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Mayor's Settlement Puts DC PSC on the Spot in Exelon-Pepco Deal

By Suzanne Herel

The D.C. Public Service Commission, from left to right: Joanne Doddy Fort, Chairman Betty Ann Kane and Willie Phillips. © RTO Insider

On Aug. 25, D.C. People's Counsel Sandra Mattavous-Frye hailed the Public Service Commission's surprise rejection of the proposed Exelon-Pepco merger as a "David and Goliath" win.

Six weeks later, Mattavous-Frye stood with Exelon CEO Christopher Crane, urging the PSC to greenlight the $6.8 billion merger under an Oct. 6 settlement brokered by Mayor Muriel Bowser and Attorney General Karl Racine. Bowser and Racine also had previously opposed the deal.

What changed? "Affordability for consumers, reliability of service, renewable and sustainable energy options and jobs," Mattavous-Frye told *RTO Insider*. "The concessions offered in the proposed settlement far exceed what was offered" in the original application, she said.

Settlement Coverage

- **'Most Favored Nation' Clause Triggered (p.21)**
- **Pepco's Influence Runs Deep (p.23)**
- **Settlement Details (p.24)**

With the administration and public advocate on their side, Exelon's chances appear to hinge on winning a 'yes' vote from PSC Chairman Betty Ann Kane or Commissioner Joanne Doddy Fort.

The third member of the panel, Commissioner Willie Phillips, had issued a partial dissent in August, saying that while he could not support the merger as filed, he was "disappointed in the loss of the many opportunities inherent in the proposed merger that could have achieved benefits for ratepayers, the local economy and the environment of the District of Columbia."

The other commissioners also lamented having to rule without being offered a settlement that could have addressed critics' concerns. "Therefore, we consider the joint application as it stands on this record, not as it might have been proposed," the order said.

Continued on page 20

PJM: Artificial Island Cost Allocation Appears 'Disproportionate'

By Suzanne Herel

PJM acknowledged last week that the cost allocation for its Artificial Island stability fix may "appear disproportionate" but said its hands are tied by cost allocation rules proposed by transmission owners and approved by FERC.

Because the project is considered a lower-voltage facility, the cost of LS Power's plan to run a new 230-kV circuit from Salem, N.J., under the Delaware River to a new substation near the 230-kV corridor in Delaware is being allocated entirely using the solution-based distribution factor (DFAX) methodology.

As a result, virtually all of the project's $146 million cost would be billed to Delaware and Maryland customers. (See *Officials Urge PJM to Reject Artificial Island Proposal*.)

In a filing Friday in response to complaints from the public service commissions of Delaware and Maryland, PJM acknowledged that the DFAX methodology, "although producing reasonable results in the overwhelming number of applications involving typical reliability upgrades, may result in cost allocations that appear disproportionate depending upon the projects evaluated and their unique attributes" (EL15-95).

If the project relied more heavily on regional facilities — for example, if PJM had instead chosen a 500-kV transmission line — "the cost allocation impact to the Delmarva transmission zone would have been significantly less," PJM said.

"PJM does not take a position with respect to the ultimate propriety of the solution-based DFAX methodology as applied to this case," PJM said, adding that the cost allocation methodology is part of the transmission rate design, which is "within the sole prov-

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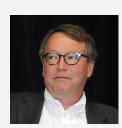
Also in this issue:



ISO-NE NEWS

Massachusetts Regulators Endorse Pipeline Contracts

By William Opalka

The Massachusetts Department of Public Utilities has ruled that electric distribution companies can sign contracts for natural gas capacity and pass the costs on to electric ratepayers (15-37).

Proponents of building gas infrastructure to supply electric generation have argued that the increasing reliance on natural gas requires additional pipelines to increase supply and lower high prices in the winter. After an investigation and proceeding, the DPU on Oct. 2 said the Electric Restructuring Act of 1997 did not preclude it from approving such contracts.

