load forecasts. He noted, however, that load modifications often have to be reviewed by state utility regulators.

Steve Leovy, a transmission engineer at WPPI Energy, suggested MISO could perform studies during the MTEP process that anticipate and model future expansions so that it could be better prepared for significant demand-forecast changes.

Tackett invited stakeholders to offer comments and to provide redlined versions of the Business Practices Manual by May 15.

A summary of comments and suggestions will be presented at the June Planning Advisory Committee meeting.

Cornucopia of Capacity at MISO Auction

Continued from page 9

Zone 4's $150 clearing price resulted from less self-scheduling and the submission of "more economic, price-sensitive offers," MISO said.

Although total offers exceeded the zone's local clearing requirement of 8,852 MW by 2,300 MW, only 838 MW was offered through FRAPs, 9% of the LCR.

In contrast, FRAPs represented more than 90% of LCRs in Zones 1 (Minnesota, North Dakota and western Wisconsin) and 2 (eastern Wisconsin, and Upper Michigan).

Richard Doying, MISO's executive vice president of operations and corporate services, said the voluntary auction's "certainty and transparency" is "vital given the challenges we face with potential capacity shortfalls starting in the 2016/17 planning year."

MISO is facing a reduction in coal-fired capacity due to retirements of aging coal plants squeezed by the Environmental Protection Agency's tightening Mercury and Air Toxics Standards and low-cost gas-fired generation.

Coal-fired generation in MISO is expected to decrease from 46% of total installed capacity in 2013 to 36% in 2020, according to a whitepaper MISO released in March. EPA's proposed Clean Power Plan, which would require a 30% reduction in CO_2 emissions from existing generators, is expected to further thin coal fleets.

Late last month MISO underscored the problems that coal plant retirements will cause in its 15-state region. Launching its first in a series of stakeholder workshops during the next 18 months dedicated to improving resource adequacy, MISO said its planning reserve margin requirement — peak demand plus the planning reserve margin — could dip below its target as early as 2016.

As the reserve margin declines, MISO may have to dispatch seldom-used capacity. That could include greater use of load-modifying resources, such as factories that can reduce usage by adjusting production schedules and commercial buildings that reduce air conditioning.

MISO has not called on those resources since 2006.

MISO News

Consumers Energy, Wolverine Power OK'd to Reclassify Facilities as Tx Assets

By Chris O'Malley

The Federal Energy Regulatory Commission on Thursday approved requests by two Michigan electric utilities to reclassify a number of distribution facilities as transmission assets within MISO.

FERC granted requests by Consumers Energy (ER15-910) and Wolverine Power Supply Cooperative (ER15-976). Consumers initially filed its reclassification request with the Michigan Public Service Commission, which last October approved a settlement (U-17598) between the utilities and Michigan Electric Transmission Co. (METC). The PSC approved a settlement over Wolverine's reclassification of the assets from "excluded transmission" to "included transmission" in January (U-17742).

Consumers transferred its transmission assets in 2001 to then-subsidiary METC. A year later, it sold METC to another company, which sold it to current owner ITC Holdings.

In 2012, however, ReliabilityFirst Corp. informed Consumers that its audit had determined that a small set of the company's distribution facilities were actually transmission facilities.

Consumers said its own analysis confirmed RFC's findings and identified other assets that it said were similarly misclassified.

In total, Consumers said, the facilities to be reclassified have a net value of $34 million, representing 1.32% of Consumers' distribution plant. They include equipment in 69 substations on 138-kV transmission lines, 65 138-kV line segments and six substations connecting those lines to Consumers' bulk power substations.

Consumers noted that FERC previously stated that the 100-kV threshold has been among the factors in determining whether an asset is part of the bulk electric system.

Consumers plans to sign the MISO Transmission Owners Agreement and will join the Michigan Joint Zone, under MISO Rate Schedule 11. FERC also ordered Wolverine to include its reclassified facilities in the Michigan Joint Zone.

Ratepayer Implications Minimal

Consumers said the reclassification will benefit consumers by placing the transmission assets under "the functional control" of MISO. Becoming a transmission owner will allow it to more fully participate in the RTO, Consumers said.

Consumers said the increased costs of the reclassification are negligible, with an incremental revenue requirement of about $50,000, or .001% of Consumers' $3.9 billion base rate revenue.

The utility noted that some of the assets are used to provide wholesale distribution service. "To avoid a potential double recovery, Consumers will remove the applicable assets from the wholesale distribution service rate and include them instead under its forthcoming transmission rates under the MISO Tariff."

Wolverine also said a portion of its reclassified assets are also used to provide wholesale distribution service. To avoid a double recovery, Wolverine said it will coordinate with MISO to separately submit a filing to terminate its wholesale distribution service rate with the Zeeland Board of Public Works.

Wolverine said the net plant value of its updated list of included transmission facilities is $249.91 million, or an increase of nearly $16 million.

Tom King, Wolverine's director of regulation and policy, told *RTO Insider* that the co-op is still calculating the impact of the change but expects the reclassification to be positive for its members.

Consumers officials could not be reached for comment.

'Quick Hit' List at PJM-MISO Seam Narrowed to 4 Projects from 39

Cost Allocation Uncertain

By Chris O'Malley

MISO and PJM said last week they will pursue four "quick hit" flowgate projects that show promise in relieving market-to-market congestion.

The four low-voltage projects could generate market-to-market congestion savings of more than $90 million, based on modeling of day-ahead and balancing congestion during 2013-2014, the RTOs said during the PJM-MISO Interregional Planning Stakeholder Advisory Committee (IPSAC) meeting on April 14.

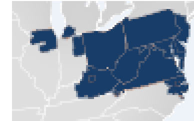
The four projects were selected from a list of 39 flowgates with $408 million in historical congestion that IPSAC studied. MISO said it is still awaiting responses from transmission operators regarding five other projects that are still possible quick-hit projects. (See *MISO, PJM Ponder List of 'Quick Hit' Upgrades.*)

Proposed Michigan City-LaPorte upgrade. (Source: PJM)

Flowgates that showed significant day-ahead and balancing congestion in 2013 and 2014, and flowgates that caused auction

Continued on page 12

PJM News



Settlement over Duke Companies' Move to PJM Approved

By Suzanne Herel

The Federal Energy Regulatory Commission last week approved an uncontested settlement over the 2010 move by two Duke Energy subsidiaries from MISO into PJM (ER12-91).

FERC had rejected a February 2013 settlement over the move by Duke Energy Ohio and Duke Energy Kentucky, saying it unfairly imposed transition costs on customers that should be borne by the utilities.

The Duke companies agreed in the original settlement to reimburse American Municipal Power for any transition costs and 75% of "legacy" transmission expansion costs resulting from the move. The commission said that discriminated against other Duke customers that had not received exemptions from the transition and legacy costs, which Duke estimated at $518 million. (See *FERC Rejects Settlements over ATSI, Duke Moves to PJM*.)

FERC then set a hearing over how much Duke would pay to resolve its obligations for transmission expansion projects in MISO.

The new settlement, filed last October, was signed by the Duke companies and the members of AMP, Buckeye Power and East Kentucky Power Cooperative. Also signing on were the Indiana Municipal Power Agency, Dayton Power & Light, and Ohio municipalities Hamilton and Blanchester.

Under the settlement:

- Effective Jan. 1, 2012, the Duke companies' revenue requirement for wholesale transmission service provided in the DEOK Zone will not include any PJM transition costs or internal integration costs.
- The Duke companies will not recover any MISO "legacy" transmission expansion costs in rates for transmission service provided since Jan. 1, 2012. Going forward, Duke will be permitted to recover 30% of MISO legacy costs.
- The Duke companies' return on equity for wholesale transmission service shall be reduced to 11.38%, including a 0.5% adder for participation in an RTO. Duke and the other signatories agreed not to seek FERC approval for a change in the ROE that would be effective before June 1, 2017.

FERC Upholds VEPCO's Obligation to Purchase Solar Energy from Small QFs

The Federal Energy Regulatory Commission last week denied a request by Virginia Electric and Power Co. to terminate its obligation to purchase electricity from nine North Carolina solar facilities. The facilities, owned by Community Energy Solar, each have a net capacity of 4.99 MW.

VEPCO had filed the request last October.

In 2008, FERC terminated VEPCO's obligation to purchase energy from qualifying facilities (QFs) larger than 20 MW in its service territory, with the presumption that such facilities have nondiscriminatory access to the PJM markets.

At the same time, FERC created the presumption that smaller qualifying facilities did not have the same access to the markets because of their size. The commission placed the burden of proof on utilities seeking to terminate agreements to show otherwise.

"We find that the nine Community Energy QFs established legally enforceable obligations under [the Public Utilities Regulatory Policies Act] prior to VEPCO's filing of its application to terminate its mandatory purchase obligation for those QFs, and we therefore deny VEPCO's application," FERC said in its April 16 ruling (QM15-1-000).

— Suzanne Herel

'Quick Hit' List at PJM-MISO Seam Narrowed to 4 Projects from 39

Continued from page 11

revenue rights infeasibilities, were included. Solutions had to be completed and provide a payback on investment quickly. Greenfield projects were not considered.

Eric Laverty, MISO director of sub-regional planning, said most of the potential flowgate projects that were studied should be disqualified because they experienced no recent congestion, they had already been identified for in-service upgrades or they did not represent a solid business case.

The four projects chosen were:

- Benton Harbor-Palisades, an American Electric Power-Michigan Electric Transmission Co. tie line that would receive terminal upgrade equipment. Congestion relief: $61.5 million.
- Beaver Channel-Sub 49 161-kV, consisting of a SCADA equipment upgrade. Congestion relief: $6.9 million.
- Michigan City-Laporte 138-kV line upgrades. Congestion relief: $2.7 million. Day-ahead relief: $23 million.
- Cook-Palisades 345-kV, consisting of upgrading terminal equipment. Congestion relief: $31.5 million.

"We believe there's a business case for these four projects," Laverty said.

Laverty said the cost of the four projects ranged from "tens of thousands of dollars" to "low millions." The only project with a specific price was the $2.5 million Michigan City-Laporte flowgate upgrade.

