RTO Insider

Your Eyes and Ears on the Organized Electric Markets

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Maryland PSC OKs Exelon-Pepco Deal in 3-2 Vote

By Michael Brooks and Suzanne Herel

The Maryland Public Service Commission voted 3-2 to approve Exelon's $6.8 billion acquisition of Pepco Holdings Inc., saying Exelon's reputation for service excellence was a deciding factor.

It conditioned the deal on higher reliability standards, $100 rate credits for residential customers and $43.2 million in energy efficiency programs in Montgomery and Prince George's counties.

Voting in support were Chairman Keven Hughes and Commissioners Kelly Speakes-Backman and Lawrence Brenner, who noted that Exelon ranked in the top-quartile of reliability metrics, while Pepco has lagged.

"Simply put, the evidence demonstrates that Delmarva and PEPCO will be better utilities because of the merger," they said in the order released Friday, which included

Continued on page 22

How Exelon Won over Maryland

By Rich Heidorn Jr.

When Exelon announced its acquisition of Pepco Holdings Inc. last year, it appeared its biggest regulatory obstacles would be in Maryland and D.C., where most of Pepco's customers reside. With last week's narrow win in Maryland, and Delaware regulators unofficially on board, only the District's approval is needed to complete the deal.

Opponents of the deal attacked Exelon on a number of grounds, including its record on renewable and distributed energy and the fact that it would give the company an 80% market share of the state's distribution customers.

Exelon worked on several tracks, negotiating settlements with some of those who initially opposed the deal while working to undermine the arguments of those who remained in its way.

The three members of the Maryland Public Service Commission who voted to approve the deal said they were satisfied that ratepayers would receive benefits and that its 46 conditions protected against any harm. They acknowledged, however, "No merger is without risks."

Here's a closer look at how Exelon overcame the opposition.

Winning over Opponents

Exelon made concessions to win over several opponents, including commitments to fund energy efficiency programs, renewable generation, microgrid projects and public recreational projects. (See table.)

Perhaps the most important wins were getting the support of Maryland's Montgomery and Prince George's counties, home to

Continued on page 24

Moeller Leaving FERC

Murkowski Aide Rumored as Replacement

By Rich Heidorn Jr.

More change is coming to the Federal Energy Regulatory Commission, as Commissioner Philip Moeller announced last week that he won't be returning for a third term.

News of Moeller's departure set off one of Washington's favorite parlor games: guessing his replacement. Sources have tabbed Patrick McCormick III, chief counsel for Senate Energy and Natural Resources Committee Chairman Lisa Murkowski (R-Alaska), as the likely nominee.

Murkowski named McCormick as her chief counsel in 2013. He joined Murkowski's staff as special counsel in April 2011 from Hunton & Williams, where he was a partner and led the firm's regulated markets and energy infrastructure practice. Among McCormick's law clients were Xcel Energy

McCormick, left of Murkowski, during the confirmation hearing for Norman Bay and Cheryl LaFleur last year.

and coal giant Peabody Energy.

He was also registered as a lobbyist for FirstEnergy and the CCS Alliance, which promotes carbon capture and sequestration.

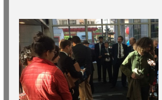
McCormick took a big pay cut to join the committee. He reported earning $567,000 in 2010 and $374,000 through April 15,

Continued on page 15

FERC Takes Next Step on GMD Standard (p.10)

Also in this issue:

New England Energy Conference and Exposition coverage (p.2-4)



Another Meeting Day, Another Drama at FERC

Despite changing its meeting date to avoid threats of mass demonstrations next week, FERC couldn't avoid another protest drama last week. (p.16)

ISO-NE News (p.5-6)

MISO News (p.7-8)

PJM Monitor Releases Q1 State of the Market (p.9)

More FERC News (p.13-16)

Briefs: Company (p.17), Federal (p.18), State (p.19)

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New England Energy Conference and Exposition

Clark Seeks Cease Fire in FERC-State Turf Fights

By Rich Heidorn Jr.

GROTON, Conn. — States and federal regulators need to keep consumers in mind when picking jurisdictional fights over control of the electric industry, Federal Energy Regulatory Commissioner Tony Clark said last week.

"We can't have a war between FERC and the states on some of these issues and get consumers stuck in the middle," he said in a keynote speech to the New England Energy Conference and Exposition on Wednesday.

"There has been an almost soft form of reregulation in parts of the market. We should acknowledge that that's happening. We should also acknowledge that that may have an impact on other goals," he said.

"We don't want to be caught in the worst of all worlds, which in my mind is having just high enough capacity prices where we get everybody pretty darn well mad at us — we've got the congressional delegations mad at us; we've got governors mad at us; we've got consumer advocates made at us — and yet at the same time [the prices are] set at such a point that they may be being undermined by other things that are going on, so you're not getting the investment that those prices would otherwise encourage because you have other state or local public policies that are undercutting that or maybe suppressing prices in some way."

Clark © RTO Insider

Capacity market prices have prompted protests in New York and New England. (See *Congressional Meeting Fails to Sway LaFleur on Capacity Results* and *LaFleur Rejects Further Review of 2014 ISO-NE Capacity Auction*.)

In addition, federal courts have been refereeing jurisdictional fights. Courts have struck down on constitutional grounds efforts by Maryland and New Jersey to sign contracts with new generators. (See *Rebuffed by Courts, CPV Seeks FERC End-Around*.) Meanwhile, FERC is hoping the Supreme Court will overturn a ruling voiding its pricing rules for demand response as an intrusion on state authority. (See *Supreme Court Agrees to Hear Demand Response Appeal*.)

FERC also has tangled with officials in New York over the contract for the Ginna nuclear plant. (See related story, *NYPSC Challenges FERC Jurisdiction over Ginna Contract*, p. 6.)

And FERC Chairman Norman Bay has warned states seeking to implement rights of first refusal on transmission development that they may be interfering with interstate commerce. (See *FERC Rejects Rehearing Request on SPP Order 1000 Filing*.)

Clark pleaded for a cease fire. "There's plenty of tools that FERC has and there's plenty of tools that states have to go to war with each other," he said. "In my mind it's … a game you can't win. So you can't play it."

Clark also talked about the commission's unenviable role regarding the Environmental Protection Agency's proposed Clean Power Plan.

"It's not our rule," he said. "And yet just about every potential negative impact that folks have brought up are things that are squarely within FERC's wheelhouse. Whether it's related to the need for infrastructure siting because of the push towards natural gas; whether it's potential market issues that come up at the seams in markets …; whether it's reliability issues, which in certain regions of the country we're very concerned about — all of those are squarely within FERC's wheelhouse.

"So whether we want the issue in front of us or not, the issue wants us."

ISO-NE's Ethier: Market Rule Changes Will Slow

GROTON, Conn. — Robert Ethier has a dream: A day when ISO-NE no longer needs constant stakeholder meetings to tweak its market rules.

"We'll know when we've hit on the right market design when we don't need to make changes to accommodate the changes in the fundamentals," Ethier, vice president of market operations for ISO-NE, said during a panel discussion at the New England Energy Conference and Exposition last week. "A good, stable, robust market design should adapt to pretty much whatever you can throw at it."

Ethier said that although New England's market has work to do to improve demand-side response and integrate the dispatch of wind, it has made progress over the last decade.

"The market is being driven much more by the fundamentals and by policy than by market design. ... These markets are really being driven by the larger forces that are changing our economy — changes in fuel prices, changes in technology, changes in policy needs and desires. And that's really what ought to be driving the markets. It shouldn't be the market design that's dominating the discussion.

"I hesitate to say this but I almost think we can see the day when the rate of change in the markets really decreases because the markets have the flexibility they need to react to whatever gets thrown at them," he said.

Ethier © RTO Insider

New England Energy Conference and Exposition

Billing, Metering Remain Obstacles, Electric Retailers Say

By Rich Heidorn Jr.

From left to right: Dean Musser, Tangent Energy Solutions; Michael Volpe, SunEdison; and Peter Zschokke, National Grid. © RTO Insider

GROTON, Conn. — Electric retailers have made progress in moving away from the cutthroat price competition that shaved margins, but restrictions on billing and metering and "organizational inertia" continue to be challenges, a panel told the New England Energy Conference and Exposition last week.

Cullen Hay, general manager of Direct Energy's residential operations in the Northeast and Midwest, said his company used acquisitions to grow in the past, as it joined other retailers in seeking price-conscious customers even as their costs went up. Power suppliers have fewer barriers to prevent customer attrition than cable TV suppliers, telecommunication companies or banks, he said.

"We all kind of lived under the same mantra that as one customer came in the front door, one customer would walk out the back door," he said.

Over the last three years, however, retailers have begun to increase their customer engagement by offering additional services such as home warranties and rooftop solar, he said. "These are not gimmicks. These are the value-added things that the telecom industry found successful when they were handed a deregulated market," he said.

"The new wave of the industry is knowledge …. Our mission statement is getting our consumers the information they need to make really intelligent decisions. And that goes with consumption-reduction tools like [the] Nest [thermostat] and online portals that allows them to see what their consumption looks like, what their community's consumption patterns look like" to identify inefficient appliances and make informed decisions.

"That's the retail, residential industry in the next five years. And it's already happening."

Progress, Challenges in Pursuit of C&I Customers

High capacity and transmission costs in regions such as PJM and New England are leading more commercial and industrial customers to welcome companies offering to improve efficiency in return for a share of the cost savings, said Dean Musser, CEO of Tangent Energy Solutions.

"The power customers [are] out there pushing and pushing for ways to innovate. And it's up to us in this industry to capture that innovation," he said.

Michael Volpe, who heads SunEdison's distributed generation business in PJM, said retailers could be doing better among C&I customers if not for "organizational inertia."

"In my experience most energy buyers have a lot of technical acumen but are hesitant to pursue things that they may perceive to be risky due to the long-term nature" of the payback, he said.

The choice, he said, is "getting into the offices of the CFO and sharing how the energy opportunity set has broadened [or] giving the power [to lower-ranking employees] to promote it up" the corporate chain.

Smart Grid Unfulfilled

Musser said the industry and its customers are not getting the full benefits of the billions invested in smart meters.

Philadelphia's PECO Energy has smart meters for every C&I customer, he said. "But the data is not available until a day later. And if you want a pulse to get the data right away, [it costs] $1,800 and it's going to take six months.

"That little pulse is two wires coming out of the meter that will enable this … customer to have real-time data every 15 minutes so they can see their consumption and take advantage of all the new products. … But if you're looking at it a day late that doesn't help at all.

"Some utilities are adopting methods where there's free pulses now to get customer adoption. But across the U.S. it's all over the board for what it costs and how long it takes to get a pulse out of a utility meter," he said.

Itemized Bills

Hay said limits on itemized bills also are hurting efforts to educate customers about the value of options available to them.

"Customers may not read direct mail pieces and they may not read their email. But they will look at their bill," he said. "We are limited to the number of line items we have and the amount of information a supplier like us [can provide]. A more engaged customer is going to be interested in the whole product catalog. We have to find a way to give them that information."

Because of those limitations, Hay said, his company would like to be the ones sending the bills instead of the distribution utility.

"We are pushing for supplier-consolidated billing with any utility in the U.S. market that will allow us to do so. We are pushing it as part of the [New York] REV program.

"It's going to have costs associated with it, but we're prepared to bear those costs. I believe that the impact to churn and the impact to customer attrition that comes from us not having that direct relationship will far exceed whatever cost structure we have to take on."

New England Energy Conference and Exposition

No 'Death Spiral' for Utilities — for Now

Peter Rigby, global head of Standard & Poor's risk analytics and research, and Anthony Marone, senior vice president of customer and business services at UIL Holdings, said there is no evidence that distributed generation is leading to a "death spiral" for traditional utilities.

"We know it's an issue; with time it could unfold very differently. But for now it's not really affecting utility credit ratings," Rigby said.

Marone said that despite state incentives, rooftop solar's penetration remains small

Rigby © RTO Insider

Marone © RTO Insider

and has not impacted UIL's business model. But continued growth will create "equity" issues, he said.

"If you have many times the penetration today, you start to create potentially isolated problems on certain circuits or feeders or certain neighborhoods," Marone said. "If in every neighborhood there were two systems, maybe it's no problem. But if you all of the sudden have three, now you've got to upsize the transformer, or [if] you have to do other things, the question becomes who pays for that? Is it the consumer who installed the generation or is it society as a whole?"

Zander Arkin, senior managing director for Energyzt Analytics, noted the backlash that has greeted the New England governors' plan to finance interstate natural gas pipeline infrastructure with an electric utility ratepayer tariff. Some of that excess capacity would be used to export Marcellus Shale gas to the Canadian Maritime provinces.