"The department finds that an EDC contract for pipeline capacity would be consistent with the Restructuring Act if an EDC is able to demonstrate that entering into a contract would result in cost savings for EDC ratepayers and otherwise satisfies the standard of review for approving EDC gas capacity contracts," the order states.

The DPU's order was in response to the state Department of Energy Resources' April 2 petition requesting an investigation into ways new natural gas capacity could be added. The department sought to determine if there was an "innovative mechanism" for EDCs to add new natural gas capacity into the region to benefit electric ratepayers, and if cost recovery was appropriate.

"An EDC must demonstrate that the proposed contract (1) results in net benefits for the Massachusetts EDCs' customers at a reasonable cost, and (2) compares favorably to the range of alternative options reasonably available to the EDC at the time of acquisition of the resource or contract negotiation," the DPU order said.

Kinder Morgan subsidiary Tennessee Gas Pipeline, which is developing the proposed Northeast Energy Direct pipeline, said the order "is an important step in ensuring that electric generators have reliable access to the fuel needed to generate electricity within the ISO-NE transmission grid." The project is among those that could be funded under the order. (See *NH PUC Staff: Northeast Energy Direct Pipeline Would Lower Power Prices*.)

A critic of the move, Massachusetts Attorney General Maura Healey, had argued during the proceeding that the restructuring law limited the regulators' ability to act and questioned their assumptions. "Because of legal concerns with the DPU's proposal and the risk to ratepayers, throughout this proceeding, our office urged the department to fully and carefully analyze the need for additional gas capacity before moving forward with any proposal that requires customers to bear the risk of a large infrastructure project," said Chloe Gotsis, spokeswoman for the attorney general.

This is not the last word from Healey's office. In July she commissioned a study to address the need for additional gas capacity in New England region. The study is expected by the end of the month.

The company producing the study, Boston-based The Analysis Group, has already looked askance at another Massachusetts energy proposal that it says saddles ratepayers with excessive costs. It recently conducted a study for the New England Power Generators Association critical of imported Canadian hydropower. (See *New England Generators: State Interventions Risk Market Development*.)

Entergy Sees Big Gain on Sale of RI Gas Plant to Carlyle

By William Opalka

Entergy has agreed to sell a Rhode Island natural gas-fired power plant to The Carlyle Group for $490 million, a 40% mark-up in less than four years.

Entergy acquired the 13-year-old Rhode Island State Energy Center in Johnston, R.I., from NextEra Energy Resources for $346 million in December 2011. Entergy increased the plant's capacity from 550 MW to the current 583 MW.

"Our strategy for Entergy Wholesale Commodities is focused on being disciplined about reducing risk and freeing up financial resources for other opportunities," Entergy CEO Leo Denault said in a statement. "RISEC has been a very good investment for us, and its sale is consistent with that strategy."

Entergy expects to record a net gain of approximately 50 cents/share assuming closing of the sale occurs in the fourth quarter, it said.

Carlyle insists it is a good deal for it as well.

"RISEC is among the most efficient combined-cycle facilities in New England and is well-positioned to capitalize on strong regional market dynamics. New England represents an attractive market for investment due to its transparency and incentives for reliable generation," Matt O'Connor, Carlyle managing director and co-head of Carlyle Power Partners, said in a statement. "Additionally, the retirement of aging generation in the region is putting a greater emphasis on efficient gas-fired generators, like RISEC, to meet everyday electricity demand."

The purchase is being made through Carlyle's portfolio company Cogentrix Energy Power Management. It increases its power generation portfolio to 18 power plants totaling more than 4,900 MW.

The plant is located in ISO-NE's constrained Southeastern Massachusetts-Rhode Island capacity zone. The zone failed to meet its capacity requirement in February's ninth Forward Capacity Auction, which led to the imposition of administrative pricing well above those of resources that cleared at auction. (See *Prices up One-Third in ISO-NE Capacity Auction*.)