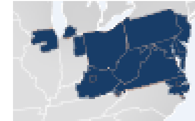
Committee members said they were confident the upgrades would not simply move congestion to other parts of the RTOs' footprints.

Chuck Liebold, PJM's manager of interregional planning, said the RTOs modeled not only historical congestion patterns but also what effects the upgrades would have in relieving congestion on the seam. "In the cases we recommended, the upgrades were very successful at that," Liebold added.

Both RTOs are talking with transmission owners about the possibility of making upgrades and about who will foot the bill. The committee said it would welcome ideas about cost-sharing.

Stewart Bayer, transmission policy engineer at Northern Indiana Public Service Co., suggested that the RTOs address the issue of cost allocation first, before transmission operators make upgrades. "I don't know how willing we are to proceed without knowing who's paying for it," he said.

PJM News



PJM Bid to Delay Capacity Auction Draws Flurry of Support, Criticism

By Suzanne Herel

PJM's request to delay May's Base Residual Auction has drawn more than two dozen comments — mostly from supportive stakeholders, but also from critics who say a postponement would create more market uncertainty than it is seeking to quell.

The RTO asked the Federal Energy Regulatory Commission for a Tariff waiver allowing the delay on April 7 (ER15-1470) after responding to FERC's deficiency ruling over its proposed Capacity Performance plan (ER15-623). (See *PJM Responds to FERC Queries on Capacity Performance, Requests Approval*.)

Among those opposing the delay are American Municipal Power, Old Dominion Electric Cooperative and Southern Maryland Electric Cooperative. "The commission should not allow PJM to create destabilizing market uncertainty by holding the BRA hostage until it secures a Capacity Performance ruling to its liking," they said in a joint filing.

"Indeed, PJM's transparent attempt to blame the commission for the uncertainty — by requiring that PJM provide additional support for its deficient Capacity Performance proposal — only underscores that it is PJM, through the filing of its waiver request, that has created the very uncertainty it now asks the commission to cure."

Supporters, however, not only urged FERC to grant the waiver, but to approve the Capacity Performance proposal in time for a delayed BRA. The proposal would increase capacity payments for over-performing participants and penalties for non-performers.

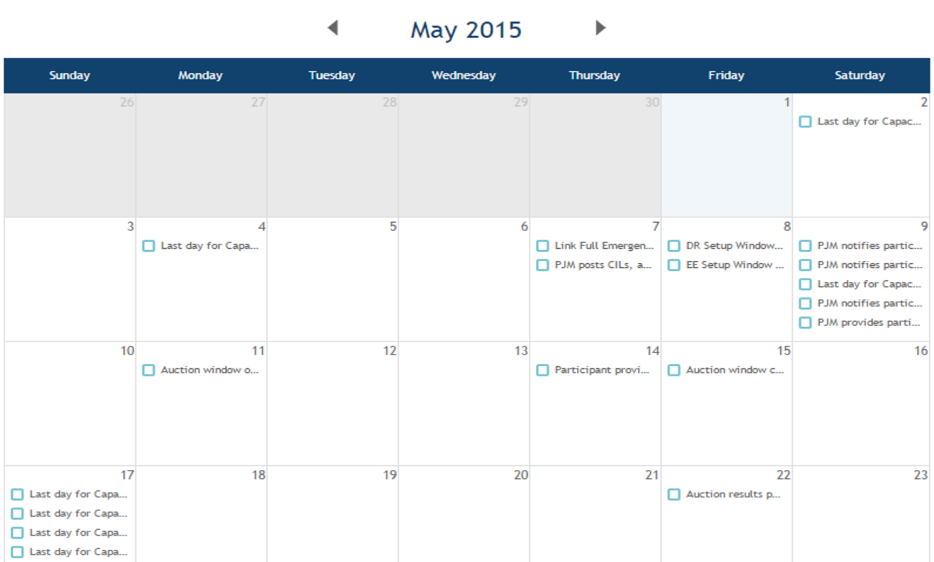
AES, Calpine, Dynegy, Exelon, FirstEnergy, PPL, Public Service Enterprise Group, Topaz Power Management, AEP Generation Resources, East Kentucky Power Cooperative and NRG Energy filed a joint statement saying that holding the auction under the current Tariff "will expose our customers and the PJM market to unacceptable reliability risks."

"Additionally, further delay in approving these reforms creates significant market uncertainty given the myriad business decisions that depend on clear market rules and price signals," they said. "State default procurements, retail contracts and capital investment decisions all hinge on knowing both when to expect commission resolution and what the commission has decided."

Transitional Incremental Auction

Rockland Capital and others opposing the delay suggested that if FERC approves a version of the Capacity Performance plan, it should allow PJM to hold a transitional Incremental Auction for the 2018/19 delivery year.

PJM filed a response opposing that proposal.



Reliability Pricing Model calendar. (Source: PJM)

"At bottom, protestors ignore the essential 'phase-in' nature of the transition auctions and are in reality simply seeking to put off Capacity Performance reforms for at least another year. That patently does not achieve the purposes of PJM's requested waiver of preserving a genuine opportunity to implement Capacity Performance for the 2015 BRA and therefore should not be deemed an acceptable alternative to the waiver," PJM said.

In its protest to the waiver, Panda Power Funds said it would create "significant uncertainty not only as to the timing of the BRA, but also as to the capacity products to be offered in the BRA, the costs of participating in the BRA and other rules related to the BRA. Postponement of the BRA also threatens to delay the completion of needed new capacity and thus prevent PJM from meeting its own reliability objectives."

Others opposing the waiver request include several environmental organizations, the Advanced Energy Management Alliance, energy trading companies, state regulators in Maryland and New Jersey and some consumer advocates. Utilities largely supported PJM's request.

"By granting PJM's waiver request, the commission mitigates market uncertainty by allowing market participants to know what the performance requirements are in order to value risk accordingly," said the Public Utilities Commission of Ohio.

Shell Energy took the opportunity to urge FERC against a "hasty roll-out" of PJM's plan, while noting it does not oppose "these much-needed reforms."

"In addition to the direct effects of the Capacity Performance proposal, the commission must provide a fair opportunity for market participants to assimilate the indirect effects of the proposal as approved on bilateral transactions, such as off-take agreements or agreements involving long-term hedges of retail electric supply," it said.

Shell requested a technical conference in which PJM and the Independent Market Monitor would make presentations on the details of the program and answer questions on the record.

In its filing, PJM said that if FERC does not respond by April 24, it will consider the waiver withdrawn and proceed with the May 11 BRA as scheduled.

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.

Agenda

Markets and Reliability Committee
The Chase Center on the Riverfront, Wilmington, DE
April 23, 2015
9:00 a.m. – 11:45 p.m. EPT

Administration (9:00-9:05)

Welcome, announcements and Anti-trust and Code of Conduct announcement – Mr. Dave Anders

Endorsements/Approvals (9:05-10:25)

1. Draft Minutes (9:05-9:10)

Approve minutes from the March 26, 2015 Markets

2. PJM Manuals (9:10-9:20)

A. Mr. David Souder will present proposed rev Requirements regarding a recent NERC Ad **The committee will be asked to endorse**

3. Energy Market Uplift Sr. Task Force (9:20-9:40)

Mr. Adam Keech will present revisions to rules developed by the Energy Market Uplift Senior T **the revisions.**

4. Residential DR Measurement & Verification (9:4

Mr. Pete Langbein will discuss PJM's intention Response Measurement and Verification Tariff Members Committee meeting. Since these revi Residual Auction, the endorsed Tariff revisions Year to the transition plan. **The committee will**

5. Tariff Harmonization Sr. Task Force (9:50-10:0

Ms. Janell Fabiano will present the draft charter **committee will be asked to approve the prop**

6. Generator Offer Flexibility (10:00-10:15)

Mr. Joe Kerecman and Mr. Dave Pratzon, repre statement and issue charge regarding the need resources. **The committee will be asked to a charge.**

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Agenda

Members Committee
One Hundred-Forty Ninth Meeting
The Chase Center on the Riverfront, Wilmington, DE
April 23, 2015
12:00 noon – 12:30 p.m. EPT

Administration (12:00-12:05)

A. Announce sector selections of new members since the last meeting – Mr. Anders
B. Confirm the presence of a quorum of representatives or designated alternates for this meeting – Mr. Anders
C. Anti-trust and Code of Conduct announcement – Mr. Anders

Consent Agenda (12:05-12:10)

A. **Approve** draft minutes of the March 26, 2015 meeting
B. **Approve/endorse** proposed non-substantial FTR revisions

Endorsements (12:10-12:10)

None

Reports (12:10-12:20)

1. MC Vice Chair Report (12:10-12:20)

A. Provide update on 2015 Members Committee Annual Plan – Mr. Jablonski
B. Discuss the agenda and plans for April 21, 2015 LC meeting – Mr. Jablonski

2. Webinar Feedback (12:20-12:30)

Stakeholders may raise any items identified for further discussion from the April 20, 2015 Members Committee Webinar.

Markets and Reliability Committee

2. PJM Manuals (9:10-9:20)

Members will be asked to endorse the following manual change:

A. Manual 14D: Generator Operational Requirements — Changes made to comply with a recent advisory from the North American Electric Reliability Corp. on generator governor frequency response.

3. ENERGY MARKET UPLIFT SENIOR TASK FORCE (9:20-9:40)

Members will be asked to approve revisions to rules developed by the Energy Market Uplift Senior Task Force regarding treatment of combustion turbine lost opportunity costs. Under the proposal, units with start-up and notification times of no more than two hours and minimum run times of two hours would be paid lost opportunity costs if they are not dispatched. Resources with real-time start-up and notification times or minimum run times of more than two hours will not receive lost opportunity payments unless PJM bars them from running in real time to avoid transmission overloads.

The committee may consider "friendly amendments" from Dominion Resources, Old Dominion Electric Cooperative and PJM. (See "PJM: New Rule on Lost Opportunity Costs Would Exclude 1/5 CTs" in *Operating Committee Briefs*, April 14.)