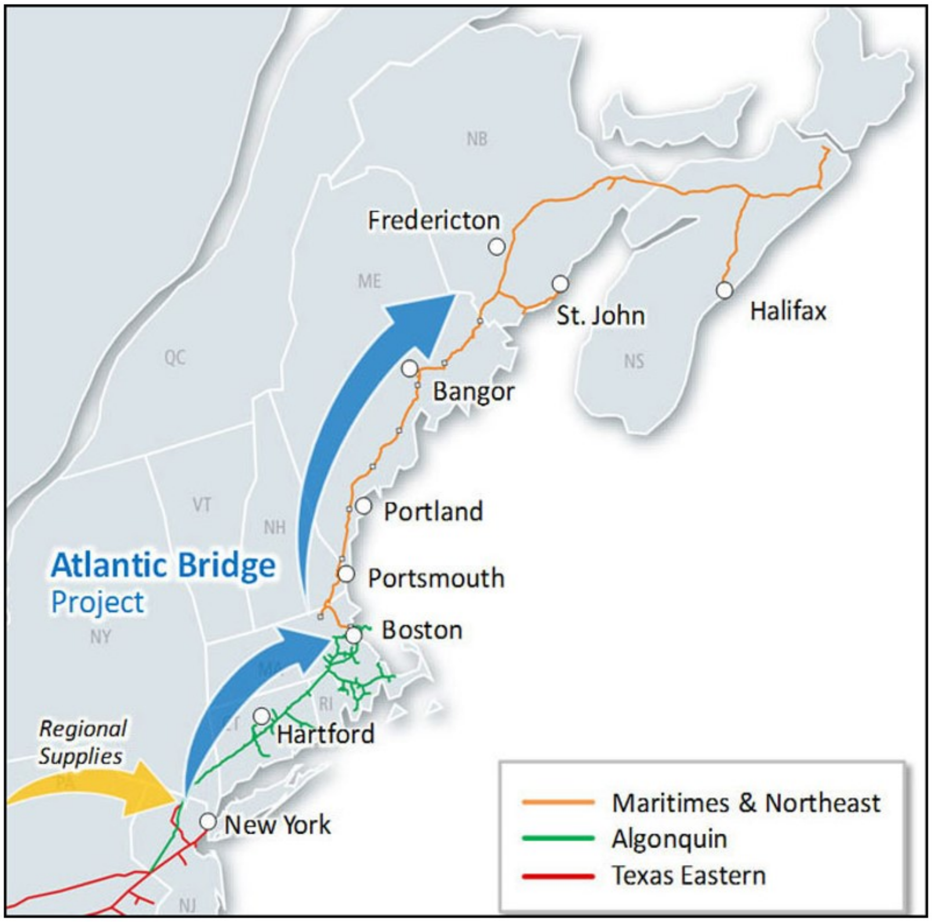
"One of the problems for the distribution customers is that if they're paying for the whole [pipeline] cost, are they going to get the whole benefit? And we're not going to get that." © RTO Insider

Peter Podurgiel, head of product development for Competitive Power Ventures, worries how markets will respond to the need for fast-ramping generators that can complement the increased renewables expected under EPA's Clean Power Plan: "These capacity markets haven't built anything but combined cycles… How do you build an asset that's really relying on these ramping periods and is unable to earn revenues from the baseload conditions?" © RTO Insider

ISO-NE NEWS

Hearing on Northeast Pipeline Project Highlights Local, National Issues

By William Opalka



(Source: Spectra Energy Partners)

GLASTONBURY, Conn. — A hearing in a Connecticut suburb last week offered a microcosm of the energy debate swirling across New England as the region grapples with expanding its infrastructure to support its increasing reliance on natural gas-fired generation.

About 50 people attended a Federal Energy Regulatory Commission scoping meeting last week on the Atlantic Bridge Project, which would replace or expand 18 miles of the Algonquin pipeline in Connecticut, New York and Massachusetts. The project, which includes a section under the Connecticut River, would expand or replace three compressor stations and several metering and regulating stations, all in existing rights-of-way (PF15-12).

The meeting, one of a series being held in the three states, is part the initial phase of an environmental assessment.

Critics say the "segmenting" of the expansion review is a way to sidestep a review of the overall impact of the expansion. Developer Spectra Energy Partners says the project matches contractual supply commitments in place and does not need to address the region's overall energy future.

Utilities, ISO-NE and most of the region's governors strongly support proposals to build more pipeline capacity throughout New England to bring more natural gas from the Marcellus region.

Local landowners have complained of encroachments on their properties while environmentalists have invoked the national debates over climate change and natural gas extraction through fracking. (See related story, *Another Meeting Day, Another Drama at FERC*, p. 16.)

Organized labor and business interests have aligned in support, citing jobs and economic development spurred by construction and lower electricity prices.

Nicholas Monacchio, representing the Laborers International Union of North America, highlighted the economy. "We are facing a real energy crisis due to the pipeline constraints ... and the economic benefits will be a number of good-paying construction jobs," he said.

"When businesses look around [and] they say 'I can go to any state in the country and pay less for electricity than I do in Connecticut,' we need to change that," said Eric Brown, counsel for the Connecticut Business and Industry Association.

The counterargument came from the environmental community. "For every $1 million invested in gas, you get about five jobs. For $1 million in energy efficiency, you get 10 or 11," said Martha Klein, communications chair for the Connecticut Sierra Club.

"These pipelines are meant for exports, which will lead to high profits for the pipeline, for which we are being forced to pay," local environmentalist Dave Schneider said, referring to a proposed tariff by the states that would fund pipeline expansion through an assessment on electricity rates.

Spectra said the project will allow delivery of an additional 222,000 dekatherms of natural gas per day to Northeast markets by creating additional capacity between a receipt point on Algonquin's system in Bergen County, N.J., and delivery points on the Algonquin and Maritimes systems.

In its latest monthly status report to FERC, Spectra reported that it has completed about 95% of the civil surveys required for the above-ground facilities and is conducting a geotechnical survey to document subsurface conditions and bedrock properties along the route. The geotechnical survey work will continue through the spring and summer of 2015.

Spectra has targeted an in-service date of November 2017.

FERC Accepts Interregional Cost Allocation Plan for ISO-NE, NYISO, PJM

By William Opalka

The Federal Energy Regulatory Commission on Thursday conditionally accepted the interregional transmission planning and cost allocation proposals by ISO-NE, NYISO and PJM (ER13-1957 *et al*), completing the commission's initial review of all of the interregional compliance filings required under Order 1000.

FERC found that the three regions complied with its requirement that neighboring transmission planning regions propose a common interregional cost allocation method by agreeing on the use of an avoided-cost method. As permitted by Order 1000, they proposed to apply their avoided-cost allocation to all selected interregional transmission facilities, rather than having separate interregional cost allocation methods for different types of interregional projects.

FERC said the filing conformed to its requirement that interregional cost allocation methods address regional reliability and economic needs as well as transmission needs driven by public policy requirements.

The commission previously ruled that an avoided-cost method was not permissible as the sole cost allocation method for regional transmission projects because it would "not allocate costs in a manner that is at least roughly commensurate with estimated benefits because it does not adequately assess the potential benefits provided by that transmission facility."

However, it concluded that an avoided-cost only method is permissible for interregional transmission.

"We find that the interplay between the regional transmission planning and interregional coordination requirements of Order No. 1000 address, at the interregional level, the commission's concerns regarding use of the avoided-cost only method at the regional level," it wrote.

The commission rejected avoided-cost-only allocation for regional projects because a regional facility that resulted in a more cost-effective transmission solution than what was included in the roll-up of local transmission plans would not be eligible for regional cost allocation if there was no transmission facility in the local transmission plans that it would displace.

In contrast, the commission said it believed "there will be regional transmission facilities identified in the regional transmission planning process that are needed to meet transmission needs driven by reliability, economic and/or public policy requirements that potential interregional transmission facilities may displace."

The filing updated the Northeastern Protocol, which the three regions adopted in 2004 to facilitate the exchange of information and establish a committee structure for the coordination of interregional planning. The Joint ISO/RTO Planning Committee, comprised of staff representatives from the regions, will be charged with evaluating interregional transmission solutions with input from the Interregional Planning Stakeholder Advisory Committee, which is open to stakeholders.

The commission required the regions to make only minor ministerial changes in compliance filings due in 60 days.

NYPSC Challenges FERC Jurisdiction over Ginna Contract

By William Opalka

Efforts to keep the Ginna nuclear plant operating has spurred a turf war between federal and state regulators who are conducting independent reviews.

The New York Public Service Commission asked the Federal Energy Regulatory Commission on Thursday for a rehearing of FERC's April ruling that rejected the rate schedule in the reliability support services agreement between Ginna's owner and the local distribution utility (ER15-1047). FERC ordered settlement and hearing procedures. (See *FERC Rejects Ginna Rates, Orders Settlement Proceeding*.)

The PSC said FERC interfered by "illegally" claiming jurisdiction over retail rates when it rejected some contract terms. It said FERC also violated the Federal Power Act when it declared the RSSA a reliability-must-run agreement and interfered with state jurisdiction to determine a mix of adequate resources.

"FERC ignores the fact that the NYPSC has an obligation under state law to ensure the availability of adequate generation facilities needed for reliability and is currently exercising its authority in reviewing the Ginna

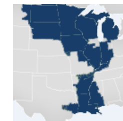
RSSA," the New York regulators wrote. "The commission's assertion of jurisdiction over the underlying terms of the RSSA would interfere with the NYPSC's authority and represents an impermissible overreach of the commission's jurisdiction."

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.

Several other parties also asked FERC for clarifications or rehearings of the April order last week:

- Industrial and commercial customers questioned the September 2018 end date for the RSSA, noting that a proposed transmission project that is supposed to make Ginna's continued operation unnecessary may go online in early 2017. The intervenors suggest the RSSA should be terminated at that time and not after its entire term.
- Entergy Nuclear Power Marketing asked that the issue of the initial term also be considered in the settlement process.
- TC Ravenswood wants FERC's review to expand into a consideration of the "price-suppressive" effects Ginna's contract would have on the capacity market.
- The Alliance for a Green Economy asked for another reliability study, saying information from discovery in the NYPSC proceeding undermines the rationale for the RSSA.
- Exelon's Constellation Energy Nuclear Group, Ginna's owner, proposed a cost-of-service cap to address FERC's rejection of the negotiated rates with Rochester Gas & Electric.

MISO NEWS



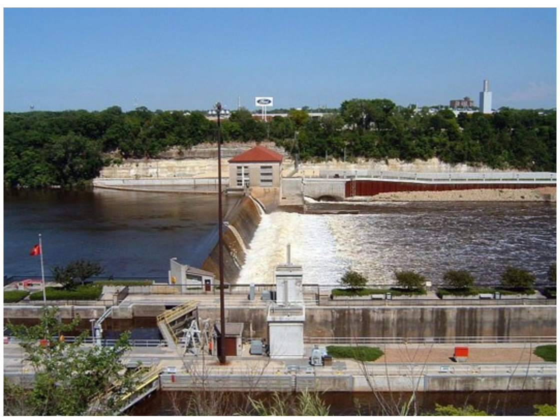
Ruling Denies Northern States' Request to Halt Hydropower Purchases

By Chris O'Malley

The owners of a hydroelectric station said to have lured Henry Ford to open a vehicle assembly plant in St. Paul 90 years ago have won a regulatory victory forcing Northern States Power to keep buying its electricity.

The Federal Energy Regulatory Commission on Thursday denied an application by Northern States Power to terminate its mandatory purchase obligation from Twin Cities Hydro (QM15-2).

Twin Cities' parent, Brookfield Renewable Power, has operated the 18-MW qualifying facility on the Mississippi River since taking it over from Ford Motor Co. in 2008. Three years later, Ford closed its St. Paul plant.



Twin Cities hydro plant, circa 2005.

Northern States Power has been obligated to buy the power under the Public Utility Regulatory Policies Act. It provides for the termination of purchasing electricity from a facility if that facility has "nondiscriminatory" access to certain types of markets.

Northern States argued that it should no longer be required to buy Twin Cities' power because the hydro facility has been selling energy into MISO's wholesale energy markets since 2008.

But FERC adopted "rebuttable presumptions" that a facility with a capacity at or below 20 MW does not have nondiscriminatory access to markets. The commission has maintained that such smaller facilities are often interconnected at the distribution level and thus may "lack the same level of access to markets as those connected to transmission lines."

These smaller facilities may face obstacles such as pancaked delivery rates and administration burdens to access distant buyers, FERC said.

FERC ruled that Northern States failed to demonstrate that the Minnesota hydro facility has non-discriminatory access to both energy and capacity markets.

Northern States "thus acknowledges that the Twin Cities [facility] cannot, at present, access the MISO capacity market. In contrast to the MISO energy market, [Twin Cities] has no history of sales into the MISO capacity market," FERC said in its decision.

Twin Cities said because it is interconnected through Northern States' distribution system, it would have go through the MISO interconnection process to obtain network resource interconnection service, at considerable cost and time.

"Here, both NSPM and Twin Cities note that transmission constraints exist which will directly impact the Twin Cities [facility's] access to the MISO capacity market."

The facility's dam was completed in 1917 by the U.S. Army Corps of Engineers. Ford added the hydroelectric generating station in 1924.

Brookfield Renewable Power operates 7,000 MW of hydro capacity on 74 river systems in 14 power markets in North America, Latin America and Europe.

Power Plant Fueled by Turkey Droppings to be Plucked from Receivership

By Chris O'Malley

Creditors of the 55-MW Fibrominn power plant — the first in the U.S. designed to burn poultry litter as its primary fuel — have won federal approval to gobble up the Minnesota facility from receivership.

The Federal Energy Regulatory Commission ruled Thursday that the transfer of the plant to Benson Power from owner PowerMinn is in the public interest (EC15-76).

Benson Power was formed to acquire and operate the plant and has no other FERC-jurisdictional or power-related assets. Benson is owned by CPV Biomass and several insurance companies that provided $202 million toward its construction. They include Prudential, The Hartford, John Hancock Life Insurance, Nationwide and Metropolitan Life.

The output of the Fibrominn plant will continue to be sold to Northern States Power under an existing 21-year long-term power supply contract.

The plant, located in Benson, Minn., was lauded after its 2007 opening for its practical use of waste from the region's abundant turkey and chicken farms.

But it has struggled in recent years. Bird flu has reduced supplies of the odiferous biomass it turns into megawatts. The plant has had to turn to other bio material, such as wood chips.

Also making the plant less competitive are the drop in natural gas prices and improving economics for wind and solar energy. Two years ago, Fibrominn began defaulting on debt.

FERC found that the transfer of the plant will not result in adverse effects on competition or rates, nor inappropriate cross-subsidization of a non-utility asset. The commission said Class B and Class C members — largely consisting of the insurance companies — hold only a passive interest.