The announcement comes just a few weeks after UBS Global Research downgraded Entergy to sell, based on the prospects for its wholesale commodities unit.

"After the latest disclosures of potential early retirements of Fitzpatrick [838 MW, in New York] and Pilgrim [688 MW, in Massachusetts], we are increasingly concerned about the unregulated plant value," UBS wrote.

Entergy last month said it may close Pilgrim rather than begin expensive repairs required by the Nuclear Regulatory Commission. (See "NRC Downgrades Arkansas One, Pilgrim Nuclear Plants" in *Federal Briefs*.)

NRC twice in recent weeks announced deficiencies in the plant's safety operations. (See "NRC Finds Pilgrim Station's Weather Tower Inoperable" in *Federal Briefs*.)

NYISO News

FERC Grants Exemption for Renewables, Self-Supply in NY ICAP Market

By William Opalka

FERC last week granted renewable energy resources an exemption from buyer-side mitigation rules in New York's installed capacity market, a change it said will help the state comply with federal carbon emission rules. The commission also exempted self-supply resources built by load-serving entities to meet their own ICAP obligations.

But the commission denied a request to excuse demand response and most other resources from the mitigation rules (EL15-64).

In May, the New York Public Service Commission, the New York Power Authority and the New York State Energy Research and Development Authority filed a complaint seeking to limit the application of the buyer-side market power mitigation rules to only new gas- or oil-fired simple and combined-cycle units that are 20 MW or greater — seeking an exemption for resources including renewables, controllable transmission lines, nuclear generators, DR and repowered generators.

FERC ruled Friday that NYISO can no longer apply "buyer-side market power mitigation rules to certain narrowly defined renewable and self-supply resources that have limited or no incentive and ability to exercise buyer-side market power to artificially suppress ICAP market prices."

The complainants argued that wind and solar resources are inefficient tools for exercising buyer-side market power because they require long development lead times and incur much higher development costs. They also said their intermittency and lower capacity factors made it unlikely buyers could drive down capacity market prices.

FERC agreed but said NYISO should set a megawatt cap limiting the total amount of renewables eligible for the exemption. It directed the ISO to make a compliance filing implementing the cap and other changes in the order within 90 days.

The ISO had told FERC that it supports exempting intermittent renewable resources such as wind and solar that are eligible for New York's renewable portfolio standard.

The commission denied exemptions for controllable transmission lines, nuclear plants and repowered plants. It also said the complainants had failed to support their request for a "blanket waiver" for DR.

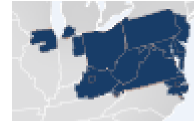
Self-supply resources were allowed within "net-short and net-long thresholds," similar to those the commission previously approved in PJM.

"A well-formulated self-supply exemption will allow a load-serving entity to procure a portfolio that best allows it to manage its assessment of the risks it faces and, as [the Large Public Power Council] contends, eliminates the risk of effectively requiring load-serving entities to pay twice for capacity in the event that a self-supplied resource does not clear the capacity market," the commission said.

Commissioner Colette Honorable issued a concurring statement saying that the ruling will help New York comply with the Environmental Protection Agency's Clean Power Plan.

"It is clear that New York will rely upon renewable resources, in part, to meet future Clean Power Plan emissions standards," she said. "Actions taken by the commission today will support New York's efforts to invest in renewable resources while protecting consumers."

PJM NEWS



FERC Sets Nov. 12 Tech Conference on PJM Tx Planning Rules

By Rich Heidorn Jr.

FERC last week scheduled a technical conference for Nov. 12 to examine how PJM determines whether solutions to local transmission needs should be part of the regional transmission plan and opened to competitive proposals under Order 1000.

It also will examine how the RTO and its transmission owners identify local transmission needs (ER15-1344, ER15-1387).