4. RESIDENTIAL DR MEASUREMENT AND VERIFICATION (9:40-9:50)

Members will be asked to approve Tariff and manual revisions regarding residential demand response measurement and verification, which PJM plans to file in late April. The changes, endorsed at the Jan. 22 Members Committee meeting, have been updated to include an additional delivery year. (See "Sampling to be used for Measuring Residential DR" in MRC/MC Briefs, Nov. 25.)

5. TARIFF HARMONIZATION SENIOR TASK FORCE (9:50-10)

Members will be asked to OK the draft charter of the group, formed to address inconsistencies and discrepancies in PJM's governing documents. (See *Task Force Proposed to Resolve Inconsistencies in PJM Governing Documents*.)

6. GENERATOR OFFER FLEXIBILITY (10-10:15)

Members will be asked to endorse a problem statement and issue charge by Calpine seeking to allow more flexible market offers for physical generating resources. PJM is the only U.S. RTO that does not allow generators to vary their cost- or market-based offers hourly. This problem statement would consider allowing generators to revise their offers hourly to reflect changes in gas prices. (See *PJM May Consider Hourly Pricing for Generators*.)

7. REGIONAL PLANNING PROCESS SENIOR TASK FORCE (10:15-10:25)

On first reading, members will be asked to approve a recommendation directing the Planning Committee to develop guidelines for considering generation interconnection projects as drivers under the multi-driver transmission project approach. The committee also will be asked to place the task force on hiatus, available to be returned to operation if needed based on future rulings by the Federal Energy Regulatory Commission.

Members Committee

CONSENT AGENDA (12:05-12:10)

B. Members will be asked to approve proposed minor "non-substantial" provisions regarding financial transmission rights' auction clearing deadlines and trading periods.

NYISO News

FERC Rejects Ginna Rates, Orders Settlement Proceeding

By William Opalka

The Federal Energy Regulatory Commission last week rejected the rate schedule proposed for a struggling nuclear power plant needed for reliability in western New York and ordered hearing and settlement proceedings (ER15-1047).

The commission approved only part of the reliability support services agreement for the R.E. Ginna nuclear plant between Rochester Gas & Electric and Exelon's Constellation Energy Nuclear Group, the plant's owner, which is also under review by the New York Public Service Commission.

The commission rejected the proposal that Ginna receive 15% of its NYISO market revenues, saying it "does not comport with the general principle that rates under [a reliability-must-run] agreement must be cost-based."

"A compensation structure that provides for both a cost-based monthly fixed rate (whether going-forward costs at the low end, or a full cost of service at the upper end) and a share of market revenues does not meet this principle, as the revenue-sharing provision is not cost-based and may allow for Ginna to earn more than its full cost of service," FERC wrote.

The commission approved a provision that would require Ginna to repay capital investment costs it recovers under the RSSA if it were to return to the market after the agreement's expiration.

The capital recovery balance would range between $20.1 million and $65.3 million depending on when it was invoked, "a sufficient disincentive" to dissuade Ginna from "toggling" between compensation under the RSSA and the NYISO markets, the commission said.

FERC thus excluded the issue of toggling from the hearing but said it may address whether the amounts in the capital recovery balance are just and reasonable.

FERC said it would allow about 45 days for settlement discussions before scheduling a hearing.

The RSSA was ordered by state officials and is scheduled to be retroactive to April 1, once approved by regulators. The agreement would cost about $175 million a year and be effective through late 2018. Ginna says it lost more than $150 million between 2011 and 2013.

The immediate effect of FERC's order is that a procedural case before administrative law judges of the PSC has been slightly delayed. The PSC ordered initial "issue statements" by April 15 in a review of the rate impact on consumers, but that has been pushed back until April 22. (See *NYPSC Rejects Opponents' Request for More Time in Ginna Rate Review*.)

FERC has ordered NYISO to standardize its procedures for RMR agreements, of which the proposed Ginna deal is the most recent. (See *FERC Orders NYISO to Standardize RMR Terms in Tariff*.)

As a result, Tuesday's order also struck a provision allowing an extension of the agreement beyond 2018. "If there is a future reliability need for the RSSA beyond its initial term, Ginna will be subject to the procedures that NYISO establishes, and the commission approves, in response to the NYISO RMR order," FERC wrote.

FERC Clarifies NY ICAP Market Power Mitigation Order

By William Opalka

The Federal Energy Regulatory Commission on Thursday clarified unresolved issues from a previous order on the installed capacity market in New York that have been pending for nearly three years (EL11-42).

In it, FERC accepted NYISO's filings in response to the June 22, 2012, order, which directed the ISO to clarify how the mitigation exemption test and offer floor calculations are implemented. The commission had found merit in a complaint by NRG Energy and several other generators that NYISO's implementation of the buyer-side mitigation rules lacked transparency.

NYISO said the 2012 order was unclear with respect to the comparison made between the default offer floor and unit net cost of new entry in determining the offer floor. FERC said NYISO's interpretation is correct, in that the value for unit net CONE to be used should be only the first-year value of the three-year average of annual unit net CONE.

FERC also:

- Confirmed NYISO's method of adjusting the offer floor for inflation.
- Ordered NYISO to change how it adjusts unit net CONE for inflation.
- Affirmed its finding that NYISO has justified its use of natural gas futures prices and historical prices in its net CONE calculations.
- Ordered NYISO to incorporate language allowing the Market Monitoring Unit to consider all factors relevant to mitigation exemption and offer floor determinations in its reports reviewing whether the ISO's mitigation and exemption determinations were conducted in accordance with its Market Administration and Control Area Services Tariff.

FERC also ruled Thursday in a case related to the ICAP, in which Astoria Generating and TC Ravenswood had alleged that NYISO's buyer-side market mitigation provisions were improperly administered (EL11-50). The order generally denied rehearing, but it ordered the ISO to use the Astoria II plant's actual cost of capital in its mitigation exemption determination.

NYISO NEWS

FERC Denies Rehearing Requests on NYISO Order 1000 Compliance Filing

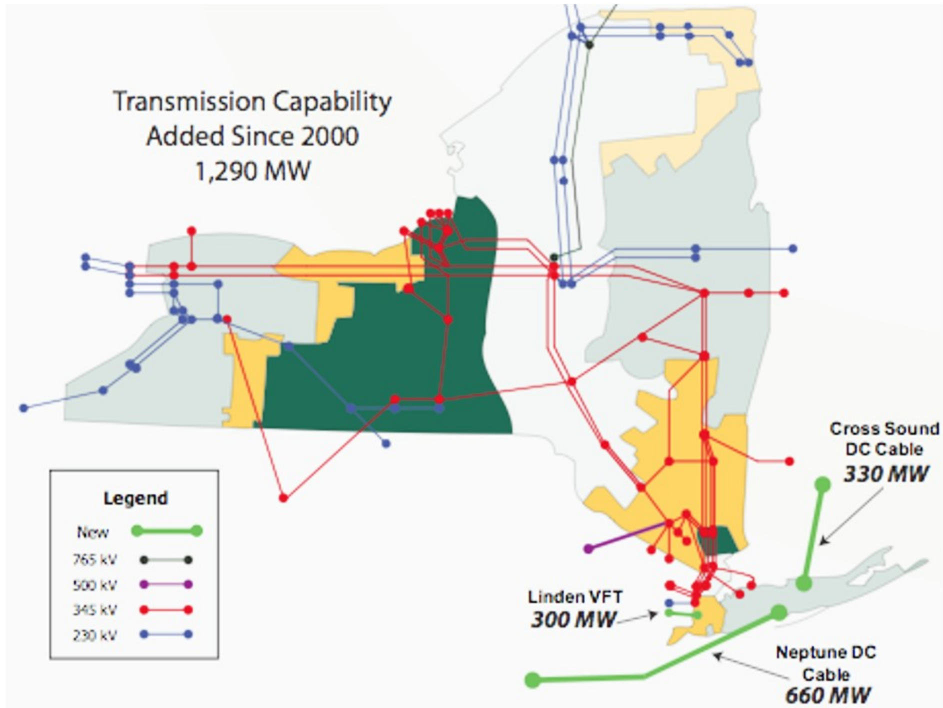
By William Opalka

The Federal Energy Regulatory Commission accepted most of NYISO's and New York Transmission Owners' second compliance filing for Order 1000 while denying multiple requests for rehearing (ER13-102).

The parties have 30 days to submit a further compliance filing.

FERC denied LS Power's request for rehearing, saying that cost-effectiveness is appropriately assessed in NYISO's proposed evaluation process.

The commission previously expressed concern that NYISO's regional cost allocation method for public policy transmission projects could cause unnecessary delays for transmission developers seeking regional cost allocation. FERC accepted the ISO's proposal that the process for deciding the cost allocation method run in parallel with state siting proceedings.



New York transmission line map. (Source: NYISO)

FERC also:

- Accepted NYISO's revisions clarifying how it will review transmission owners' local transmission plans to determine whether alternative transmission solutions might meet reliability needs. FERC noted that NYISO and the Long Island Power Authority have agreed to tariff revisions that allow LIPA to determine whether "a proposed transmission need driven by public policy requirements requires a physical modification to transmission facilities located solely within the Long Island Transmission District, while also allowing the New York [Public Service] Commission to determine that a transmission need driven by public policy requirements identified by LIPA is a regional transmission need driven by public policy requirements."
- Accepted NYISO revisions on who may qualify as an approved transmission developer. A prospective transmission developer will be allowed to submit a detailed plan for financing, developing, constructing, operating and maintaining a transmission facility. The ISO may require information about transmission facilities that the prospective developer has already constructed.
- Ordered NYISO to treat whether or not a nonincumbent developer has received its siting permits and other authorizations under New York state law as just one factor in the ISO's selection process.
- Ordered revisions to clarify that only disputes within the New York PSC's sole jurisdiction may be subject to judicial review in state courts.

ISO-NE News

FERC Rejects New England Power Tx Tariff

By William Opalka

The Federal Energy Regulatory Commission on Thursday rejected tariff revisions submitted by New England Power, saying they would allow the company to exceed the commission's limits on transmission returns on equity (ER15-418).