The insurance companies have indirect interests in other power ventures. Prudential, for example, has non-controlling interests in the 150-MW Elk River Wind Farm in Kansas. And Metlife has a stake in operations including the 32-MW Long Island Solar Farm.

The Class A holder, which will serve as sole management member of the plant, is CPV Biomass, which is owned by Silver Spring, Md.-based Competitive Power Ventures.

FERC said CPV does not own or control other generation in the MISO territory.

Continued on page 8

MISO News

Entergy Arkansas, Mississippi to Pay $32.6M in 'Bandwidth' Recalculation

By Chris O'Malley

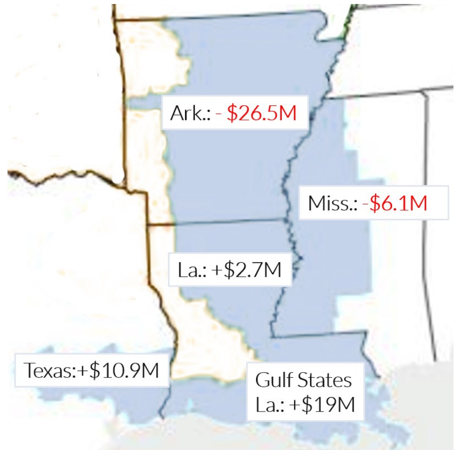
Entergy's Arkansas and Mississippi operating companies will pay $32.6 million to their sister companies under a bandwidth recalculation report approved by the Federal Energy Regulatory Commission on Thursday (ER07-956).

The commission found in a 2005 order that the Entergy system was no longer in rough production cost equalization. It ordered an annual "bandwidth" true-up ensuring that no operating company would book production costs that are more than 11% above or below the system average production costs. (See *FERC Bundles Entergy 'Bandwidth' Disputes for Hearing*.)

Regulators in each state where Entergy operates have regularly challenged the annual bandwidth filings.

The updated report approved last week was based on 2006 test data and reflected adjustments on issues such as accounting for interim storm damage costs stemming from Hurricanes Katrina and Rita.

It will result in additional payments of $26.5 million by Entergy Arkansas and $6.1 million by Entergy Mississippi. The recipients are Entergy Gulf States Louisiana ($19 million), Entergy Louisiana ($2.7 million) and Entergy Texas ($10.9 million).



Impact of 2006 bandwidth recalculation. (Source: Entergy)

Entergy said it will provide updated bandwidth payment/receipt amounts to wholesale customers on their next monthly bill.

Commissioner Colette Honorable, former chairman of the Arkansas Public Service Commission, did not participate in the ruling.

Gulf States Split

The case was complicated by Entergy Gulf States' 2007 split into Entergy Texas and Entergy Gulf States Louisiana.

Texas industrial energy consumers filed a protest contending that because Entergy Gulf States was in operation in 2006, the allocation of payments due to the company should be addressed by state regulators in Texas and Louisiana.

Entergy balked, noting that because the Texas and Louisiana commissions adopted different allocation methods, Texas retail customers were credited $19 million more in 2007 bandwidth payments than were received.

FERC sided with Entergy, noting that Entergy Gulf States "no longer exists."

FERC said that while Entergy Gulf States Louisiana and Entergy Texas did not exist in 2007, "it is only logical to place them into Entergy Gulf States' position in order to ensure rough production equalization."

OATT Revisions 'Moot'

FERC also ruled last week in the matter of Entergy's 2011 proposed revisions to its Open Access Transmission Tariff to comply with Orders 729 and 676-E. Because Entergy's OATT was cancelled with its 2013 integration into MISO, Entergy's compliance filing "is now moot," FERC said (ER10-3357).

Power Plant Fueled by Turkey Droppings to be Plucked from Receivership

Continued from page 7

However, the former owners of PowerMinn's parent company, the Herrick family, cried foul. They filed a motion to intervene in the transfer application, contending that they are owed payments related to production tax credits involving the plant. They expressed concern that their rights could be extinguished by the transaction.

But FERC ruled that the Herrick protest was outside of the scope of the proposal before the commission.

Future Viability?

As of January, the plant owed creditors nearly $240 million, while its fair market value was under $79 million. The application filed with FERC does not elaborate on the strategy Benson will take to improve the plant's viability.

Fibrominn plant. (Source: The Herrick Cos.)

While designed to burn poultry litter for up to 90% of its fuel needs, the plant has relied mostly on more expensive wood chips. The Minnesota bird flu crisis has reportedly resulted in the deaths of nearly 4.2 million turkeys and nearly 1.6 million chickens since March.

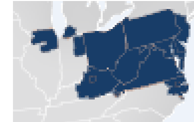
Major poultry producers are making deliveries "when they can" from uninfected farms, the plant's manager told the Associated Press.

Donald Atwood, a CPV vice president, told the AP his company has a multi-year contract to manage the facility for the noteholders.

"I don't know what the lenders have in mind for the future," Atwood said, adding that he expects to continue to burn poultry litter.

"We'll adjust our fuel percentages based on market conditions," he said. "I'm highly confident that the project will be successful."

PJM NEWS



PJM Market Monitor Q1 Review: Markets Working but Improvement Needed

By Suzanne Herel

In its first quarterly State of the Market Report for 2015, PJM's Independent Market Monitor found that market performance was better than in the first three months of 2014, but it identified areas needing attention, including the ability for participants to increase markups in tight market conditions and flaws in the capacity market.

The report, released Monday, coincided with PJM's response to the Monitor's 2014 annual State of the Market Report, saying the RTO had either implemented or was in the process of addressing 66% of the Monitor's concerns. (See *Monitor: Winter Prices Boosted PJM Prices, Raise Withholding Concerns*.)

Capacity

Both reports addressed the need to implement PJM's Capacity Performance plan, on which the Federal Energy Regulatory Commission is expected to rule by June 9. (*See PJM Responds to FERC Queries on Capacity Performance, Requests Approval*.)

PJM's response detailed how the polar vortex and winter storms of 2014 tested the reliability of the grid, making apparent the need for some improvements.

"The January 2014 events call attention to many of the recommendations the IMM has made in previous State of the Market Reports regarding performance incentives for capacity resources, the need to enforce annual performance for demand resources and for ensuring as much flexibility as possible regarding generator operating parameters," PJM said.

Similarly, the Monitor's report noted that the markets have reflected February's unusually cold weather.

"PJM markets did work during the extreme conditions, but the experience continues to highlight areas of market design that need improvement," it said.

For one, it is "more critical than ever" to fix capacity market prices, the Monitor said.

"The underlying capacity market issues have not been addressed," it said. "For example, uplift remained high in large part as a result of inflexible unit parameters, which were based, in many cases, on inflexible gas supply arrangements; outages were high, performance incentives remain weak, prices in the capacity market remain well below replacement costs and there is no resolution of the disconnect between the incentives facing electric generating units and the incentives facing gas pipelines, which is a barrier to the construction of new pipeline capacity."

Withholding Concerns

The quarterly review concluded that energy prices generally reflected competitive behavior. But, it said, "the behavior of some participants during the high demand periods in 2014 and 2015 raises concerns about economic withholding."

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

Status	Description	Number of Recommendations	Percent
Implemented	These recommendations have been implemented.	20	22%
Stakeholder Process	These recommendations are under active discussion in the PJM stakeholder process or other stakeholder forum.	25	27%
Pending before the FERC	These recommendations are being considered by the FERC.	14	15%
Action Planned	PJM expects to take action or initiate a stakeholder discussion on this recommendation in 2015.	12	13%
No further action planned	PJM has reviewed this recommendation but does not plan to act on this issue in the near future due to No Stakeholder consensus (13%), Rejected by the FERC (13%), PJM concerns (63%), or this recommendation is outside of PJM control (13%).	15	16%
Low Priority	These issues have low impact to the markets and PJM stakeholders. No action is planned in the near future.	7	8%

PJM response to Market Monitor's recommendations in 2014 State of the Market Report. (Source: PJM)

The load-weighted average of real-time LMPs fell 45.2%, from $92.98/MWh in the first three months last year to $50.91/MWh this quarter. But that is 36.1% higher compared with the same period in 2013, the Monitor noted, as well as higher than the same quarters in 2009-2012.

The decrease in prices over last year is a result of lower fuel prices and demand, along with better grid operations, according to the report.

Meanwhile, total energy uplift charges for the quarter — still high compared with recent years — dropped by $560.6 million to $186.9 million, a 75% decrease, from last year.

Net revenues, while higher than in the first quarter of 2013, were "uniformly lower" compared with last year, which reflects the very high net revenues in January 2014.

Demand Response

The Monitor also touched on the Supreme Court's upcoming review of an appellate court ruling voiding the Federal Energy Regulatory Commission's jurisdiction over pricing of demand response in energy markets (*Electric Power Supply Association v. Federal Energy Regulatory Commission*). The Monitor said the situation "does create an opportunity to rethink the ways in which demand-side resources can most effectively participate in wholesale power markets based on market principles.

"Demand response should be on the demand side of the capacity market rather than on the supply side."

It went on to say, "Demand resources should be provided a fair opportunity to compete, but demand resources should no longer be provided special advantages inconsistent with competitive markets. This approach would work regardless of the final decision of the *EPSA* case."

PJM Releases Annual Report

PJM on Monday also released its 2014 Annual Report. The theme "Anticipate, Adapt, Advance" will be the subject of discussion at the RTO's annual meeting in Atlantic City this week.

FERC NEWS

FERC Takes Next Step on GMD Standard

By Rich Heidorn Jr.

WASHINGTON — The Federal Energy Regulatory Commission on Thursday gave preliminary approval to the second stage of its reliability standard to protect the grid from geomagnetic disturbances.

The commission's Notice of Proposed Rulemaking (NOPR) would require grid operators to assess the vulnerability of their systems to a "benchmark" GMD event, which the North American Electric Reliability Corp. defined as a one-in-100-year occurrence. The standard (TPL-007-1, Transmission System Planned Performance for Geomagnetic Disturbance Events) would require planning coordinators and transmission planners to conduct the vulnerability assessments every five years. Entities that don't meet performance requirements based on the assessments would be required to develop corrective plans to bring them into compliance (RM15-11).

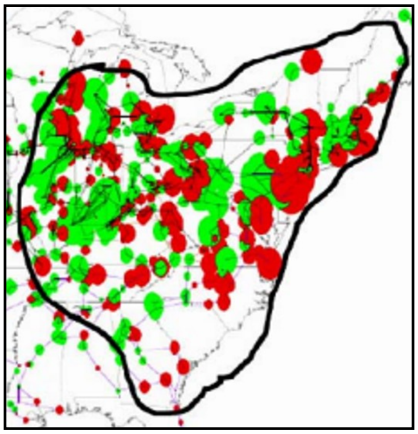
NERC said mitigating strategies could include installation of hardware such as geomagnetically induced current (GIC) blocking or monitoring devices, equipment upgrades, training and operating procedures.

GMDs caused by solar storms are "high impact, low frequency" events. While the probability of a severe disturbance is low, it could have a severe impact on the grid, resulting in widespread blackouts and damage to equipment that could result in sustained system outages, FERC said.

Developing a GMD standard is "difficult work because we are working on a reliability threat that is not fully understood and as to which actual data are not readily and consistently available," Commissioner Cheryl LaFleur said.

FERC ordered NERC to make changes to the proposed standard, including refining its definition of the benchmark event; requiring installation of monitoring equipment where there are gaps; and setting deadlines for completion of corrective actions. It also said it was considering shortening NERC's proposed five-year period for full compliance.

Benchmark Event



The graphic above shows areas of probable system collapse in a one-in-100-year geomagnetic disturbance event. Green marks transformers and red are population centers. (Source: Oak Ridge National Laboratory)

The commission said it was concerned with NERC's "heavy reliance" on spatial averaging — averaging impacts based on a square area 500 km in width — for the definition of the benchmark event.

"The geoelectric field values used to conduct GMD vulnerability assessments and thermal impact assessments should reflect the real-world impact of a GMD event on the bulk power system and its components," FERC wrote. "A GMD event will have a peak value in one or more location(s), and the amplitude will decline over distance from the peak. Only applying a spatially averaged geoelectric field value across an entire planning area would distort this complexity and could underestimate the contributions caused by damage to or misoperation of bulk-power-system components to the system-wide impact of a GMD event within a planning area.

"However, imputing the highest peak geoelectric field value in a planning area to the entire planning area may incorrectly overestimate GMD impacts. Neither approach, in our view, produces an optimal solution that captures physical reality."

As an alternative, FERC said NERC could require entities to conduct GMD vulnerability assessments and transformer

Continued on page 11

Questions and Answers on NERC's Proposed GMD Rules

Background

In May 2013, the Federal Energy Regulatory Commission issued Order 779 requiring the North American Electric Reliability Corp. to develop a standard to protect the grid against geomagnetic disturbances caused by solar storms. The commission said it was acting to close a "reliability gap." (See FERC Orders Rules on Geomagnetic Disturbances.)

In June 2014, the commission approved the first stage of its response with a standard (EOP-010-1) requiring development of operating procedures to mitigate effects of GMDs. (See FERC OKs GMD, Training Standards; Proposes Modeling Rule Change.)

For stage two, FERC required NERC to determine the severity of a "benchmark" GMD event — the threshold against which covered entities would evaluate their system's vulnerability and develop protective strategies.

What is the threat?

GMD events occur when the sun ejects charged particles that can cause changes in Earth's magnetic fields. A solar particle can reach Earth in 17 to 96 hours.

NERC determines the severity of a GMD based on the "geoelectric field" — the electric potential measured in volts per kilometer on the earth's surface — a reflection of the rate of change of the magnetic fields.