The commission ordered the conference Sept. 15 in response to PJM's filing seeking approval of the cost allocations for 61 baseline upgrades added to its Regional Transmission Expansion Plan (ER15-1344).

The conference also will address issues raised by rehearing requests filed over the TOs' proposal to change the cost allocation for reliability projects selected in the RTEP solely to address local transmission owner planning criteria (ER15-1387-001).

In March, Dayton Power & Light protested the cost allocation of a $106 million transmission project by Dominion Resources that was included in the 2015 RTEP. The 500-kV Cunningham-Elmont end-of-life project (Project b2582) initially was designated a supplemental proposal, for which Dominion, as the incumbent utility, would bear the full cost.

But after changing its local planning criteria last year, Dominion asked PJM to study the need for the project and received permission to change its designation to baseline, categorizing it as a new line and allowing the company to reduce its costs by more than half. (See *DP&L Protests Dominion Project over New Cost Allocation*.)

A supplemental project is one that is not required for compliance with state public policy or PJM system reliability, operational performance or economic criteria.

PJM: No Policies for Reclassifying Supplemental Projects

FERC issued PJM a deficiency letter in June seeking more information on the RTEP filing.

In its response, PJM acknowledged that there are no provisions in its Tariff, Operating Agreement or manuals that explain how the RTO re-categorizes a supplemental project to a baseline upgrade that is eligible for regional cost allocation. Nor is there any documentation that describes the process by which a transmission owner updates its local planning criteria, PJM said.

In its September order, FERC said that PJM's RTEP filing and deficiency letter response raised issues that could not be resolved based on the record before it.

"Although we are establishing a technical conference, we do not find merit in Dayton's argument for rejecting the cost assignment for project b2582," the commission said. "The record indicates that Dominion followed the appropriate procedures to update its local planning criteria. Specifically, after Dominion presented its proposal to add end-of-life criteria to its individual transmission planning criteria at a PJM Planning Committee meeting, Dominion adopted the proposed criteria in its FERC Form No. 715.

"Thus, Dominion's revisions to its individual transmission planning criteria will not be discussed at the technical conference. Instead, the technical conference will focus on PJM's application of its Order No. 1000-compliant planning procedures, including PJM's process for opening proposal windows."

The commission said the conference also will examine concerns regarding how PJM plans for local transmission projects, including PJM's "process for soliciting, identifying and selecting the more efficient or cost-effective regional transmission solutions for all needs for purposes of cost allocation."

APPA: $7.3B Capacity Performance Price Tag Unnecessary

By Rich Heidorn Jr.

A study released last week by the American Public Power Association estimates that PJM's Capacity Performance rules will increase costs to consumers by $7.3 billion over the 2016-2019 delivery years — a tally in line with PJM's own estimates.

But while PJM says the increased capacity costs will pay off in improved reliability and reduced energy market prices, APPA says the spending is not justified.

"PJM's recent changes are an over-reaction to the 'polar vortex' and address a problem that was largely already addressed by PJM and market participants through various other measures," said Joe Nipper, APPA's senior vice president of regulatory affairs and communications. "As a result, bill-paying consumers will pay a lot more for the same product."

The report was prepared by James Wilson, who also consults for state consumer advocates in PJM. Wilson said that the transition auctions recently held for the 2016/17 and 2017/18 delivery years resulted in $4 billion in additional costs to upgrade 60% and 70% of "base" capacity to Capacity Performance, respectively.

In addition Wilson estimates that the Base Residual Auction for 2018/19, which cleared at $164.77/MW-day, would have cleared at $124.23/MW-day if not for the requirement that 80% of the resources acquired be CP. That, Wilson said, increased the total BRA cost to $10.9 billion, an increase of $3.3 billion. Wilson's quantitative findings are in line with PJM's own calculations.

PJM said the incremental cost of the 2016/17 transition auction was $2.3 billion, slightly below the estimate of $2.5 billion to $3.6 billion PJM and the Independent Market Monitor had predicted in a joint analysis. The increase for 2017/18 was $1.7 billion, PJM said (versus an estimate of $3.1 billion to $4.2 billion).