In Opinion 531, FERC last year ordered that the New England Transmission Owners' total ROE, including base rate and incentives, could not exceed 11.74%, the top of the "zone of reasonableness." (See *FERC Splits over ROE*.)

As a result, New England Power was required to revise the tariff governing the transmission facilities of its affiliates, Massachusetts Electric and Narragansett Electric, which it operates as a single integrated system.

But FERC ruled that the revisions the company filed would have improperly allowed it to earn returns of more than 11.74% on some of its assets as long as the average ROE was below the cap.

The commission said the company's language "relies on the same interpretation of the term 'total ROE' that the New England Transmission Owners presented on rehearing in the Opinion No. 531 proceeding. The commission rejected that interpretation in Opinion No. 531-B, and we do so here for the same reasons."

The commission also ordered the use of data from calendar year 2013, rather than 2012, to calculate the estimated decrease in revenues resulting from New England Power's tariff revisions. The company had calculated a $2.2 million rate decrease if 2012 was used as the test year, and nearly a $2.3 million decrease based on data for 2013.

FERC Backtracks from ISO-NE Winter Reliability Order

Continued from page 1

reliability solution may be necessary for the next several winters, we find that an expanded version of the current winter program might better produce the desired results in terms of reliability than the introduction, at this point in time, of the market-based solutions examined by ISO-NE," FERC wrote.

While agreeing to grant the request, Commissioner Tony Clark expressed "frustration given ISO-NE's inability or reluctance" to develop a program. "I vote in favor of today's order as a matter of pragmatism given the practical challenges ISO New England asserts in its filing," he wrote in a concurring opinion.

The New England Power Generators Association had argued that the region shouldn't wait until 2018 — when the RTO's pay-for-performance program takes effect — for a market-based solution. (See *ISO-NE in Precarious Position for Winter*.)

"We are disappointed," NEPGA President Dan Dolan said. "But we are encouraged that FERC used some rather strong language, particularly Commissioner Clark, to try to put some mechanism in place, rather than just a series of one-off programs."

ISO-NE has used out-of-market programs for the past two winters to maintain reliability.

FERC prodded ISO-NE to continue work on a market-based program, even with this reprieve. "The commission expects ISO-NE to abide by its commitment to work with stakeholders to expand any future out-of-market winter reliability program to include 'all resources that can supply the region with fuel assurance,' such as nuclear, coal and hydro resources," it said.

NEPGA has complained that the winter reliability program should be resource-neutral. However, in both years of its existence, the program has relied on oil and natural gas.

FERC News

Open Meeting Briefs

The Federal Energy Regulatory Commission on Thursday issued new reliability standards, denied rehearing on business practices and communication protocols and ordered a new format for electronic filing of required reports. The commission also outlined a plan for measuring the effectiveness of its initiatives to spur transmission spending.

Transmission Investment Metrics

FERC said it will begin collecting data on six transmission metrics in an effort to measure the effectiveness of Order 1000 and other transmission initiatives (AD15-12).

The metrics are intended to measure levels of transmission infrastructure by region and permit analysis of the impact of commission transmission policies.

They include two measures of persistent congestion, which FERC said would provide an indication of whether regions have invested enough in transmission to ensure reliability and reduce costs:

- Annual number of Transmission Loading Relief (TLR) or unscheduled flow events, normalized based on retail load. This metric would apply in bilateral markets.
- Persistence, in years, of price differentials between RTO/ISO market nodes and market-to-market flowgates. LMPs, forward capacity prices and trading hub prices will be used.

To gauge the impact of policy changes, three other metrics will measure relative transmission investment and the cost-effectiveness of that spending:

- Circuit-miles of transmission added to the grid, normalized by retail load. Population density and other factors may need to be considered in using the metric to compare regions.
- Load-weighted transmission investment, defined as the amount spent on new capital additions in a given year, weighted by retail load. Population density must be considered in comparisons.
- Circuit-miles per dollar of investment, defined as the number of circuit-miles added in a year, divided by the total invested — a measure of cost effectiveness.

The final metric will attempt to measure the impact of Order 1000, which sought to open transmission development to competition. It would divide the number of bids or proposals from non-incumbents in a region by the total number of bids and proposals annually.

"This is important work that you're doing," Chairman Norman Bay told Ben Foster, an Office of Energy Policy and Innovation staff member who presented the metrics study to the commission. "The metrics presented by staff today will allow the commission and its staff to better see what works and what needs further improvement."

FERC staff will consider whether to add more metrics as it gains experience with the initial six.

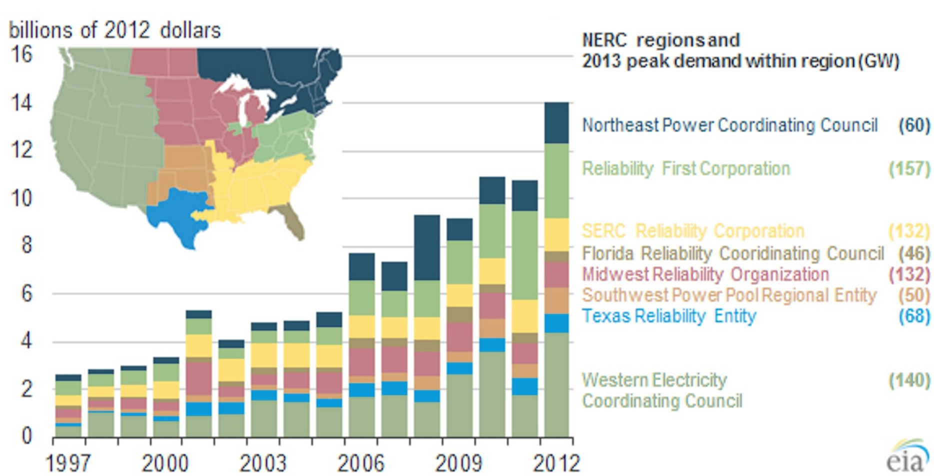
"This is an initial feasibility study," Foster said in response to a question from Commissioner Philip Moeller on a timeline for further developments. "We've done an initial pass, but we want to look more deeply into it to see if in fact it will yield meaningful insights. So we don't have a particular timeline for releasing any kind of analysis at this point."

FERC spokeswoman Mary O'Driscoll said the effort will not impose any additional reporting requirements on RTOs or others, at least not immediately.

"This is the very beginning of the process," she said. "If [FERC staff] need additional data they will seek it out at the time. For now, it's all public data."

Commissioner Cheryl LaFleur asked Foster if there was anything RTOs could do to help FERC get meaningful data.

Foster replied that staff is attempting to rely on publicly available data. "But we may well have questions, and if the people who compile that data would be open to helping to walk us through [it] … that would be the most helpful to us at this point," he said.



Transmission investment by NERC region, 1997-2012 (Source: EIA)

Standards for Business Practices and Communication Protocols for Public Utilities

FERC denied a request by the Edison Electric Institute for rehearing of Order 676-H, which specified business practices and communication protocols for electric utilities. The order addressed redirect policies and included a requirement that transmission providers post on their Open Access Same-time Information Site (OASIS) explanations on their calculation of available transmission capacity (ATC) within one day (RM05-5-024). Compliance is required effective May 15.

Electronic Filing Protocols for Commission Forms

Electric utilities and others will be required to file FERC reports in XML (Extensible MarkUp Language), a replacement for the current software, Visual FoxPro, which is no longer supported by its developer, Microsoft.

Affected are four forms used by electric utilities:

- Form 1: Annual Report of Major Elec-

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FERC NEWS

Open Meeting Briefs

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tric Utilities, Licensees, and Others;

- Form 1F: Annual Report of Nonmajor Public Utilities and Licensees;
- Form 3Q: Quarterly Financial Report of Electric Utilities, Licensees, and Natural Gas Companies; and
- Form 714: Annual Electric Balancing Authority Area and Planning Area Report.

Forms for natural gas companies and oil pipelines also are affected by the change (AD15-11).

Reliability Standards

The commission gave final approval to the following reliability standards developed by the North American Electric Reliability Corp.:

- COM-001-2 (Communications) and COM-002-4 (Operating Personnel Communications Protocols). The rules require adoption of predefined communication protocols, including use of three-part communications, and an annual assessment of them. The commission ordered NERC to modify COM-001-2 to address internal communications that could have an impact on reliability (RM14-13).
- BAL-001-2 (Real Power Balancing Control Performance) and four new definitions. The standard is intended to ensure that the grid maintains consistent system frequency. It adds a frequency component to the measurement of a Balancing Authority's area control error (ACE). The commission ordered NERC to submit an informational filing on the potential impact of the standard and to revise one definition (RM14-10).

The commission also gave preliminary approval to, and invited comment on, two Notices of Proposed Rulemaking:

- PRC-005-4 (Protection System, Automatic Reclosing and Sudden Pressure Relaying Maintenance), which requires testing and maintenance of certain sudden pressure relays. The commission said it plans a new definition and four revised definitions in the proposed standard (RM15-9).
- PRC-002-2 (Disturbance Monitoring and Reporting Requirements), designed to ensure the availability of adequate data to allow analysis of bulk electric system disturbances (RM15-4).

Tech Conference on Reliability of Bulk Power System

FERC will hold its annual technical conference on the reliability of the bulk-power system on June 4 (AD15-7). The conference, which will be held at FERC headquarters, will be webcast. FERC said a detailed agenda will be issued later.

— Rich Heidorn Jr.

FERC Approves Final Rule on Gas-Electric Coordination

Continued from page 1

sion's open meeting Thursday. "The … final rule finds that there has not been a showing that the benefits of changing the nationwide gas day from 9 a.m. CT to 4 a.m. CT sufficiently outweigh the potential adverse operational and safety impacts and costs of making such a change," staff said.

Growing Pains

The growth in natural gas-fired generation has strained pipeline capacities and provided operational challenges to grid operators. Two issues were spotlighted: communications between generators and natural gas transmission operators, and gas-electric scheduling.

