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Your Eyes and Ears on the Organized Electric Markets
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Public Citizen to FERC: Investigate Dynegy Role in MISO Capacity Price Jump

Illinois Attorney General also Calls for Probe on Whether Company Withheld Capacity

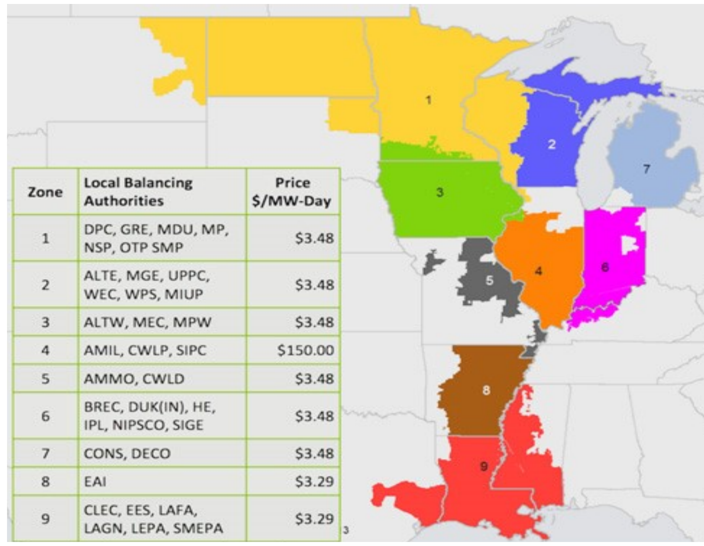
By Chris O'Malley

A consumer group and the Illinois Attorney General have asked the Federal Energy Regulatory Commission to launch an investigation into whether Dynegy illegally manipulated MISO's Planning Resource Auction last April, resulting in a nine-fold price increase in Zone 4.

Public Citizen Inc. also alleged that MISO brushed aside recommendations by its staff that Zones 4 and 5 be merged due to their concerns about Dynegy's growing share of capacity in Zone 4 after the company acquired four generators in the zone from Ameren. MISO didn't want to risk Dynegy leaving for neighboring PJM, Public Citizen alleges.

Its complaint (EL15-70), filed Thursday, is the most serious volley yet by consumer interests still simmering over April auction results that saw prices in Zone 4, comprising much of Illinois, clear at $150/

Continued on page 21



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

2015/2016 auction clearing price overview. (Source: MISO)

Central Hudson Case Provides Early Test of Distributed Generation Rules Under NY REV

By William Opalka

Central Hudson Gas & Electric's decision to include distributed energy resource projects in its rate case before New York regulators is providing an early look into a utility's and stakeholders' approach to the state's energy industry overhaul.

New York's Reforming the Energy Vision, as spelled out in a February 2015 order by the Public Service Commission, requires utilities to propose demonstration projects by July 1.

Central Hudson included its proposal as part of its pending rate case (14-E-0318, 14-G-0319).

"We find there are opportunities to make our system smarter, better and stronger under REV and proposed projects that we feel will help achieve these goals," said John Maserjian, a company spokesman.

Shaping the Rules

The demonstration projects and rate case are on separate regulatory tracks before the NYPSC.

Continued on page 13

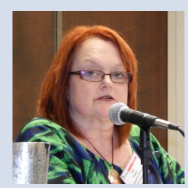
MISO Resource Adequacy:

How Bad is it?

By Chris O'Malley and Rich Heidorn Jr.

INDIANAPOLIS — MISO will release the results of its latest resource adequacy survey later this month, after a survey last year caused alarm, with forecasts of capacity shortages in three zones in MISO North and Central.

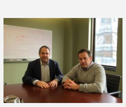
How bad will the new numbers be? And how can MISO increase its reserve margins in the future? Those were among the topics that dominated discussion at Infocast's **MISO Market Summit** last week.



"We do not have a capacity shortage," **Lin Franks**, Indianapolis Power & Light's senior strategist for RTO, FERC and compliance initiatives, said flatly. "The message has been ridiculously presented to the world as if the sky is falling. The sky is not falling. It's been very difficult with [the Environmental Protection Agency] disrupting all our planning processes, but we are rallying. We are solving

Continued on page 3

Also in this issue:



FERC Orders Gates, Powhatan to Pay $34.5M; Next Step, Federal Court?

Rich and Kevin Gates say they will force FERC to collect $34.5 million in federal court, where a statute of limitations defense could reduce the penalties. (p.8)

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10837 Deborah Drive ◘ Potomac, MD 20854 ◘ (301) 983-0375 ◘ info@rtoinsider.com
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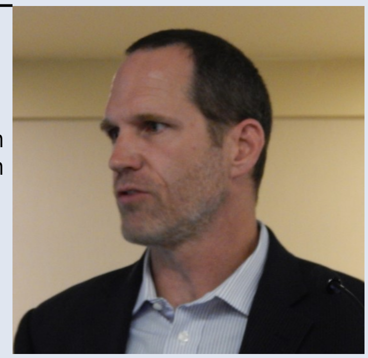
MISO Market Summit

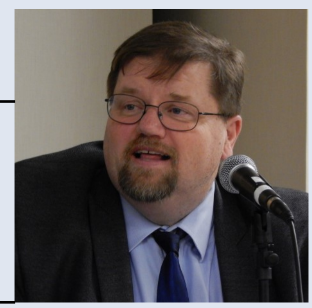
"The vast majority of dams in the United States do not have a generator on them. That can change," said **Jim Carson** of RisQuant Energy. "The hydro market dramatically affected the regulation market in New York back a few years ago and basically kicked the legs out from underneath Beacon and the AES battery operations there. So we could see hydro coming back as an important resource." © RTO Insider

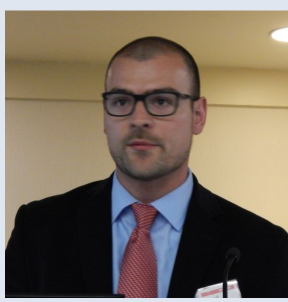
PJM's **Gary Helm** said the RTO's analysis showed that coal would benefit from alternative resources that can help regions comply with the Environmental Protection Agency's Clean Power Plan because they will effectively lower the cost of carbon emissions. "You actually see more coal-fired generation sticking around with more renewables and energy efficiency." © RTO Insider



Chris Russo of Charles River Associates says the widely varying operation and maintenance cost estimates on transmission projects will make it a challenge for RTOs conducting competitive solicitations. "There's going to be litigation in the future. It's almost inevitable." © RTO Insider

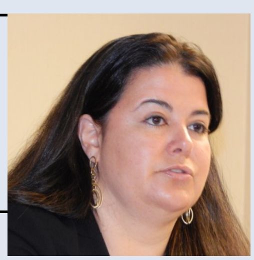
Kip Fox of AEP said the 1.25 benefit-cost ratio on interregional transmission projects is a "very difficult hurdle" to clear. "I can understand why we've gone through the process four times and we don't have any projects." © RTO Insider





Deral Danis, Clean Line Energy: "You're actually seeing more [wind] curtailments now than in the past" because turbine additions are outpacing transmission. © RTO Insider

"What will attract … private equity funds and IPPs, is definitely volatility in the market," said **Virginia Mota**, a vice president at Swiss RE Corporate Solutions Global Markets. © RTO Insider



Kathleen Spees of the Brattle Group (far right) speaks as (from left to right) Brett Kruse, Calpine; Virginia Mota, Swiss RE; and Marka Shaw, Exelon, listen. © RTO Insider

MISO Market Summit

MISO Resource Adequacy: How Bad is it?

Continued from page 1

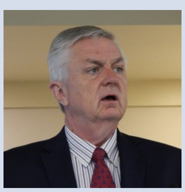
it. We have an obligation to serve load and damn it, we're going to."

Franks found some support from Kathleen Spees, a principal of The Brattle Group. "There's more [capacity] that gets offered than comes out in these surveys. So I'm not particularly worried that we're really going to have a shortage."

Snapshot in Time

Franks said the survey data, which is collected by the Organization of MISO States, makes the situation look worse than it is.

Utilities are asked, for example, about the certainty of their plans for new generation. "[You] are never certain at all until you get your certificate of public convenience and need. So it's not a graduated certainty. It is or it isn't, period," she said. "What you're seeing is a snapshot in time. It doesn't mean that there won't be a solution [when the capacity is needed]."

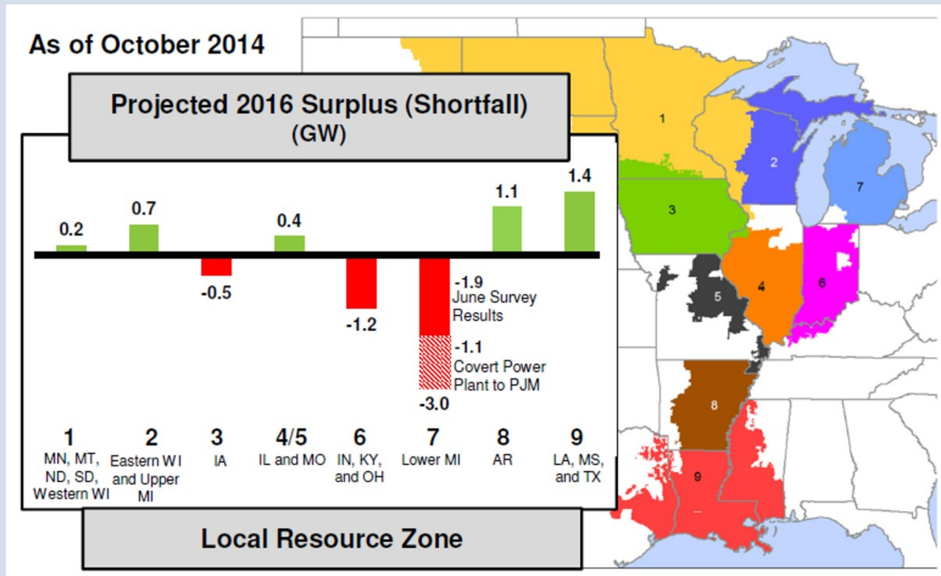


Joseph Gardner, MISO's vice president for forward markets and operations services, said the RTO will change how it presents the survey data in the new report. "So hopefully it will address some of those things," he said.

There is no question, however, that MISO, which has enjoyed reserve margins exceeding 20% in the past, is facing a much tighter future.

Calls on Interruptible Loads to Increase

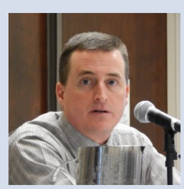
Gardner noted that it's been nine years since MISO last deployed its load-modifying resources — currently about 6 GW of behind-the-meter generation and 4 GW of interruptible loads.



(Source: MISO)

"We're going to start having to use that quite often. I don't expect we'll have to use it very often this year, but we do expect to use it very often starting next year," he said. "How often is hard to tell. It depends on what kind of a summer we have. If we have a summer like we did three years ago: not much. If we have a summer like we did two years ago: a lot — upwards of two dozen times of more."

That could result in departures from the program, Gardner and others said.



"Essentially those interruptible customers start to look like a peaking generator," said **Chris Plante**, director of resource planning and policy for Wisconsin Public Service. "Those customers ... are not accustomed to regular interruptions. Our thought is that as they start to experience those interruptions, they may actually decide to leave the interruptible program and become firm load, which of course makes the situation even more tight."

David Sapper, director of midcontinent regulatory affairs for Customized Energy Solutions, said MISO officials' recent suggestion that they are considering testing the response of interruptible loads may also contribute to defections.

Challenges to Adding Generation

Losses of interruptible loads would make the construction of new generation even more crucial. But that won't be easy, Plante said, because of "friction" in MISO's interconnection process.

"You have to get into the MISO interconnection queue early enough so that you get your study results done and you get the transmission issues identified. Usually that time frame is so long that I don't even have a good idea yet on whether I'm going to build a one-on-one combined-cycle or a two-on-one. If it's a one-on-one, is it 400 MW or is it 450 MW? That might not seem like a big deal, but to MISO's interconnection process it's a big deal. You can't go in with 400 and later say, 'Well it's really 450.' You have to

Continued on page 4

"The message has been ridiculously presented to the world as if the sky is falling. ... We have an obligation to serve load and damn it, we're going to."