The RTO said the 2018/19 BRA represented a $3.4 billion increase over the previous year's auction, an amount that is within the $2 billion to $5 billion range PJM and the Monitor had expected. (See *PJM Transition Auction Means Reprieve for Exelon Nukes*.)

Different Conclusions

But while Wilson's math generally agrees with PJM's, he does not agree with the RTO over what ratepayers are getting for their money.

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PJM News

Talen to Sell 3 Pa. Generators for $1.5 Billion

By William Opalka

Talen Energy last week announced the sale of three Pennsylvania power plants for $1.51 billion to help satisfy regulators' demands to divest assets in PJM.

The 704-MW combined-cycle Ironwood plant is being sold to a subsidiary of Calgary-based TransCanada for $654 million. The Holtwood and Lake Wallenpaupack hydroelectric projects, with a combined generating capacity of 292 MW, are being sold to a subsidiary of Quebec-based Brookfield Renewable Energy Partners for $860 million.

FERC had ordered the divestiture when it approved the company's formation from the generation assets of PPL and Riverstone Holdings last year. Talen, which had proposed two divestiture packages, last month offered a third option that included the three plants it is selling in addition to the Charles P. Crane coal-fired plant in Bowleys Quarters, Md. (See *Talen Seeks Change in Divestiture Options*.)

Lake Wallenpaupack, a man-made lake created by PPL in Pennsylvania. The lake, along with the plant, will be sold to a TransCanada subsidiary.

However, the company didn't wait for FERC to rule on the new request. "We had very attractive offers for those three assets and we decided to move forward at this time," spokesman George Lewis said.

"We're not done yet," Lewis added, saying Talen is evaluating offers for the 399-MW Crane plant and six former Riverstone generators in New Jersey that were part of the first two divestiture options.

The transactions announced last week are expected to result in net proceeds of approximately $1.16 billion. Talen said it plans to use the proceeds to retire pre-payable and maturing debt, positioning it for acquisitions outside the Mid-Atlantic. Both transactions are expected to close in the first quarter of 2016, pending regulatory approvals.

In a research note, UBS Global Research said the Ironwood sale was in line with expectations at an enterprise multiple (enterprise value divided by earnings before interest, tax, depreciation and amortization (EBITDA)) of 8.

But the hydro purchase price represented an EV/EBITDA of 18, about $200 million more than Wall Street expectations. "After factoring in tax obligation on the sale, we see the transaction as adding +$2/[share] in value assuming debt paydown," UBS said.

Holtwood hydro plant

Brookfield said the hydro assets were complementary to its 417-MW Safe Harbor facility 8 miles upstream from Holtwood. Holtwood and Wallenpaupack are licensed through 2030 and 2045, respectively.

"These high-quality assets provide a unique opportunity to leverage our operating platform and hydroelectric expertise in a market facing significant coal retirements and increasing reliance on renewables," Brookfield CEO Sachin Shah said.

Including the Talen sale, Canadian companies have agreed to purchase $11.7 billion in U.S. utility and power assets this year, Bloomberg reported.

Analysts say U.S. utility assets are more profitable than those in Canada. If Canadian utilities want to grow, "it's going to be on the acquisition side, and there's a lot more opportunity in the States," Rebecca Hazan, a fund manager at Leon Frazer & Associates, told Bloomberg.

APPA: $7.3B Capacity Performance Price Tag Unnecessary

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"Improved generator performance certainly would have resulted in much lower energy costs during the 'polar vortex' period of extreme cold in early 2014, when very high forced outage rates caused price spikes in the PJM energy markets," Wilson wrote. "However, that very extreme period followed 19 winters during which such extreme cold did not occur, capacity was never scarce during winter and winter energy prices remained low in PJM.