In November 2013, the commission approved a rule allowing gas pipeline operators to exchange non-public operational information with RTOs. (See *FERC OKs Gas-Electric Talk*.)

A 2013 report by the North American Electric Reliability Corp. said that the disparity in schedules meant that "electric generator nominations, with their relatively large gas loads, are based upon estimates by the individual fuel planners of each Generator Owner (GO) between 24 and 36 hours in advance. The issue could be magnified when scheduling on a Friday, since gas markets are closed for the weekend."

The new rule "illustrates how the commission can engage with industry and stakeholders in a collaborative process to offer real improvements in our natural gas and electricity markets," Commissioner Cheryl LaFleur said in a statement.

The American Gas Association, which represents more than 200 local distribution companies, praised the ruling.

"I am pleased to see that FERC will maintain the 9 a.m. CT start time, a positive step that recognizes what is in the best interest of both gas and electric customers," CEO Dave McCurdy said. "We appreciate FERC's attention to the coordination between gas and electric systems, and believe this is a critical issue that needs attention, but changing the gas day was not a step that would have ultimately improved this coordination."

Retreat

But Thursday's order was a retreat from the commission's March 2014 Notice of Proposed Rulemaking, which proposed the 4 a.m. start time. (See *FERC: Six Months to Move Gas, Electric Schedules*.)

The commission approved the NOPR on a 3-1 vote with LaFleur, Commissioner Philip Moeller and former Commissioner John Norris in support. Commissioner Tony Clark dissented, saying he wanted to give the industries more time to reach consensus. Since then, the commission has added Commissioners Norman Bay and Colette Honorable.

The rule becomes effective 75 days after publication in the Federal Register. Each ISO and RTO must come up with tariff revisions to either coordinate its day-ahead market with gas pipeline scheduling changes or show why changes shouldn't be implemented.

Company Briefs

TVA Buys 700-MW Gas Plant In Miss. from Quantum

The Tennessee Valley Authority has purchased a 700-MW gas-fired combined-cycle plant in Ackerman, Miss., from Quantum Choctaw Power. The plant is a two-one-one configuration and is the sixth combined-cycle plant TVA has purchased or built since 2007. TVA said in February, when it announced board approval of the purchase, that it would pay $340 million for the plant. The authority is retiring many of its coal units and either building or purchasing gas-fired generation in an attempt to meet emissions mandates.

Quantum Choctaw was owned by Quantum Utility Generation, an independent power producer that has coal- and gas-fired plants in Florida, Virginia and Mississippi, a solar project in Guam, and wind energy projects in Connecticut, Pennsylvania, Maine and Minnesota.

More: *The Chattanoogan*

TVA Has No Plans to Restart Construction of Bellefonte

The Tennessee Valley Authority's 20-year plan for electricity generation sees the possibility of uprates at existing, operating nuclear stations and probably more natural gas and renewable generation, but its dormant Bellefonte nuclear plant doesn't fit into any of those plans. The authority's draft integrated resource plan is the subject of public hearings before it goes to the TVA board for a final vote in August.

Construction of the Bellefonte plant began near Hollywood, Ala., in 1974, but was abandoned in the 1980s after an investment of about $4.5 billion. The authority voted to restart construction of the plant in 2011, but that plan was killed in the face of slumping power demand the next year. The authority decided to go ahead with plans to complete Watts Bar Unit 2, another reactor that had been started in the previous century and then stopped. It is currently scheduled to go online by the end of this year.

More: *Huntsville Times*

National Grid Starts Construction on Advanced-Technology Solar Project

National Grid is starting construction of a 650-kW solar facility in Massachusetts that will test advanced technology ahead of the company's plan to build 16 MW of solar generation in 19 sites in that state. The pilot project will test the use of new inverters, a vital component of the process of feeding solar energy into the grid. The move is part of the utility's effort to contribute to the state's goal of having 1,600 MW of solar by 2020. Much of the company's efforts so far have been on connecting third-party solar generation to the grid, although it has solar generating facilities in five Massachusetts towns.

More: *FierceEnergy*

AWEA: Wind Industry Added 23,000 Jobs in 2014

The wind industry added 23,000 jobs in 2014, raising the total to 73,000 positions, according to the American Wind Energy Association. In its 2014 report, AWEA said 12,700 MW of wind projects were under construction as this year began. "These results show that extending the Production Tax Credit for wind power in 2013 was good for business in America," AWEA CEO Tom Kiernan said. "We've got a mainstream, Made-in-the-USA product that supports jobs in every state and is gaining momentum. With a more predictable policy, we can add more jobs and keep this American success story going."

More: *PennEnergy*

FirstEnergy's Beaver Valley Loses Unit to Bad Pump Bearing

One of the reactors at FirstEnergy's Beaver Valley nuclear station near Shippingport, Pa., went offline Wednesday when a pump supplying non-radioactive water to the steam generators shut down, probably due to a bad bearing. One of the two pumps serving Unit 1 showed signs of failing, and workers shut the reactor down at about 4 a.m. Repairs will take several days, a company spokeswoman said Thursday. Company officials said the other pump could serve the reactor at only 50% capacity.

More: *PennEnergy*

FE Delays Bruce Mansfield Decision For Possible PJM Auction Delay

FirstEnergy has decided to put off a final decision on whether to invest in a dewatering facility for coal ash control at its Bruce Mansfield coal-fired power plant until it knows when PJM's annual capacity auction will be held. The company wants to see if the plant would clear the auction before deciding whether to invest in the dewatering facility. PJM has asked FERC for permission to delay the annual action, usually held in May, pending final commission rulings on its Capacity Performance proposal. FirstEnergy says it will now make the decision sometime this summer.

More: *Pittsburgh Business Times*

FirstEnergy Closes 3 Ohio Coal Plants

FirstEnergy, saying it was better to retire aging coal plants than retrofit them to make them conform to emissions mandates, has closed three coal-fired plants in Ohio.

The Ashtabula plant on the shores of Lake Erie, Lake Shore and Eastlake plants, all in northern Ohio, were shuttered last week. They were part of a list of nine the company announced in 2012 it would be retiring. Six of those nine have been decommissioned already. These are the last of that original list. The retirement of the final three was delayed until improvements could be made to transmission lines to accommodate the transmission of power in the absence of those plants. That work was completed at the cost of about $263 million, company spokeswoman Stephanie Walton said.

"There will be a period of shutdown activity, then the plant will be put into a safe and environmentally secure mode," Walton said, describing the process for the Ashtabula plant.

More: *Star Beacon*

PPL Retiree Loses Bid to Have NRC Review Nuke Transfer Decision

The Nuclear Regulatory Commission has denied a request made by a former PPL employee to have the commission review its decision to transfer the operating licenses for the company's sole nuclear plant to a projected merchant generation spinoff. Douglas B. Ritter asked the commission to hear arguments on the transfer, which the commission just formally approved.

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COMPANY BRIEFS

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PPL and assets associated with Riverstone Holdings are spinning off and forming Talen Energy. Ritter had raised questions about the Susquehanna nuclear plant's operation under the new ownership, and about the plant's decommissioning funds and waste storage. The commission based its decision on the lack of "admissible contention" in Ritter's request.

"I'm disappointed that those issues have not been addressed publicly by the NRC," said Ritter, who worked for 34 years at PPL and lives about four miles from the plant. "I feel like we the public are being kept in the dark by the NRC, but that's big business, I guess."

PPL said it expects to close on the Talen arrangement by the end of the second quarter.

More: The Morning Call

PPL Montana to Sell

Retired Plant, Equipment

PPL Montana announced that it wants to sell the land, buildings and equipment of its retired J.E. Corette Steam Electric Station. The 153-MW plant, on 74 acres along the Yellowstone River near Billings, was built in 1968 and shut down last month. The company said its decision to retire the plant was based on the high cost of upgrades that would have been necessary to make it comply with emissions rules.

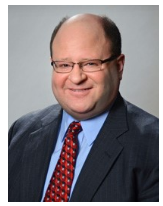
More: Great Falls Tribune

NextEra to Build 81-MW Solar Plant in Arkansas

NextEra Energy Resources is building an 81-MW solar plant in Arkansas County, Ark. The facility, in the Grand Prairie region of the county, will be the largest solar facility in the state. Entergy Arkansas has signed a 20-year power purchase agreement to buy the plant's electricity, and a new substation will be constructed to transmit the power to Entergy Arkansas' system. NextEra has applied with the state Public Service Commission to gain approval for the plant. Entergy and NextEra said the plant will be operational by mid-2019.

More: Entergy

ATC Names Mike Rowe as New CEO



Rowe

Mike Rowe, an expert in asset management and construction, has been named the new CEO of American Transmission Co. Rowe will be taking the position of John Procario, who has headed up ATC since 2009. Procario announced his plans to retire last year.

Rowe has been with the Pewaukee, Wisc.-based company for the past eight years, where he started as the vice president of construction, and later moved on to head the Asset Management, System Operations and Transmission Planning departments. He was promoted to executive vice president and chief operating officer in 2012. Before coming to ATC, Rowe was director of Engineering & Asset Management for Kansas City Power & Light. Before that, he spent 22 years with Commonwealth Edison in Chicago.

More: American Transmission Co.

NRG Pumps More Capital Into Residential Solar

While many utilities are fighting the expansion of residential solar through challenges in state legislatures, NRG Energy is doubling down on its investment in that area. Having already fielded a company that specializes in home solar installations, NRG Home Solar, the energy giant announced it is pumping yet more money into the business. The company and its investment arm, NRG Yield, have formed a partnership that will invest up to $150 million in cash into Home Solar.

"With the completion of this partnership between the companies, we initiate a new phase in the growth strategy of the NRG Home business unit and NRG Yield," says David Crane, CEO of NRG and chairman and CEO of NRG Yield.

More: Solar Industry

MYR Group Buys Eversource's Transmission and Distribution Co.

MYR Group is buying E.S. Boulos, Eversource Energy's electrical contractor that specializes in transmission, distribution and substation design and construction. ESB is headquartered in Westbrook, Maine. It was purchased by Eversource in 2001 and operated as a non-regulated company. Industry reports say the Illinois-based MYR is paying $11.4 million for the company.