Lin Franks, Indianapolis Power & Light

MISO Market Summit

MISO Resource Adequacy: How Bad is it?

Continued from page 3

get out of the queue and get back in with 450."

Plante also criticized MISO's modeling of wind power at 100% of nameplate capacity during off-peak hours. "When my combined-cycle is modeled at 100% and the wind's modeled at 100%, there's all kinds of constraints. And those constraints show up in my interconnection agreement as issues that I need to resolve before I can count that generator as capacity. Depending on the lead time of those constraints, I might have to wait for 10 years [for a major transmission project] before I can get the capacity value out of that combined-cycle when in reality … we believe that off-peak wind probably won't be at 100% and the constraints that MISO identifies might not ever show up."

No Rescue from IPPs

Don't expect to see independent power producers riding in like the cavalry to build new generation.

Brett Kruse, vice president of market design at Calpine, said his company won't build in MISO without a contract because all but two of its states are dominated by vertically integrated utilities and its voluntary capacity market provides too little revenue.

"The contract has to be 10 or 20 years depending on how much you can frontload it … where you basically have to stick all the value of your plant into that contract, because once you get out and you're a merchant plant in a construct like [MISO], you have very little value other than what you're seeing the IPPs in Michigan do: Either you build a line to get into PJM like [Tenaska Capital Management's Covert, Mich., plant] did or you sell to the utilities."

David Sapper, of Customized Energy Solutions, speaks as Jim Carson of RisQuant Energy (left) and Chris Plante of Wisconsin Public Service listen. © RTO Insider

As the biggest natural gas buyer in the U.S. and one of the biggest operators and builders of gas-fired generation, "I can build … a gas-fired plant cheaper than anybody else in America. … We're very confident we can run circles around any utility self-build in America."

But he added, "If I went to my board and said I wanted to invest $500 million into building a [merchant] plant in MISO, they'd laugh me out of the room — and then fire me."

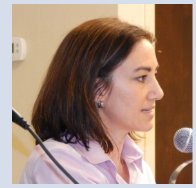
Until recently, MISO's ample reserve margins have meant there hasn't been much need for merchant entry, said Brattle's Spees.

Capacity Prices Too Low?

But, she said, "That's not going to last forever. The only way it can last forever is if the regulated states overbuild into perpetuity by a sufficient margin that they can meet the resource adequacy needs of their neighbors" in Illinois and Michigan, the two MISO states with retail competition.

Spees said she sees promise in the concept of setting up a PJM-like forward capacity market for the states with retail choice.

Marka Shaw, a director of wholesale market development for Exelon, also criticized MISO's structure, saying it is not only unable to attract new entry but also provides insufficient revenue to cover expenses for existing baseload generation, such as Exelon's Illinois nuclear fleet.



Shaw

Kruse and others agreed that MISO's capacity prices are too low, with some noting that the $150/MW-day price seen in Illinois Zone 4 in the most recent auction — which sparked complaint to the Federal Energy Regulatory Commission last week — is less than two-thirds of the $247/MW-day cost of new entry in the zone. (See *Public Citizen to FERC: Investigate Dynegy Role in MISO Capacity Price Jump*.)

Gas vs. Nuclear

But Kruse's Calpine colleague, Joe Kerecman, jumped into the discussion from the audience to criticize what he called Exelon's request for "out-of-market subsidies." Exelon has been lobbying for the Illinois legislature for a bill that would charge Illinois electricity users a fee to ensure continued operation of three nuclear generators that the company says are unprofitable. On Monday, Exelon acknowledged that the legislation would not pass during the current legislative session.

"These plants are also getting old," Kerecman said, accusing Exelon of abandoning its support for competitive markets. "There's a fallacy that they won't get replaced."

"Clinton [one of the generators Exelon says is losing money] is one of our newest plants," Shaw shot back.

Shaw found support in Spees, who said the relief nuclear operators are seeking is to address the unpriced cost of carbon emitted by coal and natural gas plants. "That's a market failure," she said.

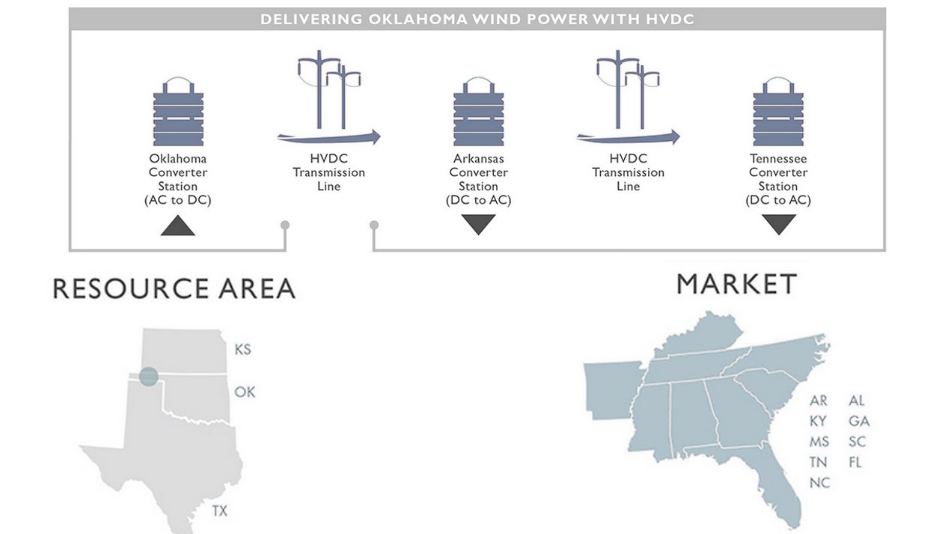
"If I went to my board and said I wanted to invest $500 million into building a [merchant] plant in MISO, they'd laugh me out of the room — and then fire me."

Brett Kruse, Calpine

MISO NEWS

Clean Line Starts Online Petition for DOE Approval of Tx Line

By Michael Brooks



Plains & Eastern Clean Line (Source: Clean Line Energy Partners)

Facing opposition in Arkansas, a transmission developer is using an unusual tactic in order to garner public support for a proposed project: online petitioning.

Clean Line Energy Partners is asking signers of its Change.org petition to send a pre-written letter to the Department of Energy, telling "Secretary [Ernest] Moniz to support the delivery of low-cost clean energy to consumers" and approve the Plains & Eastern Clean Line, a $2 billion 600-kV high voltage, direct current transmission line. Clean Line posted the petition three weeks ago and, as of press time, has collected more than 2,400 signatures.

Online petitioning is usually utilized by activists and grassroots organizations for populist causes. In fact, those in opposition to the Plains & Eastern project started their own Change.org petition in January. It has gathered more than 1,400 signatures since then.

The line would stretch 720 miles, beginning in the Oklahoma panhandle, through Arkansas and end in Tennessee, southeast of Memphis. Clean Line is touting the project as a way to deliver up to 3.5 GW generated from wind farms in Oklahoma to customers in the Southeast.

The Plains & Eastern is the first transmission project being developed with the U.S. Department of Energy under the Energy Policy Act of 2005's Section 1222. The department issued a request for proposal under the section in 2010 and selected Clean Line for the project in 2012.

The section allows for the department's Western Area Power Administration or Southwestern Power Administration to partner with private companies in developing new transmission facilities if the department determines that they are necessary to reduce congestion or meet demand. The facilities must be located in states in which the power administrations operate. SWPA owns transmission lines and facilities in Texas, Oklahoma, Missouri, Louisiana and Arkansas.

The Energy Department is currently evaluating public comments on its draft environmental impact statement for the project.

Meanwhile, the department requested updates to Clean Line's application in December 2014. The public comment period for this "Part 2" application ends June 12.

Battle for Public Support

The pre-written letter in the petition tells Moniz "I am writing to express support for the Plains & Eastern Clean Line and to urge the Department of Energy and Southwestern Power Administration to participate in the proposed project."

Clean Line's petition is just one of the tools it's using to help supporters submit comments during the public comment period, said Sarah Bray, the company's director of communications.

"We've been engaging with supporters in all kinds of ways," Bray said. "We have a tremendous amount of support for this project. You wouldn't think people would mobilize for a transmission line … it's been really exciting to see."

Many in Arkansas, however, oppose the project. According to the *Times Record*, multiple cities have passed resolutions opposing the project. Last week in Van Buren, multiple residents spoke in opposition to the line, even after the city's mayor and council received a presentation from a Clean Line representative who highlighted the boon in jobs and tax revenue the area would see as a result of the project.

In February, Arkansas' two senators, Republicans John Boozman and Tom Cotton, introduced the Assuring Private Property Rights Over Vast Access to Lands (APPROVAL) Act. The legislation would require the Energy Department to receive approval from the governor and public service commission of a state in which the department wanted to exercise eminent domain for Section 1222 projects.

While eminent domain is often unavoidable, "this difficult decision should not be in the hands of Washington bureaucrats," Boozman said. "If a project is not good for Arkansas, our governor or public service commission should have the power to say 'no.'"

In January 2011, the Arkansas Public Service Commission denied Clean Line status as a public utility. The commission said that while it supports building transmission infrastructure in the state and that Clean Line's efforts were "laudable and its work to be commended," the line would not deliver power to Arkansas customers, a key part of the definition of "public utility."

The Oklahoma Corporation Commission and the Tennessee Regulatory Authority granted Clean Line public utility status in 2011 and January 2015, respectively.

MISO NEWS

SD Wind Farm: MISO Blocking Access to PJM

By Michael Brooks


Tatanka wind farm. (Source: Acciona)

Acciona Wind Energy USA is accusing MISO of blocking it from selling power into PJM by improperly interpreting a process designed to streamline energy exports.

The U.S. arm of the Spanish energy conglomerate told the Federal Energy Regulatory Commission last week that MISO is excluding a portion of its 180-MW Tatanka wind farm's capacity from participating in its pre-certified path study process (EL15-69). The FERC-approved process allows interconnection customers to avoid lengthier studies when MISO evaluates their transmission service requests (TSR).

LaCrosse-Madison 345 kV

As part of a generator interconnection agreement (GIA) with Montana-Dakota Utility, the South Dakota wind farm currently receives 36 MW of network resource interconnection service (NRIS) from MISO. It is scheduled to reach full NRIS deliverability at the beginning of 2019, when the 345-kV LaCrosse-Madison line in Wisconsin is scheduled to be completed.

MISO claims that a customer must have deliverable NRIS as of the date of the pre-certification study, which has a five-year planning horizon, for its TSR to be considered. That is not supported by any language in the RTO's Tariff, Acciona said.

"MISO has read un-filed terms and conditions into the Tariff by excluding customers like Tatanka Wind from participation for a portion of their NRIS that will be obtained, pursuant to the GIA, within the five-year planning horizon," the company said. "The result of reading in additional restrictions on the planning process is to delay by 18 months *after* the full 180 MW of NRIS is available to Tatanka Wind the benefit of the pre-certified path study process."

Acciona also noted that PJM has determined that Tatanka already has a full 180 MW of deliverable transmission service in the form of network integration transmission service (NITS), 108 MW effective June 1 and an additional 72 MW effective in 2018.

Addressing Uncertainty

FERC approved the pre-screening process in 2011, saying it would address "uncertainty and delays resulting from its existing procedures for handling transmission service requests to the MISO border [that] may inhibit export transactions."

It is one of a number of efforts the commission has made to improve the efficiency of transmission between MISO and its adjacent regions. (See *Impatient FERC Hints at Action on PJM-MISO Seams Disputes*.)

Transmission customers eligible for the pre-certified path study process may be granted TSRs over the path without the need for a system impact study (SIS).

MISO, however, granted Tatanka only 36 MW of service to PJM beginning in 2016 and delivered an SIS "estimating several hundred million dollars in upgrades" that would be required to grant the full TSR, ignoring the expected opening of the LaCrosse-Madison line, Acciona said.

'Worthless Study'

"Tatanka Wind understands that transmission service must be provided in a manner that maintains the reliability of both transmission systems. This may justify the 18-month delay in applying the process in order to ensure sufficient time to study availability of transmission along the pre-certified paths. This does not, however, justify an 18-month delay based on ignoring NRIS that will take effect within the five-year planning window," the complaint said. "MISO ignored the planned increase in NRIS, resulting in a worthless study identifying redundant upgrades no one believes are necessary to support the request for service following already planned upgrades."