The geoelectric field acts as a voltage source that can cause geomagnetically induced currents (GICs) to flow on transmission lines. The magnitude of the geoelectric field is impacted by the geomagnetic latitude — the proximity to Earth's magnetic north and south poles — and the ability of the planet's crust to conduct electricity hundreds of kilometers down to its mantle. Local earth conductivity impacts the severity of the geoelectric fields that are formed during a GMD event; a lower earth conductivity results in higher geoelectric fields.

What is covered by the standard?

The standard would apply to planning coordinators, transmission planners, transmission owners and generation owners who own or whose planning coordinator or transmission planning area includes a transformer with a high side, wye-

Continued on page 12

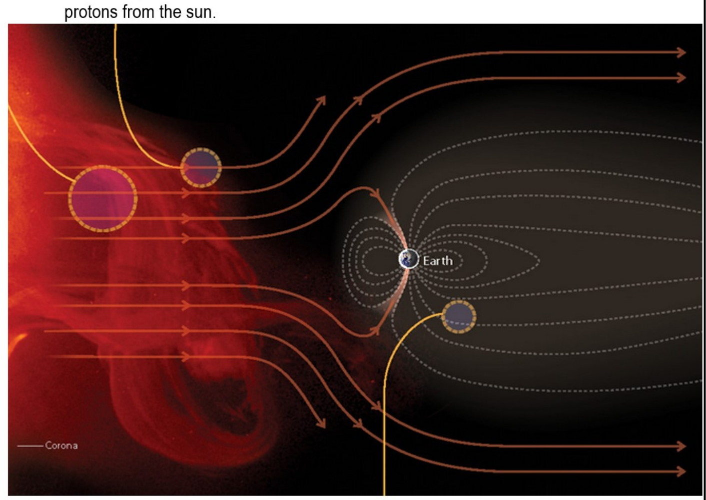
FERC News

FERC Takes Next Step on GMD Standard

Continued from page 10

Portions of the Sun's corona (outer atmosphere) can explode into space, sending superheated gas toward Earth. These coronal mass ejections have their own magnetic field, which can interact with Earth's, causing geomagnetic storms. The fastest CMEs can reach Earth in less than a day.

Solar wind, the flow of electrons and protons from the sun.



Earth's magnetic field is compressed on the day side and stretched on the night side by solar wind.

(Source: NOAA)

thermal impact assessment using both the spatially averaged reference peak geoelectric field value (8 volts per kilometer) and the peak geoelectric field value of 20 V/km as identified in NERC's 2012 GMD report ("Special Reliability Assessment Interim Report: Effects of Geomagnetic Disturbances on the Bulk Power System"). Entities would be required to take corrective actions, using engineering judgment, based on the results of both assessments.

"That is, the applicable entity would not always be required to mitigate to the level of risk identified by the non-spatially averaged analysis," FERC said. "Instead, the selection of mitigation would reflect the range of risks bounded by the two analyses and be based on engineering judgment within this range, considering all relevant information."

Defining the benchmark event is essential to the standard, LaFleur said, "because if you don't get the benchmark right, you're not protecting against the right thing."

Transformers

The commission also ordered NERC to answer why it would not require qualifying transformers to be assessed for thermal impacts using the "maximum GIC-producing orientation," saying it was concerned this could underestimate the impact of a benchmark GMD event.

Damaged transformer, Salem nuclear plant, 1989. (Source: Oak Ridge)

"These concerns reflect in part the difficulty of replacing large transformers quickly, as reflected in studies, such as an April 2014 report by the Department of Energy that highlighted the reliance in the United States on foreign suppliers for large transformers," FERC wrote.

LaFleur called for a strategy to allow quicker replacement of damaged transformers. "Those types of efforts will not just help the grid in its resilience to solar storms but against other risks such as physical security, cyber threats and major storms of all types," she said.

Monitoring Devices

The commission said it also intends to change the standard to require installation of GIC monitors and magnetometers to fill any gaps in existing monitoring networks to ensure more complete data for planning and operational needs.

"To be clear, we are not proposing that every transformer would need its own GIC monitor or that every entity would need its own magnetometer," FERC said. "Instead, we are proposing the installation and collection of data from GIC monitors and magnetometers in enough locations to provide adequate analytical validation and situational awareness."

LaFleur noted that monitoring equipment is more widely available in other parts of the world than in the U.S. (NERC's standard drafting team used field measurements from the magnetometer chain in Northern Europe in defining the benchmark event.) "That should not be the case," she said.

The commission invited comment on whether it should adopt a policy governing recovery of the costs of the monitoring equipment.

'Scaling' Factor

The commission asked for comment on whether the impact of the "scaling" factor used in the benchmark GMD event definition to account for differences in geomagnetic latitude should be reduced. It noted studies indicating that GMD events "could have pronounced effect on lower geomagnetic latitudes." For example, 12 transformers were reportedly damaged and taken out of service as a result of a 2003 GMD event in South Africa at -40 degrees magnetic latitude.

Deadlines

FERC also was dissatisfied that the proposed standard did not establish deadlines for developing or implementing corrective action plans. It said it plans to require corrective action plans to be developed within one year of the completion of the vulnerability assessment.

The commission also asked for comment on whether NERC's proposed five-year implementation period could be shortened. NERC proposes a phased, five-year implementation period to allow time for entities to develop the required models, conduct vulnerability assessments and develop corrective action plans.

Comments on the NOPR are due 60 days after publication in the Federal Register.

FERC NEWS

Questions and Answers on NERC's Proposed GMD Rules

Continued from page 10

grounded winding connected at 200 kV or higher.

How is the benchmark event defined?

NERC proposed defining the benchmark GMD based on a one-in-100-year frequency of occurrence. Its definition is composed of four elements: (1) a reference peak geoelectric field amplitude of 8 V/km; (2) a scaling factor to account for local geomagnetic latitude; (3) a scaling factor to account for local earth conductivity; and (4) a reference geomagnetic field time series or wave shape to allow analysis of the impact on equipment.

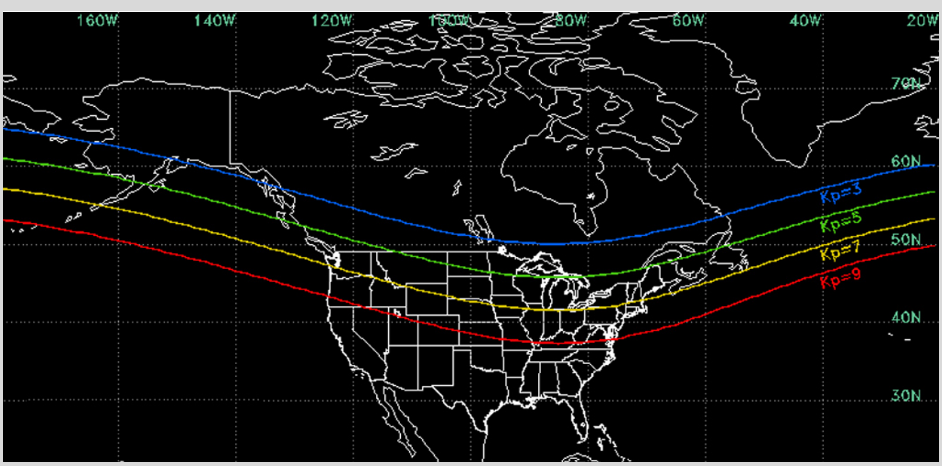
The benchmark estimates that a one-in-100 year GMD event would cause an 8 V/km reference peak geoelectric field at Québec's geomagnetic latitude and earth conductivity.

The 1989 solar storm that caused the collapse of the Hydro- Québec grid illustrates the potential risk. Shortly before 3 a.m. ET on March 13, 1989, a large impulse in the geomagnetic field was detected near the U.S.-Canada border. That started a series of disturbances that brought down the grid serving Montreal and the rest of Québec within about 90 seconds. The storm also caused large disturbances in the U.S., damaging some transformers severely — including one at the Salem nuclear plant in New Jersey — and nearly knocking out PJM and transmission systems from New England to the Midwest.

NERC's standard drafting team "spatially averaged" four different station groups of data from Northern Europe, each covering a square area about 500 km wide (310 miles). The team noted that the reliability standard is designed to address wide-area effects caused by a severe GMD, such as increased volt-ampere reactive (var) absorption and voltage depressions.

"Without characterizing GMD on regional scales, statistical estimates could be weighted by local effects and suggest unduly pessimistic conditions when considering cascading failure and voltage collapse," NERC said.

NERC used scaling factors to adjust the 8 V/km value for different geomagnetic latitudes and earth conductivities.



Scientists measure the strength of a geomagnetic storm on the Kp index, which measures the rate of change in magnetic fields near Earth. The index goes from 1 to 9. (Source: NASA)

What is required by the proposed standard?

The proposed standard has seven requirements:

1. Planning coordinators and transmission planners must determine their responsibilities for maintaining models and performing studies needed to complete the GMD vulnerability assessment specified in Requirement 4.
2. Planning coordinators and transmission planners must maintain system models and GIC system models needed to complete the GMD vulnerability assessment.
3. Planning coordinators and transmission planners must have criteria for acceptable system steady state voltage limits for their systems during the benchmark GMD event.
4. Planning coordinators and transmission planners must conduct a GMD vulnerability assessment every 60 months based on the benchmark GMD event.
5. Planning coordinators and transmission planners must provide GIC flow information for use in the transformer thermal impact assessment (Requirement 6) to each transmission owner and generator owner that owns an affected transformer within the planning area.
6. Transmission owners and generator owners must conduct thermal impact assessments on affected transformers where the maximum effective GIC value provided in Requirement 5 is 75 amperes per phase (A/phase) or greater.
7. Planning coordinators and transmission planners must develop corrective action plans if the GMD vulnerability assessment concludes that the system does not meet the performance requirements.

— Rich Heidorn Jr.

FERC NEWS

FERC Denies Xcel, New England Rehearings on ROE Challenges

By Michael Brooks and William Opalka

The Federal Energy Regulatory Commission said last week that the single-step discounted cash flow (DCF) analyses that it formerly used are adequate to support rate complaints made before it changed the rules.

FERC made the assertion in denying requests by Xcel Energy and the New England Transmission Owners that it reconsider its orders establishing hearing and settlement judge proceedings in return on equity (ROE) disputes.

The rulings involved complaints that sought to reduce the New England TOs' ROE (EL13-33 & EL14-86-001) and two ROE disputes between Xcel's Southwestern Public Service Co. (SPS) and Golden Spread Electric Cooperative (EL13-78 & EL12-59).

Opinion 531

Golden Spread has two agreements with SPS: a power purchase agreement with a 10.25% return on equity (ROE) and a transmission agreement with an 11.27% ROE. In April 2012, Golden Spread filed a complaint with FERC, using a single-step DCF analysis to show that SPS's ROE in both agreements should be reduced to 9.15%. The co-op filed another complaint in July 2013 using more recent data but again asserting the 9.15% ROE.

Xcel and the New England TOs contended that the old, one-step DCF methodology is not valid because of the commission's June 2014 ruling Opinion 531, which changed its DCF methodology to a two-step process it has long used for natural gas and oil pipelines that incorporates long-term growth rates. The commission issued Opinion 531 on the same day it ordered the hearing proceedings in the Golden Spread complaints. (See *FERC Splits over ROE*.)

FERC disagreed, saying that both Xcel and the New England TOs misinterpreted the commission's findings regarding the one-step DCF methodology in Opinion 531. The commission did not find that the one-step DCF methodology was inadequate, FERC said Thursday. "Rather, the commission found that, given the evolution of the electric industry, it had become more appropriate to use the two-step DCF methodology to determine what ROE to set as a public utility's ROE."

"That the two-step DCF methodology 'is preferable to the one-step DCF methodology' for ultimately setting a public utility's ROE does not preclude the commission from relying on DCF studies using the one-step DCF methodology" in complaints made prior to Opinion 531, FERC said.

Golden Spread vs. SPS

FERC also disagreed with Xcel's assertion that Golden Spread's July 2013 complaint only served to extend the maximum 15-month refund-effective period for its April 2012 complaint. Golden Spread filed the later complaint the day before the first complaint's refund period expired.

"Golden Spread filed two separate complaints, based on different facts, thereby commencing two separate proceedings," FERC said. It noted that though both of Golden Spread's analyses determined a 9.15% figure, this was a median ROE produced from different ranges: 7.51 to 10.59% in 2012 and 6.37 to 11.51% in 2013. Therefore, "we expect the parties in this case to litigate a separate ROE for each refund period," the commission said.

New England TOs

The New England TOs had cited the use of the single-step DCF as one of their grounds for seeking rehearing of FERC's orders on two ROE challenges: the commission's June 2014 order on a December 2012 complaint (EL13-33) and its November 2014 order on a July 2014 complaint filed by a different group of complainants (EL14-86).

Both complaints alleged that the New England TOs' 11.14% base ROE was unjust and unreasonable.

In addition to dismissing objections to the single-step DCF analysis, the commission also rejected the New England TOs' argument that the commission erred in EL13-33 because the ROE that the complainants sought to change was already within the commission's "zone of reasonableness."

The commission disagreed. "The zone of reasonableness produced by a DCF analysis does not create a zone of immunity for a utility's ROE. Showing that a utility's existing ROE is unjust and unreasonable 'merely requires showing that the commission's ROE methodology now produces a numerical value below the existing numerical value.' Therefore, the commission appropriately concluded that [the complainants] made a *prima facie* showing that New England TOs' 11.14% base ROE might be unjust and unreasonable."

FERC to Change Rule on Hydropower Fees

The Federal Energy Regulatory Commission proposed Thursday to change when it assesses annual charges to hydropower operators that are not state and municipal entities.

Under FERC's Notice of Proposed Rulemaking, the charges would start two years from the effective date of a project license, exemption or amendment authorizing new capacity — not when construction on a project commences (RM15-18).