More: Virtual Strategy

Millstone Worker Says He Was Fired For Reporting Co-worker's Drug Use

A worker at Dominion Resources' Millstone nuclear station in Connecticut told Nuclear Regulatory Commission officials that he was fired in retaliation for reporting a co-worker's narcotic use. "I got fired for bringing up a safety issue, and you, the NRC, need to support me," Stephen Lavoie said during the agency's annual meeting with the Connecticut Nuclear Energy Advisory Council. NRC officials promised to look into Lavoie's allegation. But Millstone spokesman Ken Holt said Lavoie was laid off because the demand for insulation workers had dropped. An independent investigator looked into Lavoie's claim and found nothing to substantiate it, Holt said.

More: The Day; CBS Connecticut

Dominion Boosts Solar Fleet with Purchase of 20-MW Georgia Facility

Dominion Resources has purchased a 20-MW solar facility in Georgia, bringing the total amount of solar generation in its stable to 364 MW at sites throughout the U.S. Dominion paid an undisclosed amount for the Richland Solar Center in Twiggs County, Ga., from HelioSage Energy. It also secured a 20-year power purchase agreement with Georgia Power. David A. Christian, CEO of Dominion Generation, said the company wants to have 625 MW of contracted solar generation by the end of 2016. Dominion has set a goal of developing up to 400 MW of solar generation in Virginia alone by 2020.

More: Atlanta Business Journal; Street Insider

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COMPANY BRIEFS

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EPRI Names Gil Quiniones New Board Chairman

The Electric Power Research Institute has elected Gil Quiniones chairman of its Board of Directors. Quiniones is president and CEO of the New York Power Authority, the nation's largest state-owned electric utility. Current board member Patricia Vincent-Collawn, CEO of PNM Resources, was elected vice chair. Five new members were also elected: Lisa Johnson, CEO of Seminole Electric Cooperative; Warner Baxter, CEO of Ameren; Mark McCullough, executive vice president of generation at American Electric Power; William Spence, CEO of PPL; and Dr. Seok Cho, CEO of Korea Hydro and Nuclear Power.

More: *EPRI*

Investor in McClendon Firm Settles Chesapeake Claim for $25M

Energy & Minerals Group has settled a trade secrets lawsuit by paying Chesapeake Energy $25 million. Chesapeake claimed that former CEO Aubrey McClendon stole trade secrets from Chesapeake when he left to form his own firm, American Energy Partners. EMG is a major investor in American Energy Partners.

EMG had earlier described the claims against McClendon as meritless and has invested nearly $3 billion in McClendon-directed ventures. Chesapeake claimed that the information was used to acquire Utica Shale field drilling rights. The settlement releases one of American Energy Partners' affiliates, American Energy-Utica, harmless in exchange for the $25 million and drilling rights to 6,000 acres.

The full terms of the settlement remain confidential, but the settlement size says a lot, one expert says. "Nobody settles a lawsuit by paying $25 million and signing over 6,000 acres of valuable oil and gas leases unless they are at least a little bit troubled by what they have learned," said Erik Gordon, a professor at the University of Michigan.

More: *Reuters*

Dynegy CEO Says Coal Plants Ready to Meet Emissions Regs

Dynegy CEO Robert Flexon said in an interview last week with *Bloomberg News* that its coal-fired generation fleet is ready to meet the looming increased emissions rules. While other companies, such as American Electric Power, are retiring aging units, Dynegy has gone on a buying spree of coal-fired generation or already retired aging plants in advance of the Environmental Protection Agency's Mercury and Air Toxics Standards implementation.

"Coal accounts for 48% of Dynegy's generating capacity of 25,758 MW, which is enough to power 21 million homes," Flexon said. "All of the plants are compliant with the MATS rules and the EPA's cross-state pollution regulations that started to get implemented this year," he said.

He also said he expects PJM to receive approval to delay its annual capacity auction while Capacity Performance rules are finalized.

More: *Bloomberg News*

-- Compiled by Ted Caddell

FEDERAL BRIEFS

Judges Appear Skeptical of Challenge to EPA Air Rules

A panel of judges of the D.C. Circuit Court of Appeals heard arguments from a platoon of attorneys arguing that the Environmental Protection Agency's Clean Power Plan is already costing states money and if upheld could lead to the closing of hundreds of coal plants.

But the questions from the judges, especially Thomas Griffith and Brett Kavanaugh, seemed aimed less at the effect of the Clean Power Plan than on the plaintiff's strategy to attack the plan in court, even before the rules are finalized.

"Do you know of any case in which we've halted a proposed rule-making?" Griffith asked. "Why in the world would we resort to extraordinary writ, which we've never used before?

"It's a proposed rule," Griffith went on. "We could guess what the final rule will be. But we're not in the business of guessing. We typically wait to see what the final rule will be."

Fourteen states and two of the country's largest coal companies are challenging the rule, which requires states to come up with plans to meet emissions reduction goals. However, EPA has already indicated that they could revise the rules based upon feedback from the states.

"For us to get in the middle of it before it happens seems highly unusual," Kavanaugh said.

"While we have always said that it is unusual to set aside a proposed rule, we believe that it is legally justified and appropriate in this case," said West Virginia Attorney General Patrick Morrisey after the hearing. "The EPA has made clear that it plans to finalize this rule and regulate based upon a section of the Clean Air Act where it lacks legal authority to do so."

A decision could be months away.

More: *The New York Times; Wall Street Journal* (subscription required)

Native Americans Seeking Rejection of Keystone XL Pipeline

The Obama administration has received more than 100 pages of letters from Native Americans calling for a rejection of the proposed $8 billion Keystone XL Pipeline, claiming that the project would infringe on their water rights and damage sacred land, according to *The Hill*.

The news service sought the letters through Freedom of Information Act requests with the Department of the Interior and found they were nearly unanimous in opposition of the project. The Oglala Sioux Tribe wrote that it "continues to fully and completely oppose" the pipeline, as did the Northern Arapaho Tribe, the Ponca Tribe of Nebraska, the Blackfeet Tribe and the Yankton Sioux Tribe.

More: *The Hill*

House Bill Gives States Right to Regulate Coal Ash

The House Energy and Commerce Committee has approved a bill that would allow states to largely bypass a recent Environmental Protection Agency rule on the storage and disposal of ash from coal-fired power plants. The EPA rule, promulgated last year, stopped short of declaring coal ash a hazardous substance and set rules for stor-

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FEDERAL BRIEFS

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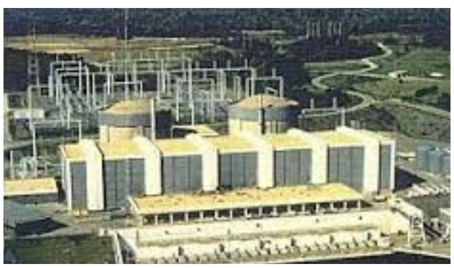
age and disposal, but largely left it up to the states to enforce the rules.

The bill, introduced by Rep. David McKinley (R-W.Va.), would set up a coal ash permit system to be administered by states, Enforcement in states that do not institute a permit system would revert to EPA. McKinley said EPA left open the possibility that coal ash would be designated hazardous and that his bill would provide regulatory certainty for those tasked with overseeing coal ash storage and disposal.

More: *Associated Press*

NRC Begins Special Inspection of Calvert Cliffs Plant After SCRAMS



The Nuclear Regulatory Commission has sent a special team of investigators to Exelon's Calvert Cliffs nuclear station to determine why both units tripped offline during the April 7 transmission line failure that resulted in regional power failures. On that day, the failure of a transmission line in Southern Maryland caused both units at the 1,700-MW site to trip offline as designed. However, the diesel backup generator at one of the units failed after 11 seconds. It was the second time in five years that a diesel backup generator failed.

A report of the team's inspection will be provided in 45 days.

More: *Southern Maryland News Net*

EPA 2013 Greenhouse Gas Report Shows 2% Increase in a Year

U.S. power plants continue to be the largest emitters of greenhouse gas, accounting for 31% of all emissions in 2013, according to the Environmental Protection Agency's 20th Inventory of U.S. Greenhouse Gas Emissions and Sinks. The report showed a 2% increase in emissions from 2012 to 2013, but a 9% drop since 2005. The agency said the rise was due to increased energy use across all sectors as well as a greater use of coal for generation overall in that period (see "Coal-fired Generation to Keep Rising" below). The agency is providing the full report, along with tools to work with the data.

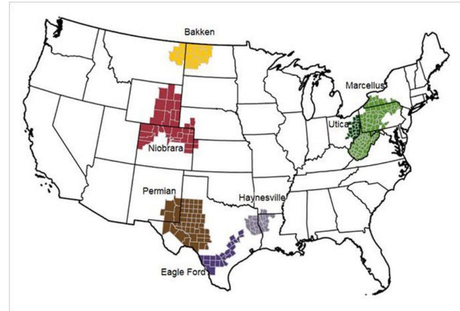
More: *Environmental Protection Agency*

Coal-fired Generation to Keep Rising Through 2025, EIA Says

The U.S. Energy Information Administration says electricity produced by existing coal-fired stations will increase from 2012 through 2025, according to its Annual Energy Outlook 2015. Using different economic scenarios, the report predicts energy production and usage. It indicates that while coal's share of generation will fall from 39% in the U.S. to 34% in 2040, it will remain the largest share of total U.S. generation. The report shows renewable generation exhibiting the largest uptick, ranging from 50 to 121%, depending on the scenario. Construction costs continue to keep nuclear's share from rising much, according to the predictions.

More: *PowerMag*

Shale Oil Boom May Be Over, Energy Information Admin Says



The oil output from seven of the country's most productive shale formations is declining, the first indication that the oil shale boom may be over, according to the U.S. Energy Information Administration. The agency said production from the Bakken Eagle Ford, Haynesville, Marcellus, Niobrar, Permian and Utica formations will show a dip in production in May compared to April figures. April output for all seven regions was to be 5.62 billion barrels per day. Projected May output was tagged at 5.56 billion barrels, according to the Drilling Productivity Report.