The company said MISO's interpretation discriminates against exporters, because customers serving load within MISO are not subject to the 18-month delay.

Acciona requested that FERC order MISO to grant the TSR under fast-track procedures.

MISO has not yet responded to the complaint. In an April 3 email included as an exhibit to Acciona's complaint, MISO Director of Interconnection & Planning Tim Aliff told the company that if it disagreed with MISO's interpretation of its rules, it should pursue a change through the stakeholder process.

"MISO ignored the planned increase in NRIS, resulting in a worthless study identifying redundant upgrades no one believes are necessary to support the request for service following already planned upgrades."

Acciona

MISO News

MISO-PJM 'Quick Hit' Projects Shrink to 2

MISO Makes Capacity Deliverability Proposal

By Chris O'Malley

MISO and PJM have again narrowed a list of "quick hit" flowgate projects with the potential to relieve market-to-market congestion.

After reducing their list of potential projects from 39 in March to four in April, RTO officials told the MISO-PJM Joint and Common Market Initiative meeting on Wednesday that the list had now been reduced to two.

In March, MISO officials said they and their counterparts in PJM were considering projects to address 39 flowgates responsible for about $408 million in historical congestion.

In April, the PJM-MISO Interregional Planning Stakeholder Advisory Committee whittled the list of potential projects to four. The committee said most of the potential projects were unneeded because about $279 million of the congestion would be addressed by upgrades already planned or in service and that other flowgates in the initial selection had not experienced congestion recently.

That left four recommended projects and six projects for which data was lacking. (See *Quick Hit List at PJM-MISO Seam Narrowed to 4 Projects from 39*.)

And Then There Were Two

At Wednesday's MISO-PJM JCM meeting, RTO staff said two of those remained on the recommended list, after determining that the other two were already being addressed. An additional five will be monitored for recommendations in the future.

Had the two projects been in place for 2013 and 2014 — the period studied — they would have reduced congestion by $9.6 million.

Resagging of the NIPSCO section of the Michigan City-LaPorte 138-kV line is expected to cost $2.3 million. Had it been in place in 2013-14, it would have provided congestion relief of $2.7 million. (Source: PJM)

One is a SCADA equipment upgrade for the 161-kV Beaver Channel-Sub 49 line, providing congestion relief of $6.9 million.

The other is the 138-kV Michigan City-LaPorte line, which is resagging in the Northern Indiana Public Service Co. section, with congestion relief of $2.7 million.

Costs for the proposed Beaver Channel project are "minimal," while Michigan City-LaPorte is estimated at $2.3 million, according to RTO officials.

Talks are underway with transmission owners and entities that would benefit from the upgrades. The projects are to be evaluated for inclusion in MISO's 2015 Transmission Expansion Plan (MTEP15) for recommended approval in December.

MISO identified about $99 million in remaining congestion that hasn't been addressed for service upgrades. About $80 million of that congestion is along the Michigan interface that will be subject to further study in the second half of this year.

Deliverability Improvements

Meanwhile, MISO has introduced a proposal to remove hurdles preventing it from importing more capacity from PJM. MISO said that while the MISO-to-PJM direction is "almost fully subscribed," the transmission capability in the PJM-to-MISO direction is "minimally utilized." One idea contemplated is expanding an external network resource interconnection service that allows an external resource to serve network load as would an internal network resource. The external resource would require transmission service to the MISO border.

Another is a modified external network integration transmission service (NITS) concept. MISO would offer NITS to generators and allow the MISO network load to be identified in the Planning Resource Auction.

"Right now, if you're an external generator without existing load, your only option is point-to-point service," said Jesse Moser, manager of infrastructure studies at MISO. The RTO is seeking stakeholder feedback by June 26.

The ideas emerged as part of broader talks between the RTOs to comply with the Federal Energy Regulatory Commission's Order 1000 compliance filing, which is due June 16.

Stakeholders at the JCM meeting were told the RTOs have agreed to most of FERC's directives and non-substantive revisions to eliminate differences between the two RTOs' filings. Cost allocation remains under discussion.

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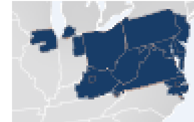
PJM NEWS



FERC Orders Gates, Powhatan to Pay $34.5 Million; Next Stop, Federal Court?

By Ted Caddell

The Federal Energy Regulatory Commission on Friday ordered Richard and Kevin Gates and their associates to pay $34.5 million in penalties and disgorged profits in their high-profile market manipulation case. But the brothers say they will force FERC to collect in federal court, where a statute of limitations defense could reduce penalties.

“We’re going to fight, and we look forward to meeting them in court,” Kevin Gates said Saturday.

No Loophole

The commission’s order accepts the Office of Enforcement’s findings that the brothers’ Powhatan Energy Fund and trader Houlihan “Alan” Chen violated anti-manipulation rules by making riskless back-to-back up-to-congestion trades to profit on line-loss rebates (IN15-3). FERC Chairman Norman Bay, who oversaw the investigation in his previous role as Enforcement director, did not participate in the order.

“The fact that the PJM tariff does not explicitly prohibit round-trip UTC trades does not create a loophole or otherwise render respondents’ transactions lawful,” the commission wrote. “Respondents’ round-trip UTC transactions were deceptive and manipulative.”

The order seeks $29.8 million in civil penalties and $4.7 million in disgorgement of profits.

If the Gates brothers don’t pay up within 60 days, as they insist they won’t, FERC will have to file a complaint in U.S. District Court to force payment.

New Venue

That would give the brothers a new venue in which to argue their case that the trades were not riskless and thus not market manipulation. (See *PJM UTC Case Likely Headed to Court After FERC Notice*.)

The brothers also could benefit from the U.S. Supreme Court’s 2013 ruling in *Gabelli v. Securities and Exchange Commission*, which held that a five-year statute of limitations for the SEC to bring a civil suit seeking penalties for securities fraud begins when the alleged fraudulent activity occurs, not when it is discovered.

The Gates brothers.

The court found that the “discovery rule,” which starts the statute of limitations when a victim learns he has been defrauded, did not apply when the government brings an enforcement action for civil penalties.

“The discovery rule exists in part to preserve the claims of victims who do not know they are injured,” the court ruled. “The SEC … is not like an individual victim who relies on apparent injury to learn of a wrong. Rather, a central ‘mission’ of the commission is to ‘investigat[e] potential violations of the federal securities laws.’”

Under the 60-day clock, the earliest FERC could file would be about July 29. If the *Gabelli* ruling were applied in the Powhatan case, that could mean that FERC could seek penalties and disgorgement for only the last few days of the months of questionable trades.

That would be an embarrassment for FERC, which seemingly left the investigation in limbo for almost two years.

Evolving Strategy

Chen, who conducted the trades in question, began trading UTCs in 2007, after leaving Merrill Lynch, where FERC said he studied UTCs as a tool for physical and financial transactions.

Initially, his trades were based on market fundamentals and models he developed using a “careful, low risk approach of what he called ‘directional bets,’” FERC said. Most bids were less than 100 MW, and his profitability depended on favorable price spreads.

In October 2009, after discovering he was receiving line-loss rebates, Chen switched to a strategy designed to capture increased volumes of rebates, FERC said.

His strategy changed again after suffering a $176,000 loss on May 30, 2010, when one leg of a trade saw an unexpected price spike.

Following the loss, Chen switched to a round-trip trading strategy between the same two points (A-to-B, B-to-A) that FERC said made the underlying trades effectively riskless.

FERC is seeking penalties only for what it calls the “Manipulation Period,” from June 1, 2010, through August 3, 2010, when Chen stopped the trading after receiving a warning from PJM Market Monitor Joe Bowring.

Four-Year Investigation

FERC began investigating Chen and his partners the same month. Over the next three years, Chen and the Gates brothers responded to FERC data requests and sat for depositions while their lawyers sparred with FERC’s attorneys and provided affidavits from an economist and an attorney supporting their defense. Kevin Gates said he rejected FERC’s offer to enter settlement discussions.

In October 2011, FERC said a charging decision was “imminent,” according to William M. McSwain, attorney for the Gates brothers.

The commission took no further action, however, until almost two years later, in August 2013, when FERC staff delivered a 28-page “preliminary findings” letter summarizing why they thought Chen’s trades were improper. Attorneys for Chen and Gates rejected the arguments and reiterated their demand that FERC end the investigation.

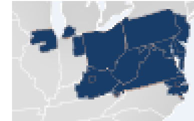
FERC refused.

Frustrated, Kevin Gates began planning a publicity campaign to make the case that he and his partners had been unfairly hounded by FERC. On Jan. 30, 2014, President Obama nominated Bay to fill the seat of former FERC Chairman Jon Wellinghoff.

A month later, Gates went public, launching a website that included much of the correspondence between FERC and the investors’ attorneys and statements from academics, consultants and former FERC officials backing their defense. (See *PJM Trader Calls FERC on Manipulation Probe*.)

It wasn’t until last August that FERC staff issued a Notice of Alleged Violations against Gates and his partners, the commission’s first public acknowledgement of the investigation. The notice was filed the day after Bay was sworn in as a commissioner.

PJM NEWS



After 53 Years in the Business, PJM Employee No. 13, Jim Kirby, Has Left the Building

By Suzanne Herel

On Friday, PJM employee No. 13 switched off the lights of a nearly 53-year career, leaving open a position for a mentor, office jokester and Santa Claus.

"It's an odd feeling. It's not something you can ever rehearse or plan for," Jim Kirby — commonly called Kirb — said in an interview on the morning of his last day. "It's been a great ride."

The Philadelphia native started his career with PECO Energy on Sept. 4, 1962, at 10th and Chestnut streets. That was back when the company was Philadelphia Electric Co. and ran PJM cooperatively with seven other utilities. The following year, Kirb became a PJM clerk, working as a load scheduler in operations.

Over the next 10 years, Kirb went to school at night to earn a degree in electrical engineering from Drexel University. PJM moved to Valley Forge in 1970, and through the years Kirb rose through the ranks to senior lead knowledge management consultant.

He was there to witness the single biggest game-changing event for the electric industry: retail choice — commonly, if less accurately, referred to as deregulation, which began in PJM in 1997 with Pennsylvania's Electricity Generation Choice and Competition Act.

"You no longer had your vertically integrated utilities. Everything was diversified and split up, and so the membership grew exponentially. Now you had individuals building power plants … Pre-deregulation, you wouldn't see this."

PJM is "a caring company, and it hasn't really changed."

Jim Kirby

Looking to the future, he said, "I think in the industry there's going to be a lot of innovation in new power technology. There's going to be a lot of work done on conservation of energy at the grassroots level. I think there's a lot of investigation going on now into microgrids and distributed generation. We're keeping up — PJM is in the middle of the discussions."

PJM stakeholders took the occasion of Kirb's final PJM Annual Meeting last month in Atlantic City to fête his contributions to the RTO's culture over the past half-century, presenting him with gifts, a proclamation from Pennsylvania lauding his years of service — and a standing ovation.

Ed Tatum of Old Dominion Electric Cooperative invoked Kirb's Santa Claus-like beard and belly, joking that he had spied him leaving a set of Lincoln Logs under the Christmas tree when he was 3.

"He's a wise, wise man," Tatum said. "What you taught me is when you're getting into a situation, you need to know your stuff. You need to be technically accurate."

Tatum said Kirb also taught him about interpersonal issues: That the only thing you can control is yourself and to not take yourself too seriously. "The value of relationships, you taught that to me," he told Kirb.

Kirby receives a farewell gift from Pati Esposito at PJM's Annual Meeting. © RTO Insider

Bob O'Connell of J.P. Morgan Ventures Energy recalled meeting Kirb 32 years ago. The two shared an affinity for fun in the workplace. But O'Connell said his own hijinks paled in comparison with Kirb's, who already had 20 years on the job.

"I was just a mere amateur about some of the things I did in the office compared with Jim," he said, adding, "Come next Friday, employees will feel more secure in the workplace because Jim won't be lurking around the corner for them."

"That's a bum rap," Kirb said with a laugh on his last day of work. "I didn't play tricks. There was no sleight of hand. I'm too big for that — I can't hide."

Looking back at his proudest moments, Kirb pointed to the collegiality among employees that he helped foster.