The revisions would eliminate the need for licensees and exemptees to notify FERC of construction starts in order to invoke the fees. FERC also no longer would have to contact the entities to elicit the information. FERC said the change would provide certainty as to when the charges would go into effect and improve administrative efficiency.

The fees apply to projects exceeding 1.5 MW of installed capacity. Original licenses, relicenses, exemptions and amendments adding new capacity generally require that construction start within two years of the date of issuance. The changes would mean that charges will be assessed regardless of when the projects commence or whether or not FERC has granted an extension.

FERC predicts that an average of 5.2 licensees and/or exemptees annually will end up paying annual charges before the start of construction. On average, 10.6 entities are expected to be affected by the rule change.

— Suzanne Herel

FERC NEWS

FERC, NERC: Reserve Margins OK for Summer

By Rich Heidorn Jr.

WASHINGTON — Federal regulators said Thursday they expect sufficient resources to meet peak electric demand this summer despite coal-fired retirements, a continued drought in the West and modest load growth driven by a rebound in industrial activity. Prices are expected to be moderate, based on forwards.

Staff of the Federal Energy Regulatory Commission gave a presentation at its Thursday meeting, shortly before the board of the North American Electric Reliability Corp. approved its summer reliability assessment.

NERC noted that the Environmental Protection Agency's Mercury and Air Toxics Standards (MATS) took effect in April 2015. "While this rule has contributed to retirement of fossil-fired generating units, the retirements have not caused the Planning Reserve Margin to fall below the NERC reference margin level," the report said. "However, there is less resource capacity overall compared to previous summers to manage unforeseen challenges and severe conditions."

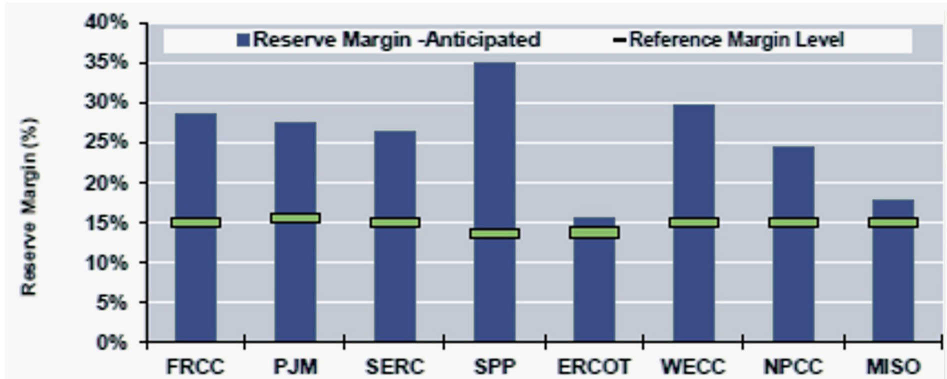
The forecasts from FERC and NERC generally aligned with those from regions that have reported thus far. (See *RTOs Prepared for Summer Peaks, but Reserve Margins Shrinking*.)

Generating Capacity

Nationwide generating capacity has declined by about 3% since last summer, as retirements of coal-fired generation outweighed an increase of 2 GW of utility-scale solar and about 3.5 GW in wind generation, a 6% increase.

Fuel supplies should be plentiful as a result of recoveries in coal stockpiles and gas storage levels. FERC said coal stockpiles have been recovering since last summer but that a rise in natural gas prices could increase coal-fired generators' output, creating the potential for supply problems in the Midwest.

The drought in California and the West, now in its fourth year, will reduce hydroelectric production, likely resulting in higher prices but no threat to reliability.



(Source: FERC, NERC)

New York's reserve margin has improved thanks to repowered generation capacity and lower forecast demand.

MISO's projected reserve margin increased to 18% from 15% in 2014. NERC said MISO's capacity resources are up by 4.5 GW "due to improved accounting for the reduction of contract path-limited resources in MISO South."

Demand Response

Less demand response will be available in PJM, NYISO and ISO-NE. PJM expects 6,900 MW of DR, down by nearly 2,500 MW from a year ago, and less than half of the 14,800 MW that cleared in the Base Residual Auction in 2012, for the 2015/16 delivery year. "A substantial number of market participants traded away these positions in the RTO's [incremental] auctions and through other transactions," FERC said.

New York's DR fell by 65 MW (5%) over last year while it dropped by 62 MW (9%) in New England. None of the three regions called on DR last summer.

The staff of the New York Public Service Commission issued a report Thursday predicting adequate supplies and moderate prices. Current wholesale prices are about 4.4 cents/kWh, compared to 6.6 cents/kWh a year ago, the PSC said.

Demand, Weather Forecasts

The Energy Information Administration has forecast a 2.9% increase in electric demand from last summer, which saw unusually mild weather.

The National Oceanic and Atmospheric Administration is forecasting warmer-than-normal temperatures in the West and Southeast and below-normal temperatures for parts of Texas and eastern New Mexico.

Only three hurricanes are forecasted, compared with the average of seven. "Generally speaking, hurricanes do not have the same level of impact on the U.S. energy markets as they did several years ago, due to the substantial shift in natural gas production from the Gulf of Mexico to onshore shale production," FERC said.

Forward Prices

A 5.7% increase in natural gas production and a 71% increase in storage inventories versus last year caused a big drop in gas futures. The injection season began April 3 with 1.5 Tcf of natural gas in storage, up 79% from 2014 and only 4% below the five-year average.

NYMEX gas futures for June through August are averaging $2.89/MMBtu, a 40% drop from 2014. Peak power forward prices are down by an average of 24%, with a 34% drop for the ISO-NE internal hub.

The Algonquin Citygate near Boston showed the biggest drop among gas futures, recording a 46% reduction to $2.96/MMBtu. However, FERC said gas generators in ISO-NE could face challenges when Spectra Energy Partners begins maintenance and expansion of the Algonquin pipeline in late August.

In contrast, the commission said the rebuilt

Continued on page 15

FERC NEWS

Moeller Leaving FERC

Continued from page 1

2011, at Hunton & Williams. His initial salary when he joined the Senate committee staff was about $81,000.

Before joining Hunton & Williams in 2005, McCormick was the managing partner for the Washington office of Balch & Bingham, longtime counsel for Southern Co.

McCormick also served as a deputy assistant general counsel for FERC, where he dealt with electric rates and corporate regulation, and in the law and governmental affairs departments of Potomac Electric Power Co. (PEPCO). He earned a Bachelor of Arts in history at Wheeling Jesuit University in 1977 and his law degree from Catholic University of America in 1984.

McCormick did not respond to a request for comment Monday.

If he is confirmed, and Murkowski has her way, McCormick could be implementing the first major energy legislation since the Energy Policy Act of 2005.

On May 7, Murkowski introduced 17 legislative proposals that she said would modernize the nation's energy policies, improve infrastructure and speed review of natural gas pipelines on federal lands.

"America's energy landscape has undergone a dramatic change since Congress last acted on comprehensive energy legislation. Our domestic energy supply has gone from scarce to abundant," she said. "Our energy renaissance underscores the need to modernize America's energy policies."

Moeller to Remain Pending Replacement

Moeller, whose term expires June 30, said he will remain on the commission until a replacement is sworn in. A Republican, Moeller joined the panel in 2006.

"It's been an honor and a privilege to serve on the commission every single day since I joined the commission in July 2006," he said in a statement. "I send thanks to President Bush and President Obama for nominating me, as well as the members of the United States Senate who unanimously confirmed me to both terms."

Moeller's departure comes as the commission is adjusting to a new chairman, Norman Bay, who replaced Cheryl LaFleur in April. (See *LaFleur Chairmanship Ending; Bay to Take Gavel*.) The newest commissioner, Colette Honorable, joined the panel in December.

McCormick's arrival could make for some interesting interpersonal dynamics on the commission given Murkowski's cool reception to Bay's nomination. (See *GOP Remains Skeptical on Bay Nomination*.)

Moeller's departure means he won't have a chance to become chairman if a Republican wins the White House in 2016.

Before joining the commission, he worked from 1997 through 2000 as an energy policy adviser to U.S. Sen. Slade Gorton (R-Wash.). Before joining Gorton's staff, he was the staff coordinator for the Washington State Senate Committee on Energy, Utilities and Telecommunications. Before becoming a commissioner, he headed the D.C. office of Alliant Energy and worked in the D.C. office of Calpine.

FERC, NERC: Reserve Margins OK for Summer

Continued from page 14

Susquehanna-Roseland 500-kV transmission line between Pennsylvania and New Jersey, which went into service May 11, should lower congestion in that region of PJM.

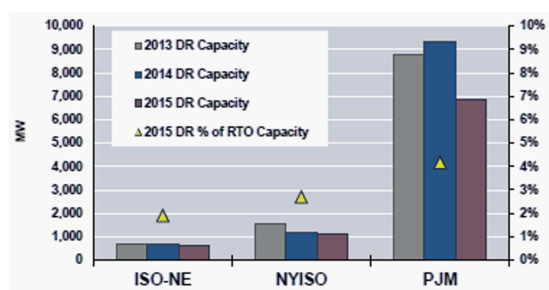
Market Changes for ISO-NE, CAISO

The commission also noted market developments since last summer.

ISO-NE is now allowing generators to submit up to 24 separate hourly offers in the next-day market and to update their offers during the operating day. Until the change in December, resources were limited to a single day-ahead offer and could not change their offers during the operating day. The RTO also will allow resources to submit negative offers as low as -$150/MWh to provide price signals to curtail generation when consumer demand is low.

The CAISO Energy Imbalance Market, which began in November, also will be entering its first summer test. The EIM enables balancing authorities in five Western states served by PacifiCorp to voluntarily take part in the imbalance energy portion of the ISO's real-time market.

Meanwhile, SPP and MISO South will enter their second summer with full LMP markets.



(Source: FERC)

New Focus for NERC

NERC said that although its assessment shows enough resources to meet summer demand, the transformation of the nation's resource mix continues to present challenges. Natural gas now represents 40% the nation's generation capacity.

"NERC continues to monitor key measures of essential reliability services to provide greater insight on how this trend is impacting reliability," said John Moura, NERC director of reliability assessments.

In addition to continuing its efforts to ensure that the new generation mix provides adequate levels of frequency response, voltage control and inertia, NERC for the first time is considering operational risks from ongoing resource outages.

"The operational risk approach provides a much clearer picture of the actual capability of a given system within the bulk power system and its resilience against extreme weather and system conditions," Moura said.

— William Opalka contributed to this article.

FERC NEWS

Another Meeting Day, Another Drama at FERC

By Rich Heidorn Jr.

FERC instituted a new policy to isolate known protesters into a separate room, resulting in a long line (above) to pass through security.

Despite changing its meeting date to avoid threats of mass demonstrations next week, the Federal Energy Regulatory Commission couldn't avoid another protest drama Thursday.

FERC instituted a new policy that forced all non-employees — lawyers, lobbyists, reporters and protesters — through a lengthier and more rigorous-than-normal security screening that included photographs. After receiving a paper ID badge and going through a metal detector, the known protestors were directed left, while the others went right to the escalator to the second-floor Commission Meeting Room.

When the protestors were informed they would be quarantined in a commission hearing room where they could watch video of the meeting, they began chanting "Shut FERC down!" While organizers claimed the protesters numbered three dozen, only about 15 appeared in a video the group shot after being ejected.

Suits, not T-shirts

Among the protesters was Ted Glick, national campaign coordinator at the Chesapeake Climate Action Network, who wore a suit rather than the red T-shirt he and other protesters had worn in previous meetings. (See *Protests Continue — on Camera — at FERC*.)

About 20 minutes into the meeting, as the commission was discussing a ruling on an Order 1000 compliance filing, the protesters apparently exited the overflow room. The protesters' chants were audible — if not discernible — in the meeting room until they were escorted out of the building.

FERC Chairman Norman Bay joked, "I hope the protesters haven't moved from pipelines to Order 1000," prompting laughter.

But at least three protesters slipped the dragnet and were able to make brief statements before being escorted out.

PennEast Pipeline

The first two, Patty Cronheim of Hopewell Township, N.J., and Angela Switzer of Delaware Township, N.J., stood up to protest the proposed PennEast Pipeline. The 36-inch pipeline would deliver about 1 billion cubic feet of gas per day from Luzerne County, Pa., to Transco's pipeline interconnection in Mercer County, N.J., 108 miles away.

"You're destroying lives, you're abusing eminent domain," Switzer said before being led out of the meeting. "This is corporate greed over public need."

Switzer said afterward she is concerned the pipeline, which would cross her 60-acre farm, could result in contamination of her water wells. "I live in an arsenic-rich zone and there's a chance when they drill through the bedrock they're going to release arsenic into my wells," she said. "... FERC is not listening to us."

The backers of the project — AGL Resources; NJR Pipeline Company; PSEG Power; South Jersey Industries; Spectra Energy Partners; and UGI Energy Services — are hoping for FERC approval in 2016.

A third protester stood up as the meeting was adjourned, shouting "In the shale fields of Pennsylvania, you are killing people!"

> **"In the shale fields of Pennsylvania, you are killing people!"**
>
> **Protester at FERC open meeting**

In a press conference afterward, Bay turned serious, reading a statement in which he criticized the repeated meeting interruptions as "disrespectful" and ineffective.

"I respect the First Amendment rights of the protesters and I want to hear their views. But there are ways to do that and there are ways not to do that," he said. "The way not to do it is to disrupt our proceedings. In my view the disruptions are disrespectful, they violate the law [and] they can pose public security concerns. They often violate the *ex parte* rule. They prevent us from doing our work and it's a turnoff. It's ineffective and unpersuasive as a matter of advocacy."

Bay also noted that the commission does not regulate the production of natural gas. "If someone is upset with fracking, they should probably talk to the states. If I had any advice for the protesters it would be this: tell them to reconsider what they're doing and I would urge them to stop disrupting our meetings."