The report already has some analysts putting on their doom-and-gloom glasses.

"We're going off an inevitable cliff" because of the shrinking rig counts, Carl Larry, head of oil and gas for Frost & Sullivan, told *Bloomberg News*. The number of rigs in production, 802, is the lowest since March 2011. "The question is how fast the decline is going to go. If it's fast, if it's steep, there could be a big jump in the market."

More: *RT*

-- Compiled by Ted Caddell

Bay Promotes Gasteiger, Parkinson

WASHINGTON — Federal Energy Regulatory Commission Chairman Norman Bay named Larry Gasteiger as his chief of staff and Larry Parkinson as the director of the commission's Office of Enforcement. Bay made the announcement at his first open meeting as FERC chairman on Thursday.

Gasteiger served as deputy director under Bay when the latter headed Enforcement, and he has been serving as acting director since Bay was confirmed as a commissioner in August. Before joining Enforcement, Gasteiger was the director of the Division of Tariffs and Market Development - East in the Office of Energy Market Regulation. He also served as a deputy associate general counsel, and legal advisor to former Chairman Joseph T. Kelliher after joining FERC in 1997 from the Commodity Futures Trading Commission.

Parkinson had served as director of Enforcement's Division of Investigations since March 2010. Before joining the commission, Parkinson held stints as deputy assistant secretary at the U.S. Department of the Interior, general counsel of the FBI and U.S. Small Business Administration, and assistant U.S. Attorney for D.C.

— Michael Brooks

Larry Gasteiger (© RTO Insider) and Larry Parkinson (Source: C-SPAN)

STATE BRIEFS

DELAWARE

Delmarva Customers May Have to Wait Months for One-Time Credit

Exelon has promised $40 million for one-time customer credits in Delaware as part of a settlement to get approval for its takeover of Pepco Holdings Inc., but there is no telling when customers will see the credit. Public Service Commission spokesman Matthew Hartigan said the PSC first has to lend final approval to the settlement. The commission is awaiting developments in merger settlements the Chicago energy giant is having with regulatory agencies in Maryland and D.C.

More: *The News Journal*

ILLINOIS

Grain Belt Express Seeks Approval For State Part of 780-Mile Tx Line

Having already received the approval of Kansas and Indiana, the developers of a 780-mile transmission line project that spans the Midwest are going to Illinois for approval. Houston-based Clean Line Energy, which has already garnered the approval of the Commerce Commission for a line that is to run from Iowa to Illinois, is seeking the commission's ruling on the Grain Belt Express. The line is designed to carry energy produced by vast wind farms in the Great Plains to markets in the East. The Missouri Public Service Commission is expected to release its ruling on the line within the next few months. The Grain Belt Express is expected to be in service by 2019 if it gets the final approvals it needs.

More: *St. Louis Post-Dispatch*

ICC Ruling Preserves View At Frank Lloyd Wright House

The Commerce Commission has ruled that Commonwealth Edison's Grand Prairie Gateway transmission line doesn't need to abut a Frank Lloyd Wright farmhouse. The ICC said property covenants associated with land sold by the owners of the farmhouse to the Muirhead forest preserve are strong enough to force ComEd to choose a different route. ComEd agreed to shift the path of the $200 million project to move it away from the preserve. The 345-kV line is to run from a substation in Byron to another near Wayne.

More: *Daily Herald*

MAINE

Solar Promotion Policies Controversial

Gideon

The state's policies on solar energy put it behind its neighbors, advocates say, so proposals to overhaul its approach are intended to help it catch up. A bill sponsored by state Rep. Sara Gideon (D-Freeport) would require 2.5% of the state's electricity mix to come from solar by 2022 and offer financial incentives to help homeowners and businesses more quickly pay off their solar installations.

But utility representatives, the Office of the Public Advocate and the Energy Office warned that the proposals could add to ratepayers' bills. Central Maine Power, for instance, estimated that ratepayers would be paying $55 million in solar subsidies by 2022. The state installed 4.5 MW of solar energy in 2014, an 80% increase. Public Advocate Timothy Schneider said that while his office believes adding more solar energy to the state's grid is positive, the office opposed the bill based on the potential costs to ratepayers.

More: *Portland Press Herald*

MANITOBA

Manitoba Not Ready to Join Cap-and-Trade … Yet

Selinger

Premier Greg Selinger said the time is not right for the province to join in a cap-and-trade system with neighboring Ontario and Quebec, but it could happen. "It's still something we're looking at," he said in an interview with the *Winnipeg Free Press*. "There is a lot of work to get there."

It has been five years since Selinger said he would introduce cap-and-trade legislation in the province. In 2008, the province committed to cutting total greenhouse gas emissions by 6%, compared with 1990 levels, by the year 2012. But a year after the deadline, the province admitted it wasn't going to come close to the goal and abandoned the plan.

More: *The Carillon*

MARYLAND

Lawmakers Pass Bills to Foster Community Solar Projects

A pair of bills aimed to make it easier to plan, develop and activate community solar projects have passed in the House and Senate. If signed by Gov. Larry Hogan, the state will be the 10th in the U.S. to allow community solar projects. The bills would allow multiple parties to invest in a single solar project. Investors or subscribers would become eligible for credits to be used against their electricity bill.

The bills allow for a three-year pilot program permitting construction of community solar projects. A study of the projects will be presented to the General Assembly to consider a permanent program.

More: *FierceEnergy*

MASSACHUSETTS

Acadia Center Report Outlines Benefit of Solar in State

Acadia Center has released a study that quantifies the grid and societal benefits of solar photovoltaic systems in the state.

Acadia Center assessed the value of six hypothetical solar PV system configurations that determined that the value of solar to the grid ranges from 22-28 cents/kWh, with additional societal values of 6.7 cents/kWh.

Solar PV provides unique value to the electric grid by producing clean energy and avoiding generation and related emissions from conventional power plants. The overall grid value of solar is the sum total of these different benefits.

The benefits vary based on the time and location of output from solar panels. Acadia Center examined these variations in the study, including the impacts of orientation (i.e. west- or south-facing arrays) on the value of solar PV. One key finding is that under traditional net metering, west-facing arrays — which maximize output during periods of peak demand — would receive approximately 20% less credit than a comparable south-facing system, despite the fact that they produce approximately the same overall value to the grid.

More: *Acadia Center*

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State Briefs

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DPU Scraps Rule Requiring Bill Recalculations if Switching

In an attempt to reduce confusion for customers switching electric suppliers, the Department of Public Utilities has scrapped a rule requiring utilities to recalculate customers' bills if they were leaving their "basic service" plans. The rule often resulted in small "surprise" bills — but sometimes credits — for residential and small business customers.

The rule had been in place for the past 15 years, but more light was shed on it as a result of last winter's higher energy bills that spurred more customers to seek competitive suppliers. The rule called for recalculations to be done if the customer was in the middle of a six-month service period, which sometimes resulted in an additional charge being reflected because of variable costs charges. Some utilities, including Eversource Energy, said the cost of dealing with customer confusion was higher than the cost of eliminating the "true-up" from recalculations.

More: The Boston Globe

MICHIGAN

Group Tries to Get Anti-Fracking Measure on Ballot for 2016

A grassroots organization is trying to get a statewide anti-fracking measure on the ballot for the 2016 election. It will be the third attempt to do so: the group failed to get the necessary 250,000 signatures in 2012 and 2013. "This time we're going to go all the way," LuAnne Kosma, chairwoman of the Committee to Ban Fracking, said on Friday. "We have the resources that we need this time to get to 250,000. We're getting a lot more people involved, and we definitely have more awareness of the issue statewide." The state's Board of State Canvassers will review the forms prepared for the collection of signatures, a requirement before the group can begin gathering names.

So far in Michigan, there has only been test drilling for fracking operations.

More: Detroit News

Sens. Urging Obama to Oppose Canadian Plan to Bury Nuke Waste

U.S. Sens. Debbie Stabenow and Gary Peters are asking the Obama administration to oppose a plan by Canadian authorities to bury nuclear waste near the shores of Lake Huron. "Building a permanent nuclear waste dump in such close proximity to Lake Huron could cause significant, lasting damage," Peters wrote. "The Canadian government should seek out an alternative site, and I urge the State Department to take action to keep this troubling project from moving forward."

The plan calls for Ontario Power Generation to bury 7.1 million cubic feet of low- and intermediate-level waste from its Bruce Power nuclear generating station about 2,230 feet below ground. Opponents fear the waste could contaminate groundwater, which would then flow into Lake Huron.

More: Associated Press

Lansing Leaders Contemplate Answers to Aging Powerhouse

Lansing city leaders are pointing fingers at former management of the Board of Water & Light's Eckert Power Plant for letting it deteriorate to the point where at least $100 million will be needed for infrastructure investment over the next six years.

The aging coal-fired plant near the city's downtown area can't be replaced without generating capacity and upgrades to the board's transmission infrastructure, its interim general manager told the city this month.

The *Lansing State Journal* reported that part of the capital plans include doubling connections to the grid, which would help provide additional resources in the event the plant experienced a generation disruption.

The aging plant supplies power to about 97,000 customers.

More: Lansing State Journal

MINNESOTA

Enbridge Pipeline Gets Nod from Judge; PUC Ruling Pending

Enbridge's proposed $2.6 billion Sandpiper pipeline — designed to carry North Dakota crude oil across Minnesota to refineries in the East — has received approval from a state administrative law judge who ruled it was necessary. The project still needs approval from the state Public Utilities Commission, but the recent ruling was seen as a defeat to environmentalists opposing the line. North Dakota already has approved its portion of the 610-mile route.

More: Star Tribune

NEW HAMPSHIRE

Lawmakers Ask for Extension For Northern Pass Comment Period

The state's congressional delegation says a 60-day comment period is not enough time for what is expected to be a voluminous environmental impact report on the proposed Northern Pass transmission project, a 187-mile transmission project that would cut through North Country forest on its way from the Canadian border to a substation in Deerfield with 1,200 MW of new hydroelectricity from Quebec.