"It's really quite a company to work for," he said of PJM. "It's a caring company, and it hasn't really changed. My payroll number was 13. There's over 600 employees now. The overall care for each other and care for what we're doing has continued.

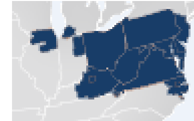
"You just have to keep in mind that the other person that you're dealing with is just as impassioned about their beliefs as you are, and at the end of the day, find the time to be a friend as well," he said. "That person over the table with whom you're disagreeing — they're the same as you. They want the lights to stay on."

There's no doubt Kirb has had an outsized impact on the corporate culture: none of the dozen employees who preceded him is still working.

As he enters his first week of retirement, the 70-year-old says he has no particular plans beyond spending more time with his wife, two sons, daughter and 12 grandchildren.

"I'm available if anybody wants," he said. "I'm always willing to talk. I was once accused that I was vaccinated with a phonograph needle."

PJM NEWS



Move to Disband FTR Task Force Splits Members

By Suzanne Herel

WILMINGTON, Del. — A first-read proposal to disband a deadlocked Financial Transmission Rights/Auction Revenue Rights (FTR/ARR) Senior Task Force drew a strong reaction from stakeholders, with some expressing fears the dissolution might lead to a unilateral filing by the PJM board and others who said it was time to move on to other issues.

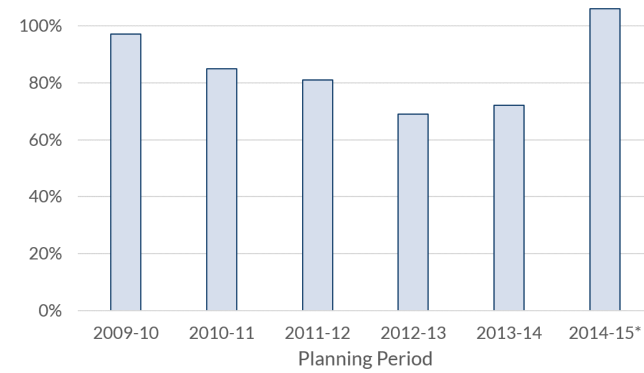
"We did reach consensus on one thing," task force facilitator Dave Anders told the Markets and Reliability Committee on Thursday. "The group felt that it was not likely that there was anything more fruitful we could do with the FTRSTF."

However, he said there was a chance one package that had garnered nearly 50% approval at the task force might win broader support with modifications.

"Members can make a motion at the MRC or [Members Committee] to propose something they feel might be able to reach a supermajority sector-weighted vote," he said. "It did seem in the task force discussions that there's a possibility out there — we just hadn't latched on to it yet."

The task force, formed last spring, was charged with evaluating causes for FTR underfunding and determining stakeholders' expectations of ARR and FTR.

Stu Bresler, vice president of market operations, agreed with Anders. "We've been at this for a while and we've been unable to receive stakeholder consensus on a package of proposals. … We've seen an increasing percentage of stakeholders who say they want to see a change from the status quo. What is the expectation on the part of the stakeholders of how that might happen?"



FTR revenue adequacy. (*through January 2015) (Source: PJM)

Steve Lieberman of Old Dominion Electric Cooperative took Anders up on his offer and asked for a chance to draft a proposal for consideration at the next MRC meeting.

But others, including Bruce Bleiweis of DC Energy, who served on the task force, said it was time to move on.

"This is not the first task force that's discussed this issue," Bleiweis said. "This has gone on for years. There's a large percentage of people who have been at the task force who have not offered alternatives, but they vote that they want change. The skeptical part of me asks, why do people want to keep having these discussions? Is it if we keep talking about these issues, [the Federal Energy Regulatory Commission] won't act, PJM won't act?

"I think the task force has been done for a while. We haven't seen anything come out of the task force that would have a meaningful impact."

Susan Bruce of the Industrial Customers Coalition said that while a majority of stakeholders might want change, the change they want varies widely.

"I want to make sure it's clear from an industrial customer perspective that we have voted that we're looking for change, but the definition of change that my clients are looking for and the definition of change that others are looking for may be different.

"The change that we're looking for is incremental, if you will, and it is not fundamental," Bruce said.

Markets and Reliability Committee Briefs

$30,000 Tx Study Fee Likely to be Reduced; Won't Apply This Year

WILMINGTON, Del. — PJM likely will recommend reducing a proposed $30,000 fee for studying transmission projects of $20 million or more.

PJM has deferred filing the plan with FERC pending further review, Paul McGlynn, general manager of system planning, told the Markets and Reliability Committee on Thursday.

McGlynn said that as planners were preparing the filing, data indicated that the fee might be more than necessary to cover the costs of internal labor and external consulting associated with the competitive windows during the approximately two-year trial period.

The fee proposal was approved Feb. 26 by the MRC and MC after the Federal Energy Regulatory Commission rejected as discriminatory a previous plan to apply the fee to all greenfield projects but not upgrades of less than $20 million. (See *FERC Rejects Fee on Greenfield Transmission Projects*.)

McGlynn said the decision was based on the increased number of projects being considered under this new approach along with the most recent data drawn from the limited 2014 proposal windows.

"We just wanted to give you a heads-up that we will delay filing it and will update the proposal to some amount other than $30,000," he said.

PJM had planned to ask FERC for approval that would affect the window that ended in February. Now, McGlynn said, "It likely will not be in effect for any proposal windows this year."

A revised proposal is expected to be presented at the Planning Committee next month.

Continued on page 11

PJM NEWS

Markets and Reliability Committee Briefs

Continued from page 10

PJM: Mistaken LOC Credits Total $7M to $15M

PJM this week expects to finalize the amount of money it will seek from generators that mistakenly received lost opportunity costs when they were on forced outages and ineligible, Chief Financial Officer Suzanne Daugherty told the MRC.

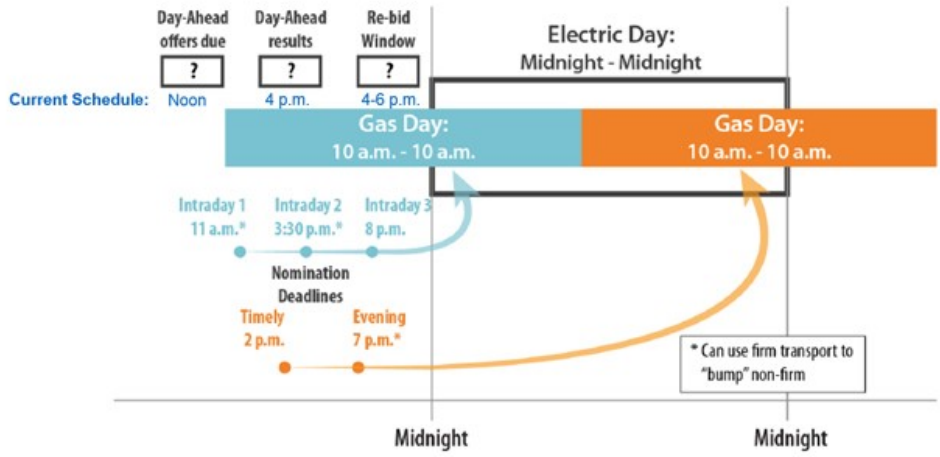
Daugherty said staff had narrowed the total overpayments over two years to between $7 million and $15 million. The next step is to break down the cost by generator.

"It's taking time to do this," she said. "We are having to look at reporting data systems that have not been designed to interact with each other."

While Daugherty said it's likely the erroneous payments extend before April 2013, the Tariff allows the RTO to recover only 24 months' worth.

Affected generators will begin being contacted this week, she said. Following these conversations, billing adjustments will be appearing in the June month-end statements, she said, and might roll into July's bills.

The compensation applies to combustion turbines that are scheduled in the day-ahead energy market but are not committed in real time. However, if they are not able to operate in real time, they are not eligible for the credit. (See *PJM to Recoup up to $15 Million in Mistaken Lost Opportunity Costs*.)



Revised gas schedule forces PJM market changes. (Source: PJM)

Members OK Gas-Electric Initiative

The committee approved a problem statement and issue charge to review options for moving the day-ahead energy market and reliability unit commitment timelines in response to FERC's final rule on coordinating gas and electric schedules.

PJM must make a compliance filing in response to the order by July 23. Discussions will take place at the MRC. (See *PJM, IMM Considering Changes to Virtual Trades, Day-Ahead Market*.)

The initial proposed solution involves shrinking the amount of time, from four hours to three and a half, that PJM has to resolve offers.

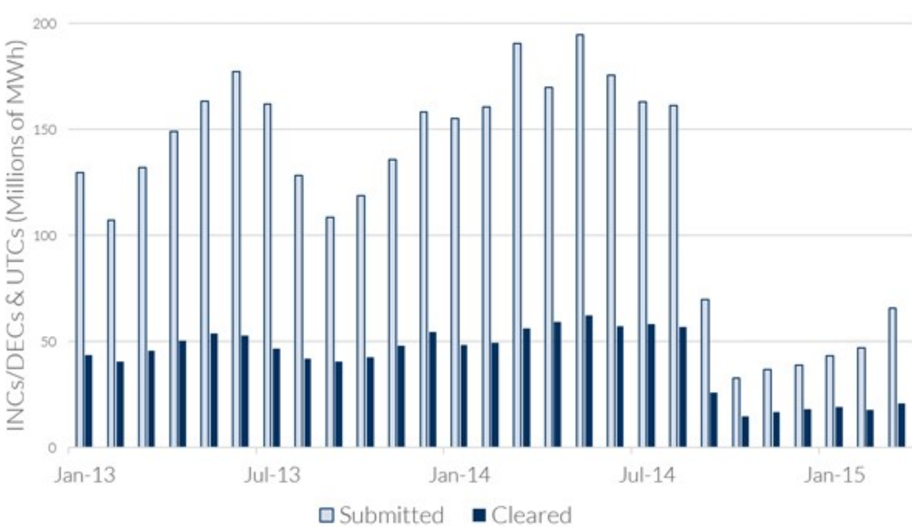
In a related discussion later in the meeting, stakeholders expressed concern that the earlier the offer deadline is moved, the less accurate a load forecast will be due to lack of good information about impending weather and gas trades.

Joe Wadsworth, who made a presentation on behalf of Vitol, raised several concerns, including that robust natural gas trading does not occur before 9:30 a.m. and often is later, especially in the winter. And, he said, trading is unlikely to shift earlier regardless of whether PJM moves up its day-ahead bidding. In addition, he said in his presentation, "Sequencing of NYISO's DA market clearing well in advance of PJM's DA bidding deadline is critical."

The next educational session on the issue will be held following the June 10 Market Implementation Committee meeting.

Interim Fee for Virtual Transactions Fails

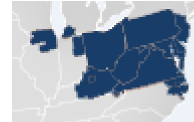
Two proposals from Inertia Power to impose a temporary $0.07/MWh uplift charge on virtual transactions failed — not surprising given the reception on their introduction in April. (See *Cool Response to Proposed 7-Cent Fee on Virtual Transactions*.)



Virtual transaction fell to record lows following FERC's order. (Source: PJM)

Continued on page 12

PJM NEWS



Markets and Reliability Committee Briefs

Continued from page 11

One proposal would have imposed the fee on up-to-congestion bids (UTCs), increment offers (INCs) and decrement bids (DECs); the other would have applied to UTCs only. The first proposal failed with only 26% support; the alternative motion fell short at 31%.

The proposals would have expired in six months or upon FERC approval of an alternative. Transactions placed between September 2014 and the effective date of the filing would not have been affected.

"We haven't been able to reach consensus. We need something to protect the market in the interim," said Noha Sidhom in making the case for the proposal.

The fee, she said, would provide transactional cost certainty as well as a new revenue stream for uplift as the system heads into volatile summer months. It also would give insight into what a permanent fee could look like.

The proposal was in response to a Section 206 proceeding ordered by FERC to determine whether PJM is improperly treating UTCs differently from INCs and DECs.

While INCs and DECs are charged uplift and subject to the financial-transmission-rights forfeiture rule, UTCs are exempt from both. UTC trading volumes crashed after Sept. 8, the refund-effective date set by FERC for any uplift assessments.

Those who supported the fee pointed to the fact that at least it would constitute something rather than nothing.

"We're not sure FERC is going to order retroactive refunds," said Dave Pratzon of GT Power Group. "If they don't, you might have a period of six to nine months where you're collecting revenue where you don't have that now."