FERC acknowledged that it had rescheduled the meeting at the recommendation of Federal Protective Services, which wanted to avoid demonstrations planned for the week of May 21-29, including the scheduled May 21 session. Beyond Extreme Energy, the organization that has been coordinating the FERC protests, had said it is hoping to attract more than 500 demonstrators to FERC during the week.

In November, about 100 climate change protesters blockaded FERC headquarters, snarling traffic on First St. N.E. About 25 were arrested.

COMPANY BRIEFS

NorthWestern Gets FERC OK to Issue up to $950M in Securities

The Federal Energy Regulatory Commission gave NorthWestern Corp. its blessing Thursday to issue up to $950 million in securities over the next two years.

The securities include $250 million in equity, $300 million in secured debt and $400 million in unsecured debt. NorthWestern said that the funds received from the issuance would go toward refinancing $150 million in first mortgage bonds in Montana in addition to paying for normal business activities.

FERC approved the issuance although NorthWestern's 1.73 interest coverage ratio fell below the commission's 2.0 benchmark. NorthWestern explained that this was because the analysis included interest expenses from $450 million of debt it issued in November 2014 to finance its purchase of 11 hydroelectric plants from PPL Montana but not a corresponding rate increase approved by the Montana Public Service Commission.

More: *ES15-14*

Duke Pleads Guilty to Coal Ash Charges, Fined $102 Million

Duke Energy pleaded guilty in federal court last week to nine criminal violations of the Clean Water Act for polluting four major rivers with toxic coal ash. U.S. District Court Judge Malcolm J. Howard accepted the guilty pleas and fined the company $102 million.

The violations stem from coal ash spills or leaches into four rivers from five power plants in North Carolina, including a massive spill into the Dan River last year.

Federal attorneys and company officials reached a plea agreement after negotiations earlier this year, and the pleas and fines signal the end of federal action against the company. Duke still faces charges and fines from North Carolina environmental officials, as well as a shareholder suit filed against it in Chancery Court in Delaware.

More: *Los Angeles Times*

Suit Alleges Duke Board Members Lobbied NC Regulators on Ash

A shareholder suit against Duke Energy alleges that the company's board of directors leaned on North Carolina environmental regulators to limit the company's legal exposure from coal ash spills. The suit has been sealed in an agreement between both the shareholder filing the suit, Judy Mesirov of Philadelphia, and the company. But according to some of the unsealed documents, Mesirov alleges that some Duke executives and board members exposed the company to billions of dollars in liability because of their actions.

Duke has been battling legal claims since a massive coal ash spill polluted the Dan River last year. The company reached a $102 million settlement with federal authorities related to the incident but faces state charges related to groundwater contamination stemming from other ash spills.

More: *Charlotte Business Journal*

FirstEnergy Looking for Coal Ash Disposal Site

FirstEnergy is closing the largest coal ash dump in the U.S. — Little Blue Run in Beaver County, Pa. — and is now looking for a place to dispose of the 2.5 million tons of coal ash produced by its Bruce Mansfield plant in nearby Shippingport, Pa.

It has two sites selected so far, but both require transportation of the ash by barge on the Ohio River. FirstEnergy is seeking permits from the Pennsylvania Department of Environmental Protection to let it use a now-closed ash dump at the retired Hatfield's Ferry coal plant as an interim measure.

The company is under a consent order to close the Little Blue Run site by the end of 2016, partly because of toxins leaching out of the site and into ground and surface water.

More: *Pittsburgh Post-Gazette*

Entergy's Arkansas Nuclear One Garners Lowest NRC Review

Entergy's Arkansas Nuclear One in Russellville was ranked near the bottom in the Nuclear Regulatory Commission's annual operations safety review, the agency said recently. The ranking was the result of "a significant decline in plant performance," NRC said.

That included a fatal accident in 2013 and a series of flaws with the plant's flood-control systems that turned up during an NRC inspection.

The commission has allowed the plant to continue operations because it has seen improvement, an NRC official said. "The NRC does believe that the plant can operate safely and therefore they have not been asked to shut down. They have demonstrated sustained improvement so far with making corrective action to some of these issues that we've discussed."

More: *THV11*

North Dakota Co-op Gets $12.5 Million for Tx Lines

Slope Electric Cooperative, Inc.

The U.S. Department of Agriculture awarded Slope Electric Cooperative a $12.5 million loan to expand its electrical transmission system in western North Dakota. The money will go toward building 66 miles of power lines in Adam, Bowman, Hettinger and Slope counties. The co-op also received a $431,600 grant for smart grid projects.

More: *Bismarck Tribune*

Continued on page 18

COMPANY BRIEFS

Continued from page 17

We Energies' Plan to Invest More In Coal Plant Draws Criticism

We Energies has applied to the Wisconsin Public Service Commission to spend about $100 million to upgrade coal handling and storage at its Oak Creek coal-fired station, saying it could save customers $16 million to $25 million a year. The upgrades would allow the 10-year-old plant to use softer, cheaper Wisconsin-mined coal, leading to fuel savings that would be passed on to customers.

The Citizens Utility Board and Clean Wisconsin objected, saying the softer coal would produce more emissions.

"At a time when the state of Wisconsin must develop a plan for cost-effective carbon dioxide emission reductions, We Energies is proposing to significantly increase CO_2 emissions," said Katie Nekola of Clean Wisconsin. "In its short-sighted pursuit of fuel cost savings, the utility ignores the long-term costs of increasing CO_2 output, both to ratepayers and the environment."

More: *Milwaukee Journal Sentinel*

Consumers Energy Retiring 'Classic Seven' Coal Plants

Consumers Energy is retiring 32% of its generation fleet by April 2016 in an effort to reduce emissions and increase sustainability. "These plants, which we call our 'Classic Seven,' have provided reliable, affordable energy for Michigan residents for decades, but it doesn't make economic sense to spend more to keep them running," said David Mengebier, Consumers Energy's senior vice president for governmental and public affairs.

The company announced the plant retirements in its Accountability Report, in which it says that since 1998 it has reduced particulate emissions at its plants by 91%, nitrous oxide by 78%, sulfur dioxide by 53%, mercury by 28% and carbon by 13%. The only U.S. utility closing more coal plants is AEP Ohio.

More: *Fierce Energy*; *Consumers Energy*

Allete Buying 100-MW Wind Farm In Pennsylvania from AES

Allete Clean Energy is buying a 100-MW wind farm in Troy, Pa., from AES for $108 million, plus an undisclosed amount of existing debt. Armenia Mountain Wind is near the New York-Pennsylvania border and has 67 1.5-MW turbines that were installed in 2009. The facility's output is sold through power purchase agreements that expire in 2025. Allete, which owns six wind farms, bought three of them from AES. Armenia Mountain is the largest in its portfolio.

More: *PennEnergy*

DTE Building 1.1-MW Solar Array Outside Ann Arbor

DTE Energy is building Michigan's largest solar panel array outside of Ann Arbor. The 1.1-MW facility, with 4,000 photovoltaic panels, will produce enough electricity to power 185 homes, according to the company.

DTE has already received approval from Ann Arbor Township to build on the 8-acre site. When completed later this year, it will join nearly 9 MW of solar generation the company has in 22 sites in the state. The company is investing in renewable energy as a result of a state mandate to obtain 10% of its energy from renewable sources by 2015.

More: *MLive*

FEDERAL BRIEFS

DOE Approves Addition to Biomass Plant at Savannah River Site

The Department of Energy is expanding a biomass generation plant at its Savannah River Site. The project is part of the department's Energy Savings Performance Contract program, in which a private company finances and maintains energy equipment in federal facilities. Framingham, Mass.-based Ameresco plans to boost output of the six-year-old 20-MW plant by 3 to 4 MW. Ameresco received $795 million to build the original plant, which uses forest residue and wood chips as fuel, and the expansion.

More: *Fierce Energy*

NRC Revising Rules on Foreign Ownership of Nukes in US

The Nuclear Regulatory Commission is changing how it assesses foreign ownership of U.S. nuclear reactors. Current regulations prohibit foreign ownership of commercial reactors, which is creating problems for some planned new commercial nuclear generating stations. Two years ago, NRC ruled that Unistar Nuclear Energy, a subsidiary of French company EDF, could not build a proposed plant on the site of the Calvert Cliffs nuclear station in Maryland.

The commission has told its staff to come up with a plan to set guidelines for partial foreign ownership. NRC said the decision to revise rules takes into account "the realities of today's interconnected and global nuclear energy markets."

More: *World Nuclear News*

DOE Warns Against Chinese Investment in LNG Projects

The Department of Energy is advising American firms against allowing Chinese investment in U.S liquefied natural gas projects, an industry executive said. Freeport LNG chief executive Michael Smith said the warning has led to a dearth of gas export deals with China. "We were advised by the DOE to be careful who our customers were, because this is very political," Smith said.

More: *China Economic Review*

Continued on page 19

FEDERAL BRIEFS

Continued from page 18

DOE Approves Operations At Texas LNG Terminal

The Department of Energy has given final approval for the Cheniere liquefied natural gas export terminal near Corpus Christi, Texas. Houston-based Cheniere plans to have the terminal in operation by 2018. The approval grants the facility a license to export up to 2.1 billion cubic feet of LNG per day for up to 20 years to countries with which the U.S. does not have a free trade agreement. Dominion Resources' Cove Point LNG terminal in Lusby, Md., received the same authorization last week.

More: *FuelFix*

Inhofe Seeks to Trim NRC Budget

Inhofe

Oklahoma Sen. James Inhofe, chairman of the Environmental and Public Works Committee, thinks it's time to scale back the Nuclear Regulatory Commission's budget. He said despite a lower-than-expected workload associated with new nuclear licensing and review processes, the commission's budget has grown by 34% and its workforce by 25% in recent years.

"The Nuclear Regulatory Commission's workload is decreasing, but regulations are increasing," he said. "I am going to work with Senate appropriators to adjust the NRC's budget."

Inhofe said breadth of the NRC's oversight is also increasing in an effort to drive up the cost of compliance. "Every increase in regulation makes it more difficult for nuclear energy to remain cost competitive, and I believe there's an intention to make that happen," Inhofe said.

More: *Nuclear Energy Institute*

Feds Approve Shell Arctic Drilling Plan

The Bureau of Ocean Energy Management approved Royal Dutch Shell's oil-exploration plan in the Chukchi Sea after the company submitted a renewed and reinforced plan for its Arctic drilling operations.

"We have taken a thoughtful approach to carefully considering potential exploration in the Chukchi Sea, recognizing the significant environmental, social and ecological resources in the region and establishing high standards for the protection of this critical ecosystem, our Arctic communities and the subsistence needs and cultural traditions of Alaska Natives," BOEM Director Abigail Ross Hopper said. "As we move forward, any offshore exploratory activities will continue to be subject to rigorous safety standards."

Shell still needs to obtain other permits, including one to moor its equipment in Seattle's harbor. A city-hosted hearing on that is scheduled for this week, but protests were already forming by Saturday.

More: *U.S. News & World Report*

STATE BRIEFS

CONNECTICUT

Eversource, United Illuminating Rates Falling

Eversource Energy customers will see a 35% drop in electric generation charges, to 8.228 cents/kWh from 12.629 cents/kWh beginning in July.

United Illuminating residential generation charges will decrease about 31% to 9.18 cents/kWh from 13.3108 cents/kWh.

For a typical customer who uses 750 kWh, the drop in generation prices will save more than $30 a month. The rates go into effect July 1 and last until Dec. 31.

More: *Hartford Courant*

UIL Holdings Asked to Clean Up Defunct Plant

New Haven officials and the current owners of the defunct English Station power plant want UIL Holdings to pay for a large share of the plant's cleanup. Uri Kaufman, a representative for Asnat Realty of New York and Wilmington, Md.-based Evergreen Power, appeared before state utility regulators to comment during a hearing on the proposed $3 billion acquisition of UIL Holdings by Spanish energy giant Iberdrola.

Kaufman urged the Public Utilities Regulatory Authority to require the two merger partners to create a $60 million fund to pay for the cleanup of English Station, which sits on a 9-acre island in the Mill River. The site is riddled with carcinogens, heavy metals and other contaminants. United Illuminating, a UIL Holdings subsidiary, closed the plant in 1992 and paid Quinnipiac Energy of Killingworth $4.25 million in 2000 to assume ownership of the power plant and put $1.9 million in escrow to pay for cleanup.

More: *New Haven Register*

DELAWARE

Release of Email Trove Results in Another Public Hearing for Refinery

The Department of Natural Resources and Environmental Control extended a comment period until June 9 on proposed water

Continued on page 20

State Briefs

Continued from page 19

use and wastewater permits for the Delaware City Refinery after previously undisclosed emails and records were released. The refinery still uses a 1950s-era system of withdrawing cooling water from the Delaware River and discharging wastewater that environmentalists say causes huge losses of aquatic life. PBF Energy, the refinery's owner, says that upgrading the cooling system would cost $300 million, more than the purchase price of the facility.

In addition to the records that were released, the state denied a request from *The News Journal* for several hundred more documents, citing confidentiality rules. They include communications sent from Gov. Jack Markell's office and his private email accounts.

"It appears if you want to secretly work out a deal on environmental issues in Delaware without any public input, the best approach may be to first break the law, and then negotiate secretly for what you want with the assurance that the public cannot be informed or involved," said Dave Carter, conservation chair for Delaware Audubon.

More: *The News Journal*

INDIANA

Pence Signs New Energy Bill Releasing Utilities from Mandates

Pence

Gov. Mike Pence signed a new energy efficiency law that allows utilities to set their own conservation goals, rather than making them meet state mandates. The law also allows utilities to charge ratepayers to fund the programs. Environmentalists say the law, with its less-stringent oversight, will make it harder to attain Environmental Protection Agency-mandated emissions reductions.