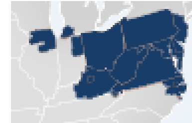
"The polar vortex period revealed accumulated fuel and winterization issues at many plants. Apparently, many of these issues were resolved by the winter of 2015, when performance was much improved. The improved performance in winter 2015 reflects numerous steps taken by market participants and PJM following the polar vortex events, and well before Capacity Performance was approved or implemented.

"So it is unclear that CP is likely to have a substantial incremental impact on future energy prices. The expected value of the incremental impact of CP on future annual energy prices is likely an order of magnitude lower than the estimated impact on capacity cost developed in this report."

"The combination of the changes to the [variable resource requirement] curve and the CP rule changes caused capacity prices in the 2018/2019 BRA to be higher than they otherwise would have been," PJM said in a statement. "However, PJM is confident that the implementation of Capacity Performance has been the right approach to making the grid more reliable and benefiting consumers, and that consumers will, in fact, enjoy substantial benefits in the form of lower energy prices should extreme weather conditions materialize again as they have in the recent past. The results of the annual and transitional auctions demonstrate the market was ready and prices were competitive."

While supply stakeholders are upset over CP's costs, some generators are pushing to relax what they say are unduly harsh non-performance penalties. (See *Generators Seek to Reopen PJM Capacity Performance Rules*.)

PJM NEWS



Operating Committee Briefs

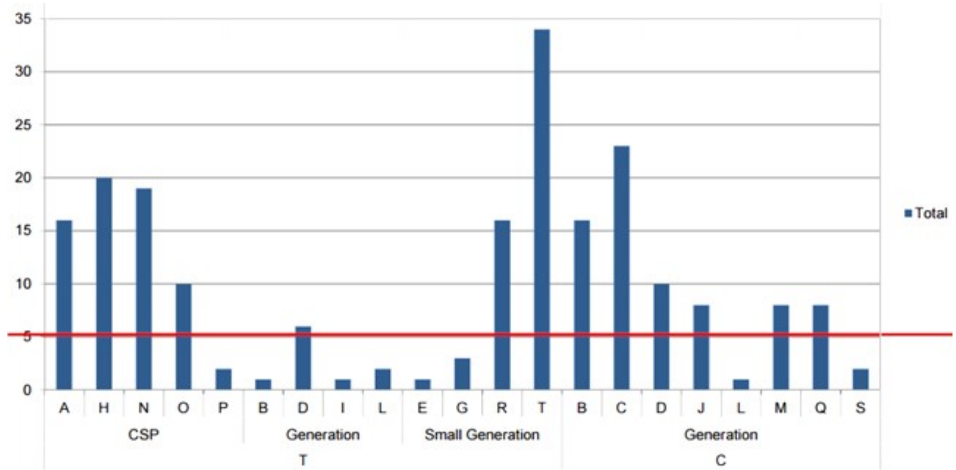
Staff Recommends 27% Winter Weekly Reserve Target

VALLEY FORGE, Pa. — PJM staff is recommending a 27% winter reserve target, the same value adopted last year, as the RTO plans for generator maintenance.

The target is based on unit summer ratings and expressed as a percentage of the forecasted weekly peak load. It is derived from simulations of the 13-week winter period.

In coordinating generator maintenance schedules, operations will seek to preserve a 27% margin after removing planned outages. This margin is a guide and not an absolute requirement.

The Operating Committee will be asked to endorse the target at its Nov. 3 meeting.



Compliance scores (July 31, 2015) *Source: PJM*

PJM Won't Change Transmission Outage Rule; Ups Monitoring

PJM has scrapped a proposed change to rules on long-duration transmission outages over concerns that it may be too restrictive for legitimate outages that cannot be planned in advance.

The current rule — which aims to identify long-term outages for the annual financial transmission rights auction — requires that outages scheduled for longer than 30 days be reported by Feb. 1 of the prior planning year.