Some also worried that a large refund could potentially bankrupt some financial participants.

The Independent Market Monitor, represented by Howard Haas, led the opposition to the measure.

"We think this is an end-run around the EMU process," he said in an interview after the vote, using a shorthand reference for the Energy Market Uplift Senior Task Force (EMUSTF).

If implemented, the proposed fee would replace an allocation of uplift charges in any retroactive collection ordered by FERC, he said. By relieving such pressure, it would remove the incentive for financial participants to reach a solution at the task force, he said.

And he said, "The jury is still out on the benefits of virtuals, particularly UTCs."

Manual Changes Endorsed

Members endorsed the following manual changes:

- Manual 36: System Restoration — Annual review. Adds detail about when PJM assumes control and when it returns to normal operation. Also adds guidance on completion of interconnection checklist. Effective: June 15.
- Manual 03: Transmission Operations — Updates index and operating procedures for PJM RTO operation (nuclear station voltage limits, operation procedures with neighboring systems and operation procedures for AEP, ComEd, Dominion, PPL, UGI, PSEG and PECO.) A change to section 2.1.1 adding a requirement that load dump rating be at least 3% higher than emergency rating was removed due to differing ideas over what it meant. The issue will return to the committee later. Effective: June 1.
- Manual 38: Operations Planning — Makes minor changes due to system upgrades and specifies periodic review of IROL facilities. Updates the study process for transmission reliability analysis procedure. Effective: June 1.

— Suzanne Herel

Oops! Dumpster Dive Fails to Find Lost NRG Generator Records

By Michael Brooks

Staff members of a Maryland power plant accidentally threw away records necessary for an audit, fruitlessly searching four dumpsters for them, NRG Energy told the Federal Energy Regulatory Commission last week (AC15-129).

NRG's Vienna plant, a 167-MW oil-fired generator in southeastern Maryland, had experienced an outage from April 26 to May 23, 2014, Christopher Holt, assistant general counsel of litigation for NRG, told FERC. At the end of the outage, the operations and maintenance manager for the plant directed his staff to clean out a closet and dispose of records dated before 2000.

The plant's records policy requires that log books be kept for seven years before being destroyed, but the manager was being conservative in his directions, Holt said.

FERC's Office of Enforcement had told NRG in December 2013 that it would be conducting an audit of its capacity resources to evaluate the company's compliance with market tariffs (PA14-1). In responding to data requests related to the audit, NRG said it discovered in July 2014 that all of the log books for Vienna, except for the current one, had been thrown away in the May clean-out. Holt said that staff did not realize that they were log books, which typically record phone calls made or received by the control room, personnel shift changes and reasons for outages.

Vienna's staff searched four on-site dumpsters for the log books to no avail. They then contacted the trash company to determine where its trash was taken, intending to search the landfill.

"The plant assembled a team to go search the landfill cell only to realize the landfill cell in which the log books were discarded had just been closed," NRG said. "As a result, the plant was unable to retrieve the log books."

Since then, Holt said, Vienna has changed its log book procedure: the completed books are given to the O&M manager and placed in a dedicated filing cabinet. NRG also hired a new records supervisor manager, Holt said. The company is still transitioning to an electronic logging system, he said.

NYISO NEWS

Central Hudson Case Provides Early Test of Distributed Generation Rules Under NY REV

Continued from page 1

But by being first out of the gate, Central Hudson could help shape the rules.

Comments filed in response to the company's May 1 list of proposed projects highlight the dispute over the extent to which utility ownership of DER will be allowed, even at the demonstration stage. (See *New York PSC Bars Utility Ownership of Distributed Energy Resources*.)

The Independent Power Producers of New York objected to the Central Hudson-owned community solar project, saying it violates REV's prohibition of utility ownership, even under criteria for the demonstration phase. "As a private investor has proposed a community solar project, there is no reason, and it would violate the commission's objectives, for Central Hudson to go forward with its competing proposal."

Consolidated Edison Solutions has proposed its own community solar project and also objects to Central Hudson project ownership.

Need for Transparency

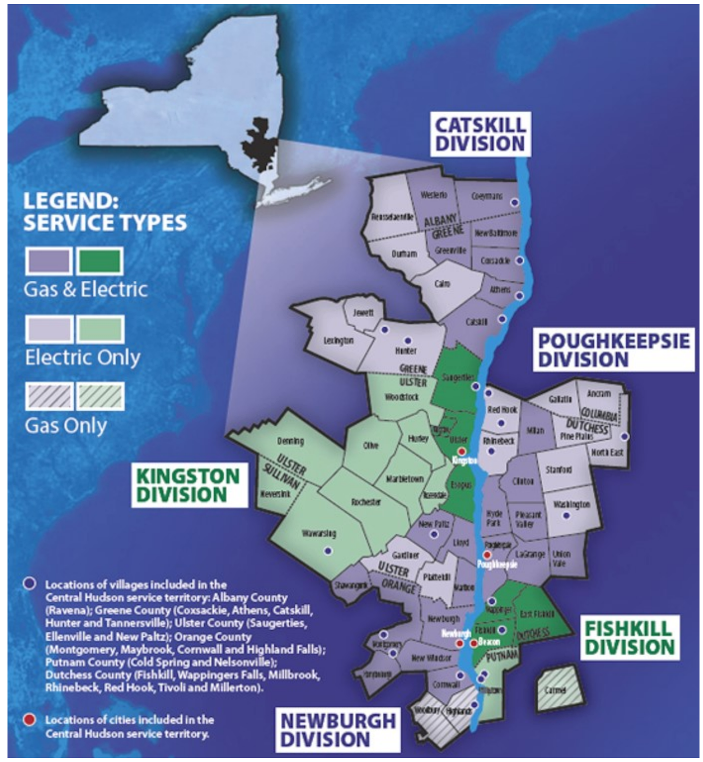
A coalition of intervenors representing commercial and industrial customers said "targeted demand response" identified as a solution to transmission congestion in the Central Hudson region is a worthy goal, but it called for more transparency. "The information necessary for other parties to evaluate this specific project, beyond the general concept, simply has not been made available ... inasmuch as customers are being asked to fund the project, the relevant information as to the estimated costs and benefits of the project need to be disclosed, with ample opportunity for parties to comment thereon, prior to it being approved."

The projects proposed by Central Hudson were the result of a collaborative process among competitive suppliers, environmentalists and consumer groups in the utility's territory.

Project List

The demonstration projects are:

1. Central Hudson's Community Solar: The project, expected to cost up to $10 million, would be owned by the utility and would sell energy to customers in 100-kWh blocks under a 25-year power purchase agreement.
2. SolarCity's community solar: Similar to Central Hudson's project, this 2.5-MW array would be located on Central Hudson property but owned by SolarCity.
3. Central Hudson's demand response: The project will promote residential and commercial customer aggregation in three areas of Central Hudson's service territory.
4. Central Hudson's microgrid: Central Hudson would install generating capacity designed to meet critical power needs during an outage for customers that join. The project could integrate storage, local renewable and distributed energy resources and local demand response resources. A letter of intent has been executed with several customers and NRG Energy, which has prior microgrid experience in New Jersey and the Caribbean.



(Source: Central Hudson Gas & Electric)

5. Central Hudson's behind-the-meter services: The company proposes to demonstrate the viability of behind-the-meter services for 1,000 customers for six months at no cost to explore product and services made possible by smart devices; and
6. Citizens for Local Power's community choice aggregation: Over 30 months, municipalities within Ulster County will engage in detailed energy planning, setting of goals and priorities, and other actions to create the first CCA "2.0" in New York. The project, which was not in Central Hudson's original proposal, does not meet REV criteria of having competitive suppliers and third parties pay most of the demonstration costs. Central Hudson said it is willing to help, but as proposed, the nearly $800,000 in start-up funds would come from ratepayers.

PSC staff will review projects for compliance with the order. "If any are selected to move forward, they will fall under further review for REV compliance by state regulators," Maserjian said.

Even if a project is not deemed to be a demonstration project, those deemed to have value will proceed in a different setting, according to the PSC.

NYISO NEWS

NYISO: Reliability Concerns Raised Last Year Resolved

By William Opalka

Returning and repowered generation resources and newly announced transmission upgrades appear to have alleviated NYISO's concerns about system reliability over the next 10 years.

The NYISO Management Committee on Wednesday accepted staff's Comprehensive Reliability Plan, which is the penultimate step in the 2014 Reliability Needs Assessment. The plan now moves on to the NYISO Board of Directors, which is expected to take action in July.

The report said that fears of generation shortages and transmission constraints raised last year appear to have been resolved over the past nine months. (See *NYISO Sees Capacity Crunch by 2019; Tx Problems in 2015*.)

It cites nearly 2,000 MW of generation capacity returning to service by 2016, including the mothballed 493-MW Danskammer Generating Station in Newburgh, which restarted in December after converting to natural gas, and the 435-MW Dunkirk plant near Buffalo, which is set to return in 2016 after a similar repowering.

"This 2014 CRP has determined that the New York bulk power system will meet all applicable reliability criteria over the 2015 through 2024 study period and confirms that the initially identified reliability needs in the 2014 RNA are resolved," the report states. "The NYISO has concluded that there are sufficient resources such that the New York Control Area (NYCA) will be in compliance with the resource adequacy criterion for the 10-year study period."

Previously identified transmission security violations will be resolved from 2018 through 2024 through reconductoring, a new substation near Rochester and returning generation. For example, the return of Dunkirk is expected to eliminate thermal violations in the Buffalo and Binghamton areas.

Transmission owners have agreed to use operating procedures — including the adjustment of phase angle regulators, use of special case resources and possible load shedding during summer peaks — to address violations until permanent solutions are complete.

The conclusions come with several caveats. The CRP is based on projected summer peak demand load growth averaging 0.83% annually through 2014 and assumes no new generation after 2017.

Risk factors include a lengthy loss of generation or higher load levels in upstate New York, including Rochester, Western and Central New York and the Capital Region, which the report says "could potentially lead to immediate and severe transmission security violations."

"The projected NYCA capacity margins are narrow in the later years of the study; therefore, a small decrease in the existing resource capacity or an increase in loads by 2024 would result in [a loss-of-load expectation] violation in that year," the report says.

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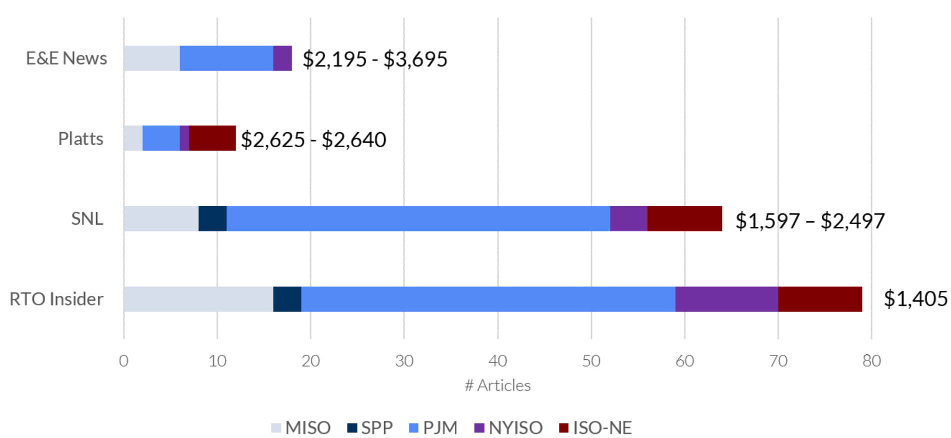


Notes: Number of articles mentioning individual RTOs (Dec. 2014) for all publications produced by publisher; Requires multiple subscriptions for E&E News, Platts and SNL.
Pricing for *RTO Insider* based on a single annual subscription, including archive access.
Pricing for competitive publications (including archive access) is provided as a range.

NH Broker Proposes Direct Hydro Sales to Commercial Customers

By William Opalka

A New Hampshire energy broker wants to dust off a so-far unused 1978 state law that allows small hydroelectric power producers to sell electricity directly to customers.

Freedom Energy Logistics wants to purchase power from the Fiske Hydro Project in Hinsdale to power its offices in Auburn, about 88 miles away.