More: *Courier Press*

IURC Turns Down Duke's $1.9 Billion Rate Request

The Utility Regulatory Commission rejected Duke Energy's plan to upgrade its grid at a cost to ratepayers of $1.9 billion over the next seven years. Duke's customers would have experienced a 1% rate increase each year, from 2016 through 2022. Ratepayer advocates said Duke's plan contained provisions not covered by the 2013 grid modernization investment recovery law, such as $48 million for vegetation management, a $1.5 million customer contact computer program and a $177 million smart meter program.

Duke said it would file a revised plan. "We're still reviewing the order and considering our options, but we remain committed to making critically needed investments to modernize our system for the benefit of our customers," the company said in a statement. "This is one of the first times this new law has been interpreted, and it's being clarified for all Indiana utilities at the commission and in the Indiana Court of Appeals."

More: *Indianapolis Business Journal; Duke Energy*

IOWA

Chinese Company Building 28-MW Of Wind Energy Plants

HZ Windpower, a wind energy subsidiary of China Shipbuilding Industry Corp., is planning to build 28 MW of wind facilities in the state. Lt. Gov. Kim Reynolds met with HZ Windpower executives last week and said the 14 2-MW turbines could be the first of many more for the state.

The turbines will be part of the "Community Wind" projects and will be in Creston, Dyersville, Mason City and Perry.

More: *WHO-TV; HZ Windpower*

MANITOBA

Canada Pledges to Cut Emissions 30% by 2030, Still Behind US Goal

Aglukkaq

Canada announced it has set a goal to cut greenhouse gas emissions by 30% by 2030 and said it will set new regulations for various industries, including electric generation. A 30% reduction compares to the stated U.S. goal of 26% to 28% by 2025. Both countries are submitting their emission-reduction goals to the U.N. for a climate change agreement due to be signed in December in Paris.

"Canada's ambitious new target and planned regulatory actions underscore our continued commitment to cut emissions at home and work with our international partners to establish an international agreement in Paris," said Leona Aglukkaq, Canadian Environment Minister.

More: *The Hill*

MARYLAND

Hogan Signs Community Solar Bill

A bill that encourages the development of community solar projects was signed by Gov. Larry Hogan last week. The bill creates a three-year pilot program allowing community solar projects and will collect information on the projects and determine their impact on the state.

Community solar projects allow multiple owners to invest in a large-scale solar project and offset a portion of their electric bill with a share of the renewable power. Until now, such large projects were mostly the domain of utilities and investment companies.

More: *Solar Novus*

MICHIGAN

Enbridge Agrees to $75 Million Settlement on Kalamazoo Spill

Enbridge has agreed to pay $75 million to settle legal claims related to a 2010 pipeline spill of more than a million gallons of crude oil into the Kalamazoo River. About $30 million will be spent on wetland and river restoration. The agreement, between the company and the state Department of Environmental Quality, also includes removing a dam on the river and improving recreational access on the river.

The company spent more than $1 billion in cleanup costs, but state officials acknowledged that not all of the oil residue was collected. The spill of heavy crude oil extracted from Canadian oil sands affected nearly 40 miles of the river and more than 4,000 acres along the river banks.

The company has yet to settle penalties with the Environmental Protection Agency. It paid a $3.7 million fine imposed by the National Transportation Safety Board for lax safety management.

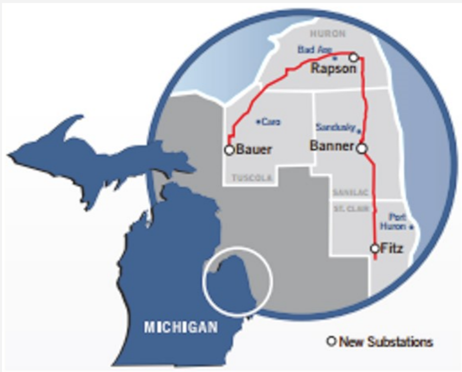
More: *Inside Climate News*

Continued on page 21

STATE BRIEFS

Continued from page 20

State Gives Thumbs-up to Loop Line's Early Completion



ITC Holdings has completed the third and final phase of its 138-mile "Thumb Loop" 345-kV line in the state about six months ahead of schedule. The line, capable of supporting capacity of up to 5,000 MW, wasn't expected to be completed until late this year.

ITC said the loop line will meet the maximum identified wind energy potential in the state's Thumb region as well as boosting regional system reliability and wholesale market competition. Gov. Rick Snyder has pointed to the line's benefits in helping agricultural processing operations and for bringing more renewable energy to the grid.

Phase 3 comprises 56 miles of line in Huron and Sanilac counties and the Banner substation, near Sandusky. The original phase, begun in 2011, was 62 miles of lines and two substations in Tuscola and Huron counties. Phase 2 involved 20 miles of lines and substations in St. Clair and Sanilac Counties.

More: ITC Holdings

MINNESOTA

Lawmakers Ponder Cutting Solar Subsidies; Company May Fail

A solar cell manufacturer that failed to meet a hiring goal that was a condition of getting state loans could go out of business if state support is cut. Silicon Energy of Mountain Iron failed to hire the 25 solar panel production jobs it promised when it began getting the first of two loans totaling about $7 million. It has 11 workers now. A bill that passed the House would strip the subsidies.

"The Made in Minnesota solar program is a very expensive way to reduce pollution and create jobs," Republican state Rep. Pat Garofalo said. Silicon Energy President Gary Shaver said low-cost solar panels from China "destroyed the market for us."

More: MinnPost

MONTANA

PSC Chairman Pondering 2016 Run for Governor


Johnson

Brad Johnson, chairman of the Public Service Commission, said he is considering a run for the governor's seat in the 2016 election.

"I've been approached by some folks," he told the *Missoulian*. "There have been discussions. I've not said no."

Johnson, 64, a Republican, was elected secretary of state in 2004 but lost re-election bids in 2008 and 2012. He was elected to the PSC in 2014.

More: Missoulian

NEW HAMPSHIRE

Smart Metering Experiment Results Coming Soon

Results of a two-year experiment with 400 customers of the New Hampshire Electric Cooperative will be announced soon. The distribution company that serves 80,000 customers in the central part of the state tested three new models for pricing electricity using smart meters.

Customers were divided into three groups: one remained on the standard rate per kilowatt-hour paid by all members of the co-op but with an in-home display that showed how much power was being used at any time of day in the home. The second group was on a "time of use" rate, with lower rates for off-peak hours, higher rates for peak hours and variations for each season. The third group had lower on-peak and off-peak rates but was charged a "critical peak rate" on the hottest days of the year, when system demand in New England was at its highest.

The experiment ran from November 2012 to November 2014. Thus far the results confirmed that the more information consumers get about their electricity usage, the less they use. A report will be issued in the summer.

More: New Hampshire Union Leader

Budget Cuts Threaten Solar Industry Expansion

A renewable energy fund is facing a cut of $50 million by legislators. A House bill seeks to slash that funding as part of an effort to make up for shortfalls in other areas of the budget. Currently, the fund provides rebates for homeowners and business owners installing solar panels. The fund is financed by utility companies, which must pay into the fund if they fail to buy a mandated number of renewable energy credits.

The Renewable Energy Fund rebate program began about six years ago and pays out an average of $4,300 per installation. The $50 million cut would nearly wipe out the fund's budget for the next two years. The threat of the cut comes at a time when federal solar tax credits are falling from 30% to 10%, further squeezing the state's new solar industry.

"New Hampshire has huge untapped potential," said Kate Epsen, executive director of the New Hampshire Sustainable Energy Association. "People are trying to position themselves strategically."

More: Concord Monitor

NEW JERSEY

Lawmakers Call for Reinstatement of Wind Credit

A state Senate committee passed a resolution calling for Congress and President Obama to reinstate the production tax credit for wind energy. The resolution now goes to the Senate for a vote. The production tax credit provided incentives for wind energy production but expired at the end of 2013. Supporters of the resolution said its expiration "wreaked havoc" in the state's wind energy industry.

The state has been wrestling with wind energy issues for years. Most recently, the Board of Public Utilities rejected a proposed offshore wind farm that had been awarded $47 million in federal funding as too costly. In response, the state Senate passed a bill forcing the BPU to approve the project. The project still has not gained final approval.

More: Fierce Energy

Continued on page 22

STATE BRIEFS

Continued from page 21

NEW YORK

Fracking Review Released; Ban Expected Next

Cuomo

Gov. Andrew Cuomo's administration released an environmental review that is the penultimate step for a ban on hydraulic fracturing for natural gas in New York. The state Department of Environmental Conservation released a final version of the roughly 2,000-page document, known as the Supplemental Generic Environmental Impact.

"The final SGEIS is the result of an extensive examination of high-volume hydraulic fracturing and its potential adverse impacts on critical resources such as drinking water, community character and wildlife habitat," DEC Commissioner Joseph Martens said in a statement. "We considered materials from numerous sources, including scientific studies, academic research and public comments, and evaluated the effectiveness of potential mitigation measures to protect New York's valuable natural resources and the health of residents."

Last December, the Cuomo administration announced it would ban high-volume fracking, citing concerns about its impacts on human health.

More: Rochester Democrat & Chronicle

Oil from Transformer Explosion Spills into Hudson River

Entergy, the owner of the Indian Point nuclear plant, is planning to clean up several thousand gallons of oil that may have spilled into the Hudson River after a transformer exploded May 9. A fire suppression system extinguished the fire, but the plant shut down, according to a spokesman for the U.S. Nuclear Regulatory Commission.

The fire didn't cause the release of any radiation and didn't pose a threat to workers or the public, according to a statement on Entergy's website. The nuclear plant is just 50 miles from midtown Manhattan.

More: Poughkeepsie Journal

VIRGINIA

McAuliffe Announces New Energy Efficiency Goals for State

Gov. Terry McAuliffe announced ambitious energy efficiency goals for the state, vowing to reduce consumption by 10% by 2020, two years earlier than the previous goal. He also announced the formation of a new group, the Executive Committee on Energy Efficiency, to help the state attain the goal.

Some studies show Virginia lagging behind other states in energy efficiency programs. Dawone Robinson of the Chesapeake Climate Action Network applauded McAuliffe's plan. "Increasing energy efficiency is our lowest-hanging fruit when it comes to reducing the carbon emissions fueling severe weather and sea level rise," he said.

More: Daily Progress

WISCONSIN

Enbridge Plans to Bolster Oil Sands Pipeline Slowed By Zoning Board

A local zoning board in Dane County has held up plans by energy giant Enbridge to triple the capacity of a crude oil pipeline from northern Wisconsin to markets east in Chicago. The six-year-old pipeline, known as Line 61, delivers oil extracted from Canadian oil sands and would carry more crude oil each day than the proposed Keystone XL pipeline.

The Dane County Zoning and Land Regulation Committee told Enbridge it would need more pipeline insurance before it would consider granting the request to increase capacity. Enbridge says it has enough insurance already and argued that the zoning board is overstepping its authority by taking on responsibilities of federal regulators.

More: Inside Climate News

Maryland PSC OKs Exelon-Pepco Deal in 3-2 Vote

Continued from page 1

46 conditions. "Exelon has demonstrated that it knows how to run electric and gas distribution companies; indeed it is nationally recognized for its standards of excellence."

Voting against the deal were Commissioners Harold Williams and Anne Hoskins. "The merger will impose substantial competitive harm to Maryland's electricity market by eliminating across-the fence competition, silencing PHI's unique non-generation voice, and chilling innovation in new energy-related technologies and products," they said in a 51-page dissent. Exelon still needs to win the approval of Delaware and D.C. to close the deal.

The approval revises certain provisions of a settlement Exelon had reached in March with Montgomery and Prince George's, in which the corporation agreed to pay a one-time $50 rate credit to each residential customer of Pepco's two utilities in the state, Delmarva Power & Light and Potomac Electric Power Co. (PEPCO). Exelon had also agreed to invest $57.6 million in energy efficiency. (See Exelon, Pepco Ink Deal with Md. Counties, but Critics Stand Firm.)

The commission also required Exelon to:

- Develop 15 MW of solar generation by the end of 2018 — 5 MW in Montgomery County, 5 MW in Prince George's County and 5 MW in the Delmarva service territory.
- Establish a $14.4 million Green Sustainability Fund — $8.4 million for Montgomery and $6 million for Prince George's — for the counties to fund solar, energy storage and other distributed generation projects.
- Exceed Pepco's level of charitable giving of $656,000 annually for at least 10 years.
- Remain a part of PJM at least until the end of 2024.
- Develop a pilot program for recreational and transportation use by residents of Pepco's transmission right-of-ways.

Exelon and Pepco have until May 26 to ac-

Continued on page 23

Maryland PSC OKs Exelon-Pepco Deal in 3-2 Vote

Continued from page 22

From left to right: Hughes, Speakes-Backman and Brenner. (Source: MD PSC)

cept the commission's conditions. In a statement, Exelon CEO Chris Crane said the company was pleased with the decision and that the commission had recognized its reliability marks, but that the conditions in the order would be "challenging."

"It poses some stringent conditions that will be difficult to fulfill, but all of us at Exelon accept the challenge and commit to proving ourselves in an expanded role in Maryland," Crane said.

Critics Disappointed

Commissioners Williams and Hoskins dissented, echoing criticism that has been levied at Exelon throughout the proceeding.

"Maryland will lose its wires-only electric utilities, Pepco and Delmarva, which will be purchased by an energy conglomerate concerned with protecting its vast fleet of electric power plants, from which it derives most of its revenue," they said. "Exelon's economic interests to shield that fleet from emerging distributed energy technologies and other competitive threats are inherently misaligned with the interests of the customers of Pepco and Delmarva, who are predominantly concerned with efficient, cost-effective and reliable electric service."