The delegation has asked the federal Department of Energy to extend the time to 90 days. Sens. Jeanne Shaheen and Kelly Ayotte, along with Reps. Annie Kuster and Frank Guinta, have written to energy officials in anticipation of the release this spring of a report they say will exceed 2,000 pages. They say it's "imperative" that the department allow more than the usual 60-day period before the start of public hearings on the report.

There is no set date for the report's release.

More: New Hampshire Public Radio

Seacoast Line Raises Concerns

The Seacoast Reliability Project being developed by Eversource is nothing like the scale of Northern Pass, but Seacoast community members have labeled the project "the Northern Pass of the Seacoast." They've raised concerns about noise, interference with telephone, television or radio reception, health risks, and effects on real estate values.

The project would follow a 13-mile existing distribution corridor from Madbury to Portsmouth, mostly through Durham. The Eversource right-of-way is now occupied by 40-foot wooden poles, but these would be replaced by larger metal poles ranging in size from 60 to 108 feet, which would support the 115-kV line.

More: Manchester Union-Leader

Continued on page 26

STATE BRIEFS

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NEW JERSEY

BPU Approves $95M More Energy Efficiency Spending by PSE&G

The Board of Public Utilities has approved a plan by Public Service Electric & Gas to spend another $95 million in energy efficiency programs for health care facilities, apartment buildings, small businesses and nonprofits. This is on top of the $227 million already invested on energy efficiency programs in those areas. The utility will be allowed to recover the investment in its rates.

"These three programs are targeted at segments that can achieve significant bill reductions from energy efficiency programs but were held back from making these investments for a number of reasons," said Joe Forline, vice president of Customer Solutions for the company.

More: Philly.com

NORTH CAROLINA

Judge Grants Extension to Duke for Coal Ash Plea

Duke Energy has received a four-week extension to enter its guilty plea to Clean Water Act violations relating to the massive Dan River spill last year. The guilty plea was to be part of the $102 million settlement the Charlotte-based company reached with federal authorities over the incident, in which up to 39,000 tons of coal ash and 27 million gallons of coal slurry gushed into the Dan River in February 2014. Duke filed a motion seeking the extension after saying it was concerned that a guilty plea, and a sentence of probation for the company, could prohibit it from continuing to supply electricity to two military bases in its territory – Fort Bragg and Camp Lejeune.

The company says it is negotiating with the Environmental Protection Agency to have that limitation lifted from the terms of probation. State authorities are continuing to investigate Duke's role in the environmental disaster, and no settlements or plea deals have been announced. Separately, a federal investigation into possible criminal charges relating to the spill is reportedly ongoing.

More: Los Angeles Times

Professor Gets $500k Grant to Further Wind Energy Research

A University of North Carolina-Charlotte professor researching ways to create electricity by using tethered, wind-borne generators has received a $500,000 grant from the National Science Foundation. Chris Vermillion, an assistant professor of mechanical engineering, is working on ways to develop kite- or wing-borne wind energy systems that would carry turbines into the sky, while remaining connected to the ground. Such technology could generate 30 to 200 kW of energy.

"This is the only platform in the world — at such a small scale — that replicates both the flight dynamics and the control of airborne wind-energy system lifting bodies," Vermillion said. The professor and students at the college are developing 1/100th-scale models of the lifting bodies and using the university's water channel facility to test them. The idea is to develop a model that could replace some of the earthbound wind turbines currently used.

More: Charlotte Observer

TEXAS

State Considers Scratching RPS, Renewable Zone Initiative

While other states are increasing their renewable energy sources, the Senate voted to do away with the state's Renewable Portfolio Standard and end its Renewable Energy Zone initiative. Senate Bill 931, introduced by Republican Sen. Troy Fraser, was passed 21-10 and now goes to the House. Fraser, in defending the bill, noted that the state's renewable energy goal of 10,000 MW of wind and solar by 2025 was attained in 2010. Texas now boasts having 12,800 MW just in wind. "We're No. 1 in the nation by a long shot," he said during a Senate session. "We have the lines there. We can handle another 6,000 or 7,000 MW of wind and solar."

More: FierceEnergy

WISCONSIN

FERC Approval 'the Easy Part' for Wisconsin Energy-Integrys Merger?

The Federal Energy Regulatory Commission earlier this month approved Wisconsin Energy's $9.1 billion purchase of Integrys Energy Group — but that approval may have been a cakewalk compared with the uproar before state regulators, who still must vote on the deal.

The Wisconsin Paper Council and Wisconsin Industrial Energy Group, along with retail ratepayer watchdog Citizens Utility Board, have told the Public Service Commission they'd like to see a guarantee of monetary concessions for ratepayers in light of relatively high rates.

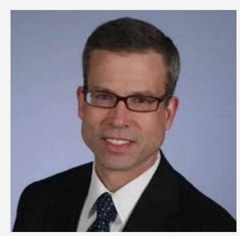
The *Milwaukee Journal Sentinel* reported that a consultant for Wisconsin Energy has estimated that the merger could result in annual savings to customers of $78 million to $138 million after five or 10 years.

But the utility stopped short of offering a guarantee and said such concessions would amount to overreaching and illegally penalizing shareholders.

The Citizens Utility Board told the state commission Wisconsin Energy has shown "outsized influence, hubris and preference for protecting shareholders at the expense of customers … particularly when it expresses gall at customers' attempts to secure actual, quantifiable benefits and meaningful protections from the transaction."

More: *Milwaukee Journal Sentinel*

Ex-OMS, PSC Head Joins Law Practice


Callisto

Former Public Service Commission Chairman Eric J. Callisto has become a partner at the Madison office of Michael Best & Friedrich.

Callisto will represent client interests in energy-related legislation in Congress. Callisto has served as president of the Organization of MISO States and held leadership positions in the National Association of Regulatory Utility Commissioners.

"His extensive background in regional and national energy matters and his recognition as a thoughtful regulator provide him with unique experience and perspective that will benefit the firm's present and future energy clients," said Dan Sanford, managing partner of Michael Best's D.C. office.

More: *Michael Best & Friedrich*

-- Compiled by Ted Caddell

Smooth Transition as Bay Replaces LaFleur as FERC Chair

Continued from page 1

and bluntly, said he did not want LaFleur as chairman.

Bay's nomination received criticism from Congressional Republicans, who questioned his qualifications to be chair, as he had never served as a regulatory commissioner. Critics were also troubled that Bay would be leapfrogging the only female commissioner at the time. (See *Analysis: LaFleur Cruises, Bay Bruises in Confirmation Hearing*.)

The White House and Congress eventually struck a deal in which LaFleur would officially become chairman for nine months before Bay took the gavel.

Since then, LaFleur and Bay have been nothing but cordial in public.

"Congratulations to Norman Bay, who becomes Chairman April 15," LaFleur tweeted last week. "Excited to continue working with him and all my FERC colleagues!"

"I thank former Chairman Cheryl LaFleur for her leadership at FERC and look forward to working with my colleagues on the commission and staff, as we build on the progress of the past to address the challenges of the future," Bay said in a statement.

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No Change in Routine

Besides the commissioners' change in seating positions, FERC's open meeting played out the same way it has for years: staff read their presentations, the commissioners thanked them and asked a few questions, and there was no debate on any issues.

During his first nine months as a commissioner, Bay made few comments and often merely thanked staff for their hard work. He was much more talkative Thursday, making several comments, albeit prewritten ones, on the import of the issues being discussed at the meetings. (See related story, *Open Meeting Briefs*, p.18.)

As has been the case over the past several months, the meeting was repeatedly interrupted by protesters opposed to the commission's approval of natural gas infrastructure projects. After the first protester was escorted out by security, Bay quipped, "Well I guess one wouldn't be a chairman without disruptions."

Protesters were markedly more hostile this time around, yelling angrily at the commission as they were dragged — or sometimes carried — out by security. Each protester ended his or her tirade with a "Stop construction at Cove Point" chant.

Bay did not miss a beat while presenting his gifts to LaFleur. But after the fourth interruption, Bay made what seemed to be an impromptu statement:

"I just want to stay one thing. For the protesters out there, we respect your First Amendment rights, but just like Congress, the courts and every other federal agency, we have rules relating to the decorum of our proceedings. FERC believes in process. We welcome your views, we want to hear your views. But there are ways that you can do that. And you can do that by simply making submissions in our docketed proceedings. But interrupting these open meetings does not help your cause. It's not even helpful in trying to get information to us, because they actually technically represent *ex parte* contacts. … If there are more of you in this room today who want to do some sort of disruption, please don't."

That plea went unheeded.

"Oh my God, we have a situation here!" cried out one protester in a mocking tone, quoting LaFleur in her comments to the National Press Club in January on the

Bay presents LaFleur a letter from the New England Patriots. © RTO Insider

demonstrations. "The situation's not going away! … There is no democracy here! You just ignore anything I write in the computer!"

While there were audible sighs of exasperation in the room after this final interruption, Bay remained unfazed.

Bay as Consensus-Builder?

As head of the Office of Enforcement, Bay received criticism from some members of the energy bar and former regulators for what they called his heavy-handed approach. (See *PJM Trader Calls FERC on Manipulation Probe*.)

As a commissioner, said attorney Michael Yuffee, "His dissents suggest that he has staked out a firm — even doctrinaire — approach to the application of federal energy law to facts." (See related story, *FERC Rejects Rehearing Request on SPP Order 1000 Filing*, p.8.)

As chairman, consensus-building will have to become a bigger part of Bay's repertoire, said Yuffee, a partner with Reed Smith who has worked for FERC's Office of Administrative Law Judges and represented clients in matters with Enforcement.

"The peculiar circumstances of Chairman LaFleur moving back into a commissioner's spot under Bay makes it likely Bay will try even harder to forge consensus amongst his colleagues, foremost with LaFleur," Yuffee said.

Yuffee also said the unusual situation is unlikely to affect FERC staff members. LaFleur "didn't have that much time to put her stamp on the direction of the commission. I think overall it probably will be business as usual."