The Limited Electrical Energy Producers Act, which was intended to diversify the state's resources, is limited to plants that produce up to 5 MW and sell to up to three customers. Under the law, the distribution utility — in this case, Eversource Energy — would only be paid for wheeling power over its wires but would otherwise be cut out of the transaction.

Because no proposals were ever brought before state regulators, however, ground rules have yet to be written. Thus, while the FEL proposal involves only a small amount of energy — 5 kW — it has implications for future, larger transactions.

A prehearing conference May 6 laid out the rationale for the proposal, which is expected to be fleshed out in a proceeding before the Public Utilities Commission this summer (DE 15-068).

Fiske Hydro Project. (Source: Nautilus Hydro Turbines)

"What we would like to do is to say 'Okay, this law has been on the books forever. And, we would like once and for all to try to apply it, because we finally think the time has come to do that,'" FEL attorney James Rodier said at the conference.

"If other small hydro producers can follow in our footsteps, it's going to make a terrific difference to the economics of these small projects," added Cameron MacLeod of Fiske.

Under the agreement between FEL and Fiske, Rodier said the electricity generated by the dam, including any excess, would be delivered to FEL by the distribution utility.

How the excess generation is compensated will have to be determined. Rodier's proposal would base compensation on avoided costs, the method used by small generators on net metering. "Are we going to be able to spin the meter backwards? That's a big issue," Rodier said at the conference.

Rodier told the *New Hampshire Union Leader* that his company has clients "very interested" in striking similar deals. "But they know there will be a challenge from Eversource, so no one wants to be the ones to go in and make this happen," he said.

Eversource, an intervener in the case, had little to say at this early stage of the process. Its attorney, Matthew Fossum, said at the conference that he needed to learn more about the proposal's relationship with net metering.

"We also have some questions about how this would actually work from a billing perspective, and what it would mean for attempting to bill a transaction like this, or some variation of it," he said.

Company Briefs

Talen Spinoff Completed; Spence Touts 'New' PPL

PPL on Monday completed the spinoff of its competitive energy business, which was combined with the generation assets owned by Riverstone Holdings to form Talen Energy, a new independent power producer.

The merchant generation spinoff leaves PPL with only regulated utility assets in the U.S. and U.K. "Over the past five years, we've transformed PPL into one of the top 10 utility companies in the U.S. and reshaped it in ways that have preserved and grown value for our shareowners," CEO William Spence said.

PPL's former power plants in Pennsylvania and Montana are now part of Talen Energy. The Federal Energy Regulatory Commission is requiring the divestiture of power plants within 12 months of today's announcement to mitigate Talen's market power in PJM. (See *PPL, Riverstone Accept FERC Mitigation Plan on Talen Spinoff*.)

"Which plants will be determined by how the market values those assets," Talen spokesman George Lewis said.

Spence said the new PPL, separated from the uncertainties and challenges in wholesale power markets, will maintain a strong balance sheet, investment-grade credit ratings, strong cash flow and a competitive dividend.

Source: PPL

Units	Owner	State	MW	Type
Bayonne***	Riverstone	NJ	158	CC
Camden ***	Riverstone	NJ	145	CC
Elmwood Park***	Riverstone	NJ	65	CC
Newark Bay***	Riverstone	NJ	120	CC
Pedricktown***	Riverstone	NJ	118	CC
York***	Riverstone	PA	49	CC
Ironwood*	PPL	PA	660	CC
Holtwood**	PPL	PA	248	Hydro
Wallenpaupak**	PPL	PA	44	Hydro
Crane**	Riverstone	MD	399	Coal

Talen Energy's proposed divestiture. (Source: PPL, Riverstone)

Continued on page 16

COMPANY BRIEFS

Continued from page 15

Duke Energy to Build 5-MW Solar Facility to Power Disney

Duke Energy is building a 5-MW solar facility on 20 acres near Walt Disney World's Epcot. The company has a 15-year power purchase agreement with Disney for the output. The power plant's 48,000 solar panels will be arranged in the shape of a Mickey Mouse head.

More: *Orlando Sentinel*

ITC Files with DOE, Canada to Build Tx Link between Ontario and PJM

ITC Holdings on Monday filed an application with the U.S. Department of Energy for an underwater transmission line that will link the Ontario Independent Electricity System Operator and PJM.

The ITC Lake Erie Connector will be a 1,000 -MW, bi-directional, high voltage, direct current line that will allow exports of power into Ontario, while providing generators in Ontario access to PJM. ITC filed the application after filing with Canada's National Energy Board on May 22. It will also have to file with the U.S. State Department. Ontario has seen a large increase in renewable generation over the past few years.

Construction of the 73-mile, $1 billion project is expected to start next near and be completed by 2019.

More: *Transmission & Distribution World; ITC*

Duke Energy to Install Battery Storage at Retired Ohio Coal Plant

Duke Energy is installing a 2-MW battery storage system at a retired coal-fired plant in Ohio. When it becomes operational, it will be the second battery system at the W.C. Beckjord plant in New Richmond. The lithium-ion battery, controls and a power inverter will allow Duke to use the facility to provide ancillary services for PJM's frequency regulation market.

Duke, which like other utilities is retiring the bulk of its coal-fired generation, is investing heavily into battery storage. It has a 36-MW system at a Texas wind farm and is developing five smaller projects in North Carolina.

More: *Greentech Media*

Berkshire Hathaway Subsidiary Buying More Solar

BHE Renewables, a subsidiary of Berkshire Hathaway Energy, is buying 600 MW of wind and solar projects from a Minnesota developer, Geronimo Energy.

The acquisition includes the 400-MW Grand Prairie wind project in Nebraska, the 140-MW Walnut Ridge wind project in Illinois and a collection of Minnesota solar projects that total about 60 MW. Terms of the transaction were not announced.

More: *Recharge News* (subscription required)

Farm Owners are Last Holdouts Against Sandpiper Pipeline

The developers of the Sandpiper pipeline, which would deliver crude oil from North Dakota's Bakken oil fields to an interconnection in Wisconsin, are suing the last holdout in North Dakota to acquire the right of way for the pipeline.

The North Dakota Pipeline Co., a joint venture between Enbridge Energy and Marathon Petroleum, sued Krista and James Botsford under the state eminent domain law and asked the court to give it an easement across their farm near Grand Forks. The developers approached a total of 799 North Dakota landowners.

Sandpiper is a 610-mile, $2.6 billion project whose supporters say it would provide a safer, cheaper and more efficient alternative for transporting Bakken crude than trains.

More: *Star Tribune*

Cleanup Crews Still Working At Scene of 2013 Pipeline Spill

The cleanup of a 2013 Tesoro Corp. pipeline rupture that spilled 20,000 barrels of oil on a South Dakota farm may take another two years to complete, state regulators say.

Tesoro and federal pipeline safety inspectors believe a lightning strike may have caused the break in the 6-inch pipeline, which spilled 840,000 gallons of crude oil over 7.3 acres of Steve and Patty Jensen's farm. It was one of the largest on-shore spills in U.S. history.

"It's now just become part of our lives," Patty Jensen said. "They are working 24 hours a day, seven days a week. But it's so big and it's not as easy to clean up as they thought it would be."

More: *Bismarck Tribune*

IPL's Harding Street Plant Edges Closer to Gas Switch

Indianapolis Power & Light's said its $70 million plan to convert the 80-year-old Harding Street power plant from coal to natural gas is proceeding on schedule and should be completed next spring.

The fuel switch, which is being financed by ratepayers through a special conversion surcharge, pleased anti-coal activists who have long complained that the plant was a major source of urban pollution.

More: *Indianapolis Star*

Iowa Utility Pitches Shares In Community Solar Project

Cedar Falls Utilities wants to sell 3,000 shares for $399 each in a community solar generation project, a novel way to raise capital for a new utility generation project.

According to a presentation given by the company's business development director, share owners would receive a dividend in the form of a deduction of $1 to $2 off their monthly utility bills. The utility is touting the program as a more affordable way to invest in solar than spending $10,000 or more to install a home solar system.

More: *KCRG News*

TVA Buys 24 Homes, 155 Acres To Expand Coal Ash Landfill

The Tennessee Valley Authority has bought 155 acres and 24 houses for an undisclosed sum to expand its Bull Run dry ash landfill in Clinton, Tenn.

TVA has been talking about the expansion project for several years but is only now seeking public comment on its plan to expand the landfill. The existing landfill could reach capacity in about five years, according to the company.

TVA stopped using wet ash storage after the disastrous 2008 collapse of an ash storage containment that released 5.4 million cubic yards of coal sludge into the Emory River. Dry ash storage is considered safer.

More: *Knoxville News Sentinel*

Federal Briefs

EPA Proposes Scaled-Back Gasoline Ethanol Rules

The Environmental Protection Agency on Friday proposed less ambitious requirements for ethanol in gasoline. The EPA's three-year proposed ethanol mandate, which is retroactive to 2014, increases the amount of biofuel it wants mixed into the gasoline supply but at levels below those set in a 2007 law.

Gasoline refiners said the proposal still moves more quickly than the market can support. The ethanol industry, which is dominated by corn-producing states, wanted more aggressive targets to get their product into the fuel supply.

Biofuel regulations were put in place in an effort to reduce dependence on imported petroleum. But a boom in domestic oil and natural gas has eased the country's dependence on foreign oil, and motor fuel consumption has fallen as newer, more efficient vehicles have replaced older guzzlers. The agency said the relaxed ethanol requirements recognize that biofuel production is lower than expected and that the domestic gasoline market is unable to absorb larger amounts of ethanol.

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

FERC Approves Final Settlement From 2011 Blackout in California

The Federal Energy Regulatory Commission's Office of Enforcement approved the final settlement related to the 2011 power outage in Southern California, which left customers in California, Arizona, Baja California and Mexico without power for nearly 12 hours.

The Western Electricity Coordination Council (WECC), which acted as reliability coordinator for the portion of the grid where the blackout originated, agreed to pay $16 million as part of the settlement. The settlement calls for WECC to spend $13 million on reliability enhancements and pay a $3 million penalty.

WECC said the loss of a single 500-kV line initiated the cascading event.

More: *Fierce Energy*

NRC Asked to Review Ruling On Uranium Recovery Operation

The Nuclear Regulatory Commission is being asked to review decisions by the Atomic Safety and Licensing Board on a proposed South Dakota uranium recovery operation. The developers of the project and members of the Oglala Sioux Tribe asked the NRC to intervene.

The developers are protesting the board's finding that NRC failed to properly consult with the tribe and identify and safeguard cultural and historic sites.

The Oglala Sioux are protesting the proposed uranium recovery method, which involves injecting oxygen-enriched water into the ground to dissolve the uranium and bring it to the surface.

More: *Rapid City Journal*

Los Alamos National Laboratory Still Evaluating New Windmill Design

Researchers at Los Alamos National Laboratory in New Mexico are running computer tests on a new type of wind turbine that operates closer to the ground and at lower speeds than tower-mounted turbines.

Johan Steinlechner of Palm Springs came up with the new design, which involves building the turbine just 30 to 40 feet off the ground rather than hundreds of feet in the air. The lower-profile turbines would be easier and cheaper to construct and maintain.

Federal researchers recently announced plans to build a 1-MW prototype in Melrose, N.M., this summer.

More: *Desert Sun*

NRC Says Watts Bar 2 Operating License Close

The Nuclear Regulatory Commission has delegated authority to its Office of Nuclear Reactor Regulation to issue an operating license for the Tennessee Valley Authority's Watts Bar 2 reactor, which is under construction. The vote, taken last week, would allow the regulators to issue a license if all necessary requirements are met.

"The delegation of this authority signifies confidence that NRC inspections show Watts Bar Unit 2 is being built according to rigorous regulatory requirements and industry standards," TVA's Chief Nuclear Officer Joe Grimes said. TVA has said it believes the plant will be in commercial operation by June 2016.

More: *Knoxville News Sentinel*

DOE Kicking in $32 Million To Train Solar Workforce

The Department of Energy said it is providing $32 million to help drive down the cost of solar production and to train the workers needed to install solar systems.

The department said it will earmark up to $13 million for solar workforce training, which would include positions not just in the construction field, but for professionals in the insurance, real estate and utility businesses as well. About $15 million would fund design work on concentrating solar power collectors. About $5 million would be allocated to develop solar data sets and market studies.