They also noted that the Green Sustainable Fund would not benefit Delmarva Power's territory on the state's Eastern Shore.

While Montgomery County Executive Ike Leggett had reached the county's settlement with Exelon, the County Council unanimously passed a resolution saying the settlement didn't go far enough to protect ratepayers and encourage renewable energy. Councilmember Roger Berliner, an energy attorney who spearheaded the resolution, said he was "deeply disappointed with the decision."

"Exelon has a proven track record of favoring its own nuclear generation holdings over renewable technologies like solar and wind," Berliner said. "This merger poses an unacceptable threat to both ratepayers and our environment."

Berliner did acknowledge the beneficial conditions of the approval. He said that he has been "knocking on Pepco's doors" to open up their rights-of-way, but the utility "stiff-armed us for years."

The order includes a concession Berliner had sought — a Montgomery County "green bank" through which the county will use Exelon contributions to "leverage" investment in clean energy and energy-efficiency technologies.

But Berliner lamented the fact that these breakthroughs were achieved through the acquisition process, and by the level of Exelon's commitment to renewable energy, which he said, "just didn't go far enough."

Environmentalists agreed.

"We are disappointed by today's decision, which comes as a blow to the future of clean energy in Maryland," said David Smedick of the Sierra Club. "The meager conditions added by the commission do not come close to mitigating the harms that the merger will cause to Marylanders."

Maryland Attorney General Brian E. Frosh also blasted the order.

"Today is a bad day for consumers, and a great day for monopolies," he said in a statement. "This merger — which the PSC approved by the slimmest of margins — would create a company controlling service to 80% of Maryland's electric consumers, with the incentive and ability to stifle competition and suppress innovation. The harm to customers under this arrangement are obvious and substantial."

Two Left to Go

Maryland's approval leaves Delaware and D.C. as the only holdouts on a decision. The deal has been approved by the Federal Energy Regulatory Commission as well as regulators in New Jersey and in Virginia. Delaware has expressed its support but regulators there have said they were holding off on signing an agreement pending action in Maryland.

Opposition to the Exelon-Pepco marriage continued to grow this week in D.C., where regulators may make a decision as soon as May 27, when the record closes.

Four D.C. Council members and more than half of the District's 42 local advisory neighborhood commissioners — some of whom rallied on the steps of the Wilson Building Tuesday — are lobbying Mayor Muriel Bowser to take a stand against the transaction, though she doesn't have an official role in the decision.

Councilman David Grosso submitted a May 12 letter to the D.C. PSC urging the board to reject the deal. The following day, People's Counsel Sandra Mattavous-Frye filed a brief advising the PSC against the takeover.

"While this merger provides a wealth of benefits for Exelon and PHI's shareholders, it exposes District of Columbia ratepayers to a number of unnecessary risks," she said. "I am primarily concerned that Exelon has failed to commit to meeting established reliability standards, that any financial benefit to consumers will be erased with the first rate case and that the major decisions impacting the city's electrical infrastructure will be made by executives in Chicago.

"As it regards the city, I am concerned that the success the District has achieved in the area of deploying renewables will be compromised by Exelon's corporate philosophy that favors generation companies. Moreover, I have no confidence in Exelon's ability to deliver on the promise of more jobs."

A Year in the Making

The deal, announced last April as an all-cash transaction, has been more than a year in the making. If the deal is approved, it will create the Mid-Atlantic's largest electric and gas utility.

Exelon is familiar with mergers. The company is the product of the 2000 pairing of Philadelphia's PECO Energy and Chicago's Commonwealth Edison. In 2012, it acquired Baltimore's Constellation Energy.

It hasn't always been successful in its deal making, however.

Exelon dropped a proposed merger with Public Service Enterprise Group in 2006, and had its overtures spurned by PPL in 1995 and NRG in 2009.

Exelon has said the deal will boost its customer count to almost 9.8 million from 7.8 million and increase its rate base to almost $26 billion from $19 billion.

Exelon hopes to close the deal by the end of the year.

How Exelon Won over Maryland

Continued from page 1

536,000 ratepayers, nearly three-quarters of Pepco customers in the state.

The commission said the settlements with the counties indicated "strong public support for the merger." It did not mention that the Montgomery County Council split from County Executive Ike Leggett, unanimously approving a resolution opposing the deal.

It wasn't enough to eliminate all critics. The Sierra Club, the Clean Chesapeake Coalition, the Mid-Atlantic Renewable Energy Coalition, the Maryland, District of Columbia and Virginia Solar Energy Industries Association and Public Citizen all continued their opposition. The commission rejected their criticism, along with objections from state Attorney General Brian Frosh, the Maryland Energy Administration and the Office of Peoples Counsel.

Dominance

As the parent of Baltimore Gas and Electric, Potomac Electric Power Co. (PEPCO) and Delmarva Power & Light, Exelon would provide electricity to more than 80% of Maryland's electric distribution customers. While this was a source of worry to merger opponents, the commission majority said it viewed it as a positive.

"Having the three contiguous Maryland electric distribution utilities share common support functions among themselves and with Exelon's other distribution utilities (PECO Energy in Pennsylvania and Commonwealth Edison in Illinois) presents a rare opportunity for Delmarva and PEPCO to leverage greater economies of scale, increase the potential for improved reliability performance with better cost control and benefit customers with synergy savings," the commission said. "It also enables easier pooling of resources to restore service to customers more quickly following major storms, leading to greater resilience for our Maryland utilities. The sharing of 'best practices' among all six Exelon distribution companies will lead to day-to-day operational efficiencies and increased effectiveness, reducing operating expenses and ultimately rates for customers lower than they otherwise would have been."

The commission noted that in D.C. and nine states, one investor-owned utility serves 100% of the customer base. Ten other states have utilities serving more than 80% of the customer base. "Yet there is no evidence in the record that either the D.C. Public Service Commission or the commissions of those other states have been less able to effectively regulate the reliable provision of electricity within their jurisdictions," the majority said.

Loss of Voice

Opponents also said they feared the loss of Pepco's "voice" as a wires-only company. (See Pepco to Lose its PJM Voice; Consumers Lose Frequent Ally.)

The commission concluded that the concern was "greatly overstated."

"While we are cognizant of the impassioned concerns of the opposing parties and our dissenting colleagues, we find that these concerns are either not supported in the record or have been adequately mitigated by the conditions we set forth," the majority said.

It noted that Nancy Brockway, a former New Hampshire regulator who testified against the merger on behalf of the Office of People's Counsel, "conceded that she could not provide a specific example over the past two years since the Exelon–Constellation merger where the commission has experienced a loss of regulatory control over BGE."

Opponents said that unlike Exelon, Pepco had no generation fleet to protect from policy and technological changes. But the commission noted that distribution companies also face risks from disruptive technologies such as net metering and distributed generation. "Already we have seen both Delmarva and PEPCO seek increases to their fixed customer charges in recent rate cases, in part to account for concerns regarding customers paying their 'fair share' of grid maintenance in the face of declining monthly usage," the commission wrote.

The commission also dismissed concerns over the loss of Pepco's voice within the PJM stakeholder process.

"All else equal, the merger will result in one less voting member in PJM senior committees, which given current PJM membership, would mean that there would be 527 voting members, rather than 528 voting members,"

Continued on page 25

Recipient	Concession
The Alliance for Solar Choice	15 MW of competitively bid solar generation; 20-year Green Sustainability Fund; a "transparent, efficient and clear process" for review and approval of interconnection distributed generation projects. (Condition 16).
Prince George's County, Md.	$17.6 million funding for its ENERGY STAR and Transforming Neighborhoods Initiative; Green Sustainability Fund; 5 MW of solar generation; $1.24 million for workforce development; construction of one microgrid.
Montgomery County, Md.	Accelerated reliability improvement; county-administered Green Bank; 5 MW of solar generation; pilot public-purpose microgrid project.
Nat'l Consumer Law Center/ MD Affordable Housing Assn.	Energy efficiency investments in affordable multifamily housing; EE programs to benefit low- and moderate-income residents of Montgomery and Prince George's counties; forgiveness of all residential customer accounts receivable more than two years old (Condition 18); Green Sustainability Fund
Mid-Atlantic Off-Road Enthusiasts	Pilot program for bike trails (Condition 43).

How Exelon won over merger opponents. (Source: MD PSC)

How Exelon Won over Maryland

Continued from page 24

the commission said. It also noted that Exelon agreed to give $350,000 to fund the Consumer Advocates of PJM States, which represents state consumer advocates.

Exelon agreed to identify at least three independent third-party engineering firms qualified to conduct facility studies for interconnections to the transmission grid. (See DOJ Probing Interconnection Process in Exelon-Pepco Merger.) It also agreed to remain in PJM through at least Jan. 1, 2025, and allow access for the Independent Marker Monitor to review its demand response bids in the PJM energy, reserves and capacity markets.

Reliability Issue

Perhaps Exelon's most powerful argument was Pepco's lackluster reliability performance.

Pepco came under blistering criticism after widespread outages in the Washington region in 2010. A *Washington Post* analysis found that the company's customers suffered longer and more frequent outages than their counterparts in other major cities. One 2009 survey found the company's customers experienced 70% more outages than customers of large urban utilities and the lights stayed out more than twice as long. It was called the "most hated company in America" in 2011, based on the American Consumer Satisfaction Index.

BGE, PECO, and ComEd are all first quartile in their reliability metrics, the Maryland PSC noted.

"We find that this merger will enable Delmarva and PEPCO in Maryland to improve their reliability performance more quickly than they would without the merger. We find that their day-to-day normal weather outages will be reduced, their distribution infrastructure will be improved more quickly and at lower cost, and their ability to recover from outages following major storms will be improved, all because of the merger. These are the results that Delmarva and PEPCO customers have demanded and we find that approval of the merger will get them these results."

OPC and the Maryland Energy Administration asserted that the commitments of improved reliability add little to the targets that Delmarva and PEPCO have already proposed with the commission.

In addition, an American Customer Satisfaction Index report released earlier this month ranked Exelon third from the bottom among at least two dozen investor-owned utilities. Exelon scored 69 on a 100-point scale, a drop from 75 last year.

Exelon dismissed the results. "This survey relies on perceptions of service but contradicts every objective measurement of how our utilities are actually performing," Exelon said in a statement to the *Chicago Tribune*. The company said all three of its utilities "achieved outstanding performance last year in safety, reliability and customer satisfaction, ranking in the top quartile of peer companies for frequency of power outages and the top 10% of peer companies for safety."

Ring Fencing

Another concern for opponents was the risk that Pepco's customers could end up paying for any financial problems Exelon might experience as a result of its riskier merchant generation business.

The commission said it addressed those concerns by requiring even tougher "ring fencing" provisions than it had ordered in the Exelon-Constellation merger. Delmarva and PEPCO will maintain separate books, franchises debt and credit ratings for five years while maintaining an average equity ratio of 48%. Exelon agreed to put Pepco into a special purpose entity to provide additional insulation.

OPC contended the measures failed to fully protect Pepco customers, saying that an Exelon bankruptcy could harm Pepco's credit rating, access to equity, and cost of equity and debt. It also contended Exelon's reduced unregulated business will create pressure for Pepco to file more frequent rate cases and that ratepayers will suffer from the loss of "across-the-fence" competition between BGE and PEPCO on benchmark comparisons — a tool ratepayers can use to pressure underperforming utilities to improve.

The commission acknowledged "the evidence does demonstrate that one of Exelon's motives for the merger is to diversify its financial reliance on volatile power market revenues from its generation business with the steady income stream from increased ownership of regulated distribution companies."

But it said there was no evidence "supporting the assertion that Exelon will seek to loot the earnings from Delmarva and PEPCO to the financial detriment of those utilities."

It also said merger opponents had failed to identify any instances in which the ring fencing provisions adopted in the Exelon–Constellation merger failed to protect BGE ratepayers.

How Much Money?

For some critics, the bottom line is how much of the merger's benefits will go to ratepayers as opposed to shareholders.

The PSC said that as a result of the Exelon–Constellation merger, BGE achieved synergy savings of $15 million in 2012 and $23 million in 2013, above projections. Exelon estimates $37 million in synergy savings for Pepco's Maryland utilities over five years.

"Given that we have conditioned approval of this transaction on an increased package of residential rate credits and customer investment funds (CIF) amounting to $109.2 million, this increases the ratio of direct rate credits/CIF funding versus allocated synergies to 2.95 — 13% higher than the ratio on which the Exelon–Constellation merger was conditioned," the commission said.

The Maryland Energy Administration and OPC said Exelon's concessions were only a fraction of the "windfall" its shareholders will receive. OPC estimated the "windfall" at $1.842 billion.

The commission said its rate credits and the CIF will equal 7% of the shareholder premium, "which is in the range of ratios on which we have conditioned other mergers in this state."

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MRC/MC Preview

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

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

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

See *PJM Proposes Operating Reserve Changes to Cut Uplift*

pjm

Energy Market Uplift Senior Task Force Charter

Draft

Mission

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

PJM Proposes Operating Reserve Changes to Cut Uplift

April 30, 2013

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

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

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

- **Federal and state regulatory news briefs**

OHIO

Industry Likes Efficiency Rule, Wants Spending Cap

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

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

More: *Columbus Business First; The Columbus Dispatch*

- **Voting summaries**

Trading Limits

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

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

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PJM should be able to absorb the more than 7,000 MW of imports that cleared in May's capacity auction for 2016-17, officials said. -more-

PJM to Consider Storage as Capacity

October 1, 2013

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

PJM Likely to Limit Capacity Imports

September 17, 2013

PJM will seek to set a limit on capacity imports before next year's Base Reliability Auction under a problem statement approved Thursday by the Planning Committee. -more-

Installed Reserve Margin May Increase for 2014

September 17, 2013

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

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Your Eyes and Ears on the Organized Electric Markets