More: *Department of Energy*

NTSB Says Shell Performed 'Inadequate Assessment' of Risks

The National Transportation Safety Board said Shell had inadequately assessed the risk of towing the oil rig Kulluk off the coast of Alaska in 2012. The offshore rig ran aground during a storm. The rig, which contained thousands of gallons of fuel oil, averted an oil spill in pristine waters.

"The probable cause of the grounding of the mobile offshore drilling unit Kulluk was Shell's inadequate assessment of the risk for its planned tow," the NTSB report states.

Shell said it intends to return to the same area to conduct exploratory drilling, pending permit approvals. The government in May approved its proposal to conduct Arctic drilling.

More: *ABC News*

Continued on page 18

FEDERAL BRIEFS

Continued from page 17

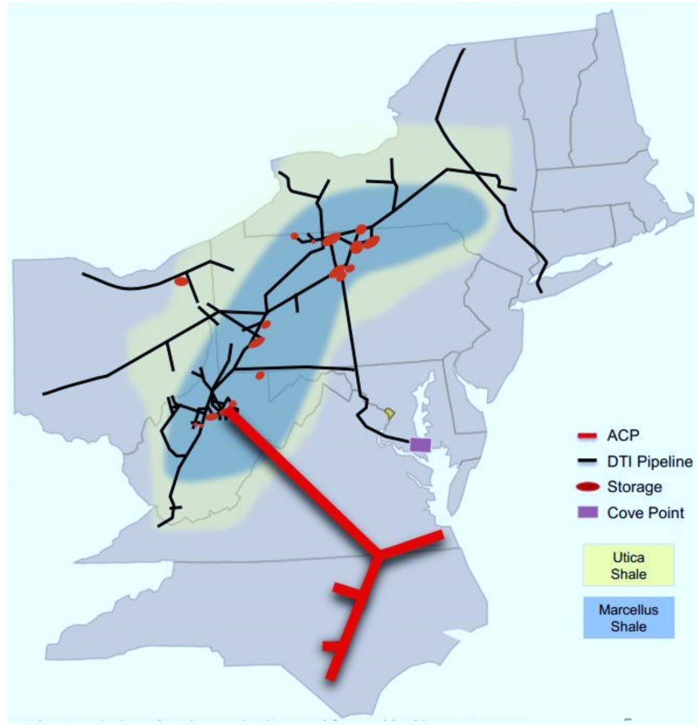
Va. Residents Protest Pipeline Route In Front of FERC Headquarters

A group of Central Virginia residents, opposed to a proposed 550-mile natural gas pipeline, protested in front of the headquarters of the Federal Energy Regulatory Commission last week. Friends of Nelson, from Nelson County, one of the rural counties through which the Atlantic Coast Pipeline would be built, denounced what they called FERC's disregard for the public in routing the pipeline.

"We want FERC and its commissioners to know that we are here this week because their complicity to route the ACP through our home deeply violates so many of our personal and community values," said Joanna Salidis, president of Friends of Nelson. "Nelson County property owners want FERC to uphold their claim that eminent domain is a method of last resort — not a gift from the government to maximize profit on the backs of unwilling private property owners and communities."

Dominion Resources, one of the project's partners, said that it will release an alternative route in the coming weeks. FERC has not yet given final approval to the project.

More: *August Free Press*



Atlantic Coast Pipeline route. (Source: Dominion)

STATE BRIEFS

RGGI Market Still Competitive

The Independent Market Monitor for the Regional Greenhouse Gas Initiative found no evidence of anti-competitive conduct in the CO_2 allowance secondary market, according to its report.

Potomac Economics found that the average transfer price of CO_2 allowances during the first quarter of 2015 was $5.46, approximately 5% higher than in the prior quarter and 41% higher than the first quarter of 2014. The clearing price in Auction 27, held on March 11, was $5.41, which was consistent with secondary market prices leading up to the auction.

RGGI Reorganizes Executive Board

A Connecticut regulator has assumed the chair of the Regional Greenhouse Gas Initiative.

Katie Dykes, deputy commissioner for energy at the Connecticut Department of Energy and Environmental Protection, became the new chairwoman on Friday, replacing Kelly Speakes-Backman. The executive committee includes Joseph Martens, commissioner of the New York Department of Environmental Conservation, vice chair; Thomas Burack, commissioner of the New Hampshire Department of Environmental Services, secretary; James Volz, chairman of the Vermont Public Service Board, treasurer; and David Small, secretary of the Delaware Department of Natural Resources and Environmental Control, member-at-large.

Biographies of executive committee members and of the entire RGGI board are available here.

More: *RGGI*

CONNECTICUT

Legislature Bans New Variable-Rate Contracts

State lawmakers have overwhelmingly approved a bill that would ban power companies from signing up residents for variable-rate electricity contracts. The measure, which would take effect Oct. 1, now goes to Gov. Dannel P. Malloy, who is expected to sign it into law.

The legislation attempts to quell a source of consumer complaints against third-party suppliers who seek to switch residents from the state's two utility-managed standard-generation offers.

Although the bill would prohibit suppliers from signing up customers for variable-rate plans, it does not ban variable rates outright. The majority of residents with variable electric plans do not sign up for such plans; they are rolled over into a variable plan by their suppliers at the termination of their fixed-rate plans. The legislation requires regulators to address this issue.

More: *Hartford Courant*

DELAWARE

Proposed Gas Rate Changes Would Increase Larger Users' Cost

The state's chemical industry is fighting a proposed Delmarva Power & Light natural gas rate plan that would lower costs for residential customers while increasing charges

Continued on page 19

STATE BRIEFS

Continued from page 18

by 6 to 30% to larger users. The utility proposed the changes after a consultant for the Public Service Commission said last year that some gas customers appear to be subsidizing larger, bulk purchasers. "A potential 25% natural gas cost increase to Delaware businesses is not the message that the state should be sending," Josh Young, executive director of the 14-member Chemical Industry Council of Delaware, said in a letter to the PSC. For residential customers, the changes would mean a 1.4%, or $1.75, decrease in bills for an average winter month.

A public workshop is scheduled for Wednesday in Wilmington. The PSC said a decision could come by the end of the year.

More: *The News Journal*

ILLINOIS

Exelon's Nukes in Limbo As Legislature Ignores Bill

Three clean power bills — including one backed by Exelon to support three of its struggling nuclear plants — have stalled in the General Assembly. Part of the legislature's delay relates to the surprise results of MISO's Planning Resource Auction, which is expected to result in higher rates next month. (See related story, *Public Citizen to FERC: Investigate Dynegy Role in MISO Capacity Price Jump*, p.1.) "There are an awful lot of questions, some of which arose after the auction," said Steve Brown, spokesman for House Speaker Michael Madigan.

On Monday, in an 8-K filing with the Securities and Exchange Commission, Exelon said that it doesn't expect the legislature to pass its proposed Low Carbon Portfolio Standard during the current session. The company has said that without the revenue the legislation would bring in, it might have to close the plants in Byron, Quad Cities and Clinton. (See *Exelon-Backed Bill Proposes Surcharge to Fund Illinois Nukes*.)

In April, Exelon Executive Vice President Joseph Dominguez had said the company wouldn't wait until the fall veto session for an answer. Last week, however, the company appeared to be more flexible. "We remain open to participating in any and all discussions designed to enact a legislative package," the company said.

More: *Crain's Chicago Business*

INDIANA

NIPSCO to Pay Back $1 Million to Customers

Northern Indiana Public Service Co. will reimburse customers nearly $1 million and reapply for any rate increases under a settlement reached with the Utility Regulatory Commission. The settlement, a response to a state Court of Appeals ruling that overturned the IURC's previous approval of NIPSCO's seven-year infrastructure modernization plan, will result in refunds averaging about $6 per customer.

The settlement covers only NIPSCO's electric customers. A separate plan covers the company's gas customers.

The Office of Utility Consumer Counselor and some of NIPSCO's industrial customers appealed the company's seven-year plan, saying they were concerned about double recovery and the accuracy of the company's rate-based investments.

More: *The Journal Gazette*

MAINE

Committee Thwarts Energy Proposals

LePage

The Legislature's Energy, Utilities and Technology Committee on Thursday scuttled Republican Gov. Paul LePage's energy proposals in a 7-6 party line vote.

LePage's proposals would have made sweeping changes in longstanding state energy policies designed to encourage renewable energy development and to fund efficiency programs. They included a repeal of the state's renewable portfolio standard and a measure that would require utilities to provide a credit "backstop" to help large businesses expand natural gas pipeline capacity. One bill would cut conservation programs by returning a larger share of revenue from a regional carbon credit auction.

LePage's energy director, Patrick Woodcock, said that he hoped some elements of the governor's proposals could be resurrected this year.

More: *Portland Press Herald*

MANITOBA

Manitoba Hydro Seeking 3.95% Rate Increase

Manitoba Hydro has asked the Public Utilities Board for a 3.95% increase in its electricity rate to cover increased borrowing costs, especially for projects like the Keeyask plant. The request comes after the utility received a 3.5% increase in 2013 and a 2.75 % interim increase in 2014.The Consumers' Association of Canada and the Manitoba Metis Federation have told the PUC they oppose the rate increases, which they say will hurt lower-income customers. Consumer advocates also noted that Manitoba Hydro has said it will seek a similar increase next year.

Keeyask is a 695-MW hydro station being built on the Nelson River. When completed it will be the company's fourth largest hydro station.

More: *CBC News*

MARYLAND

Two-Year Fracking Ban Enacted as Hogan Declines Action

Gov. Larry Hogan last week allowed a statewide fracking ban to take effect without his signature.

When the ban passed in both houses of the General Assembly with a veto-proof majority, Hogan said he would neither sign the law nor veto it. The deadline for action passed Friday night, and the ban will go into effect on Oct. 1.

Sponsors of the bill said the ban would allow scientists the chance to study the potential environmental impacts of fracking. Hogan had called fracking "an economic gold mine" during his 2014 election campaign. But since taking office in January, he has been quiet on the issue.

More: *Inside Climate News*

MICHIGAN

Protesters Interrupt Snyder; Call for Action on Enbridge Pipeline

Environmental activists opposed to an aging Enbridge oil pipeline interrupted a speech by Gov. Rick Snyder at the 2015 Mackinac

Continued on page 20

STATE BRIEFS

Continued from page 19

Policy Conference, before being escorted out of the conference.

The protesters are calling for the closure of the 61-year-old Enbridge Pipeline No. 5, which carries crude oil from northern Wisconsin to southern Ontario beneath the Straits of Mackinac. They cited studies from an environmental nonprofit that question the pipeline's structural integrity.

Pipeline safety is a looming issue, especially in Michigan. Just last week Enbridge reached a $75 million settlement with state environmental regulators related to a 2010 spill into the Kalamazoo River. Cleanup for that spill, which is ongoing, has already cost the company $1.21 billion.

More: MLive

MINNESOTA

PUC Approves $250 Million Geronimo Energy Solar Project

The Public Utilities Commission has approved a $250 million solar project comprised of 21 facilities throughout the state.

The sites for the Aurora Solar Project are mostly in rural Minnesota near established transmission lines. The power will be sold to Xcel Energy. It will be the largest solar installation in the state and increase the state's solar output by a factor of seven. Surprisingly, the project beat several natural gas projects in the bidding process.

"This signals that something big is happening in solar energy in Minnesota," said Michael Noble of Fresh Energy, a non-profit solar advocacy group. The PUC rejected three other sites because of local zoning rules.

More: Star Tribune

NEW JERSEY

Literal Power Struggle Keeps Revel Casino from Opening

A legal standoff between the developer that bought Atlantic City's Revel complex out of bankruptcy and ACR Energy Partners, its sole power supplier, will keep the shuttered casino at the complex from reopening this summer.

Glenn Straub, the developer who bought the casino, agreed to a tentative deal with ACR to keep the building minimally powered while he looks for a way to either connect into the Atlantic City Electric grid or tap into the defunct Showboat casino next door, which is now owned by Stockton University. Straub's company, Polo North Country Club, is battling ACR over fees. The state's second tallest building was without power for three weeks after ACR pulled the plug April 9 following the bankruptcy sale. State officials have ordered the two companies to keep the building's fire-suppression powered. The parties also are dueling over who owns $40 million in electric equipment that connects ACR to the complex.

More: Press of Atlantic City

NEW YORK

NYISO Changes Consumer Impact Analysis

NYISO is changing its Consumer Impact Analysis, a process that evaluates the impact of market administration projects and rule changes, to improve transparency and provide more opportunities for stakeholder input.

The Consumer Impact Analysis evaluates the potential impact of changes based on reliability, environment, cost and transparency. The revised process will give stakeholders notice at the outset of a market design initiative if a project is expected to have a major consumer impact. Stakeholders will receive a description of the methodology to be used in the impact analysis, the results of which will be presented at least 30 days prior to stakeholder votes.

The changes incorporate feedback received from end-use consumer representatives, other market participants and policymakers.

More: NYISO

NORTH CAROLINA

Fearing Fracking, Residents Protest Core Drilling

Some residents in Walnut Grove, a town of about 1,500 located on top of potential shale gas reserves, are objecting to a state plan to conduct core sampling on publically owned land to explore for natural gas.

"The community we love is in the middle of a David-and-Goliath battle with big industries that seem to care very little about the people in the area we call home," town resident Tracy Brown Edwards said. Walnut Grove already hosts the third-largest coal ash dump in the state.

The legislature approved fracking last year but almost immediately issued a moratorium while legal challenges are prepared.

More: Think Progress

OHIO

PUCO Delays Decision on AEP Coal Rider Until BRA, FERC Ruling

The Public Utilities Commission said it would wait until after the PJM capacity auction to rule on American Electric Power's request to guarantee rates from its aging coal plants in return for a vow to keep them operating.

The commission in February approved most of AEP's three-year security plan but rejected the company's guaranteed-income request. Two other utilities — FirstEnergy and Duke Energy — have similar requests pending before the commission.

The commission said it wants to see the results of the PJM Base Residual Auction, and the final outcome of the state's plan to meet the Environmental Protection Agency's Clean Power Plan, before ruling. The auction for 2018-19 should have taken place in May, but it was delayed to give the Federal Energy Regulatory Commission time to approve PJM's Capacity Performance proposal. That reform is expected to benefit coal plants in PJM, including those in AEP's fleet.

More: Argus

OKLAHOMA

Gov. Mulls Ban on Fracking Bans After Texas Passes Similar Law

A law prohibiting local government bans on fracking is awaiting the governor's signature.

The Senate voted 33-13 on the bill — which also prohibits local bans on wastewater disposal wells — at the urging of the oil and gas industry. The industry has faced increased pressure from communities where fossil fuel opponents have made headway after Denton, Texas, last year voted to ban fracking within town limits. Denton is located in the heart of the Barnett Shale region.

Continued on page 21

STATE BRIEFS

Continued from page 20

The industry argues that regulation of oil and gas development comes under the aegis of state or federal regulators, not local officials.

More: KOCO; US News & World Report

PENNSYLVANIA

Coal Alliance: Benefits of Clean Power Plan Overestimated

Pennsylvania Coal Alliance CEO John Pippy says the federal government has underestimated the cost of imposing regulations related to the Environmental Protection Agency's Clean Power Plan and overestimated its benefits.

Washington needs to consider the effect of forcing coal plants into retirement, Pippy told the *Pittsburgh Business Times*. "There's no place to sell the coal right now," he said.

Last week, Murray Energy and Alpha Natural Resources announced layoffs of more than 2,000 people. Alpha plans to close its Emerald mine in Greene County by the end of the year. Consol Energy has said it will reduce its state mines to a 32-hour workweek.

More: *Pittsburgh Business Times*

Wolf Nominates Environmental Professional to Seat on PUC

Gov. Tom Wolf nominated a gas industry executive and climate change researcher to the Public Utility Commission. Andrew Place, EQT 's corporate director for energy and environmental policy, would take the place of outgoing Commissioner James H. Cawley.

Place

"Andrew Place brings the knowledge and expertise to help advance my vision for the PUC, and I am pleased to nominate him," Wolf said. "We must ensure there is a balance between consumers and utilities. We also have to develop Pennsylvania's abundance of energy resources to make sure we have the infrastructure to support the natural gas and other energy industries."

Place has degrees in economics and public policy and worked as a research fellow at Carnegie Mellon University's Department of Engineering and Public Policy, becoming an expert in carbon capture and sequestration.

More: *PennLive*

TENNESSEE

Rebates Coming for Drivers of Electric Vehicles

Qualifying electric vehicles bought or leased and registered in the state will be eligible for rebates of up to $2,500 beginning June 15.

The total pot of money available for consumers is $682,500, and it will be doled out on a first-come, first-served basis. Drivers of zero-emission battery electric vehicles will get $2,500. Those that lease or buy plug-in hybrid electric vehicles will receive $1,500.

Dealerships will be responsible for filing a claim and then will give the money to their customers.

More: WCYB

WISCONSIN

Xcel Energy to Ask for Fixed Charge Increase

Xcel Energy is asking state regulators to raise its fixed monthly fee for electricity and natural gas customers, rather than seeking an increase in usage rates.

Xcel wants to increase the fixed monthly customer charge from $8 to $18. The company said it would decrease its usage rate by about 0.7 cents/kWh. The increases would boost electricity revenue 3.9% and gas revenue 5%.

Regulators in neighboring Minnesota this year rejected a similar request by Xcel to increase the customer charge. Customer advocates said fixed-fee increases penalize smaller users and reduce the incentive to conserve. The company argues that bigger fees provide for a more equitable recovery of costs to maintain distribution networks. "The nature of the electric grid is going to change," an Xcel executive said. "The grid is there and costs something regardless."

More: *LaCrosse Tribune*

Public Citizen to FERC: Investigate Dynegy Role in MISO Capacity Price Jump

Continued from page 1

MW-day, compared with just $16.75 a year earlier.

The result will raise annual electric bills of Ameren Illinois residential customers by more than $140, the complaint states.

Illinois Attorney General Lisa Madigan filed a similar complaint Thursday, arguing that the 800% jump in Zone 4 prices is unjust and unreasonable and that the Dynegy acquisition made it a "pivotal supplier" in the zone.

"If Dynegy-controlled generation capacity physically located within Zone 4 is not bid, there would be insufficient capacity in Zone 4 to clear its local clearing requirement," Madigan said. "Thus, Dynegy is able to set the price for the marginal clearing capacity, regardless of its internal cost of providing that capacity. If there were no pivotal supplier, one would have expected the Zone 4 price to match the result in Zones 1 through 7."

Madigan also noted that in approving the Dynegy acquisition, FERC declined to look at its effect on competition and prices in Zone 4 and instead only considered a competitive analysis of MISO as a whole.

MISO had told Illinois officials that the auction was the result of market dynamics, not improper conduct. (See *MISO: Nothing Amiss in High Illinois Capacity Prices.*)

Public Citizen's complaint suggests Dynegy could have inflated prices by either not offering some capacity or by offering some of it at such a high price that it would not clear.

Dynegy issued a statement saying it "follows and respects all the rules, tariffs and obligations in the markets and areas where we operate."

"Dynegy offered all of its megawatts into the MISO auction with no physical or economic withholding in accordance with MISO tariffs and as approved by the Independent Market Monitor," Dynegy said. "MISO's Independent Market Monitor has publicly stated that 'the auction results are reliable

Continued on page 22

Public Citizen to FERC: Investigate Dynegy Role in MISO Capacity Price Jump

Continued from page 21

and participants' behavior was in line with all tariff rules and procedures.'"

Spokesman Micah Hirschfield declined to comment on the price of the company's offers. "As noted in the statement, our bids were approved by the Independent Market Monitor and within the rules and tariffs of MISO," he said.

MISO said Friday that it is reviewing the complaint and will respond in the FERC proceeding.

Investigation Sought

Public Citizen alleges the auction results "may be the result of illegal manipulation and gaming of the auction bidding process, specifically capacity withholding" contrary to Section 222 of the Federal Power Act.

The group also alleges that MISO failed to make a rate change filing with support for the increases for FERC and public review, as required under Section 205 of the FPA. The new capacity rates took effect June 1.

The Public Citizen complaint does not explicitly accuse Dynegy of withholding capacity, but says it was in a unique position to do so after its 2013 acquisition of four coal-fired plants totaling 3,150 MW in Zone 4. That gave Dynegy control of eight generating plants in Zone 4 with a capacity of 6,000 MW.

Dynegy has acknowledged that it cleared 553 MW in Zone 4 in addition to 1,709 MW committed to retail load obligations. (See *Cornucopia of Capacity at MISO Auction, but Famine Could Follow as Coal Plants Retire*.)

"Because MISO has no plans to make company-specific bids public, we cannot know for sure how much of the several thousand of megawatts Dynegy owns in Zone 4 it bid, how much couldn't be bid due to contract obligations, or how much it withheld from bidding altogether," the complaint says.

Public Citizen said that the Ameren acquisition raised red flags for MISO staffers. It cited minutes from a 2014 MISO Loss of Load Expectation Working Group in which Zheng Zhou, manager of economic studies, purportedly stated that staff "are concerned with Dynegy's offer strategy in the next Planning Resource Auction as they [Dynegy] are now the dominant provider of capacity in the zone."

In early 2014, MISO staff proposed merging Zone 4 and Zone 5 to blunt Dynegy's new-found dominance. The proposal to merge zones failed, "under stiff resistance from Dynegy," the complaint states. Specifically, it points to a June 2014 meeting of MISO's Supply Adequacy Working Group, on which Dynegy Senior Director of Regulatory Affairs Mark Volpe served as vice chair.

"His role and the role of other powerful utility and financial stakeholders in the auction's design and coordination do not lend credibility to the auction process and cry out for FERC review of the auction results under Section 206 at least."

Volpe declined to comment Friday.

The consumer group alleges Dynegy "had financial incentive to intentionally withhold capacity" by either refusing to offer some units for bid or offering them at high prices with a low likelihood of clearing so as to drive up auction prices.

A UBS analyst estimated that a withholding strategy would generate about $5 million in earnings before interest, taxes and amortization (EBITA) for every 100 MW cleared at auction. In April a Dynegy spokesman said the company expected to make about $30 million out of the auction.

MISO Beholden to Members?

The complaint claims Dynegy used strong-arm tactics to manipulate MISO, threatening that if MISO did not adopt capacity market rules that were similar to PJM's, Dynegy would part ways with MISO and join PJM. (See *Dynegy: Change MISO Capacity Rules or We'll Join PJM*.)

"This fundamental flaw exposes MISO's political science problem: FERC has placed a private organization in charge of developing power markets, and that organization's insecurity about member flight results in decisions about rate structures … driven primarily by the need to retain membership, thereby prioritizing power generator profits at the direct expense of consumers," the group said.

Last month the Chicago-based Citizens Utility Board called for a federal investigation of the auction results, citing significant rate hikes for downstate Illinois Ameren customers.

FERC Split over Previous Auction Challenge

Public Citizen may find at least a couple of allies in its request to reopen the auction results.

In September, a shorthanded FERC split 2-2 over whether it should reject the results from the ISO-NE's February 2014 auction due to unchecked market power.

Republican Tony Clark and Democrat Norman Bay called for FERC to reject the auction results, but then-Chairman Cheryl LaFleur and Republican Philip Moeller said the commission should seek only prospective changes in the auction rules. Because of the 2-2 deadlock, the 2017-18 auction results "became effective by operation of law." (See *Congressional Meeting Fails to Sway LaFleur on Capacity Results*.)

The RTO's eighth Forward Capacity Auction (FCA) resulted in a sharp price increase after nearly 3,000 MW of capacity submitted retirement requests. Fearing they would have less capacity offered than required, ISO-NE officials applied administrative price rules to the auction.

Since the September vote, Bay has ascended to chairman and former Arkansas regulator Collette Honorable has joined the commission. Moeller's term expires in June.

Court Ruling

Public Citizen's complaint cites an April 29, 2015, opinion by the Ninth Circuit Court of Appeals, *California v. Harris*, that it said found that electric market rates, such as the Planning Resource Auction results, must be reviewed after-the-fact as well as in advance to determine whether they actually produce just and reasonable rates.

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Editor & Publisher: Rich Heidorn Jr.
Marketing & Operations: Merry Eisner

RTO Insider LLC
10837 Deborah Drive
Potomac, MD 20854
(301) 983-0375

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