PJM had considered amending the rule to also apply to individual outages totaling more than 30 days within an eight-week period.

Instead, PJM will monitor to ensure no one is circumventing the 30-day rule by breaking up long outages into multiple notices, said PJM's Simon Tam.

If activity is detected that appears to go against the spirit of the rule, PJM will work with the transmission owner and enlist the Independent Market Monitor as necessary.

Proposal Aims to Increase Training, Certification Compliance

The System Operations Subcommittee has reached consensus on a PJM proposal designed to increase compliance with training and certification requirements, said Glen Boyle, manager of system operator training. (See "PJM Moves to Tighten Training, Certification Requirements" in *PJM Operating Committee Briefs*.)

Boyle said the subcommittee agreed with a proposal PJM presented at its Sept. 30 meeting that would quantify a company's non-compliance and set an escalating set of responses.

If an operator is out of compliance, the company liaison and its Members Committee representative would be notified. The company's compliance score would be based on a count of operators and months out of compliance.

For example, a company with one operator out of compliance for two months and a second operator out of compliance for three months would have a compliance score of five.

A score of five would trigger a written warning from PJM's legal department. If the company's score remained at five or above the following month, it would be reported to FERC as a violation of the PJM Operating Agreement and Tariff.

PJM also would require that operators who are out of compliance not be permitted to work their shifts.

— Suzanne Herel

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PJM NEWS

Market Implementation Committee Briefs

Tier 1 Compensation Manual Language Approved

The Market Implementation Committee last week approved rule changes implementing a new Tier 1 resource compensation plan that the group endorsed in July. The changes passed with 28 opposed and 16 abstentions.

The policy requires changes to Manual 11: Energy & Ancillary Services Market Operations; Manual 28: Operating Agreement Accounting; Schedule 1 of the Operating Agreement; and Attachment K of the Tariff.

The revisions will go before the Markets and Reliability Committee for endorsement later this month and to the Members Committee in November. The earliest they would take effect is the beginning of next year.

Under the new compensation scheme, Tier 1 synchronized reserve resources will be obligated to respond in emergencies and subject to penalties if they can't.

It retains Tier 1's ability to receive compensation outside of synch reserve events whenever the non-synch reserve market price is more than $0. Units could opt out of the performance obligation, but by doing so they would forfeit any credit they would have received outside of responding to an event.

Estimated Tier 1 megawatts would still be considered when clearing the synch reserve market so that opting out could not be used to withhold supply from the market and drive up prices. (See "Non-Event Tier 1 Credit to Continue, Obligation Added" in *PJM MIC Briefs*.)

Proposal Would Define Non-Summer DR Capacity Compliance

The committee adopted a problem statement and issue charge to develop a method for calculating customer baselines (CBL) to be used in measuring the compliance of demand response capacity resources in non-summer months.

PJM said new methodology is required under Capacity Performance rules to avoid use of an alternate method requiring two months of load data. "This effort is only focused on how to determine the CBL that will be used to determine non-summer capacity compliance," the problem statement said.

The problem statement passed with four abstentions; the issue charge with three abstentions.

Fuel Cost Rules Under Development

The Independent Market Monitor said he is developing more complete and better defined rules for generation owners that offer their gas-fired units based on replacement cost.

Monitor Joe Bowring said the new guidelines are needed in light of the experience of the polar vortex and the upcoming rule changes that will permit offers above $1,000/MWh and hourly changes in offers.

"We are not telling generators how to value the gas they purchase. But whatever method you use, we need to be able to verify, a day later or a month later," he said. "It is critical that verifiable, algorithmic, systematic fuel cost policies be in place to ensure that all gas-fired generators are following the rules when these changes are implemented and that there is no ability to exercise market power."

PJM Reviews Feedback on Disclosure, Confidentiality

PJM officials reviewed feedback on proposed changes to the RTO's rules on confidentiality and transparency.

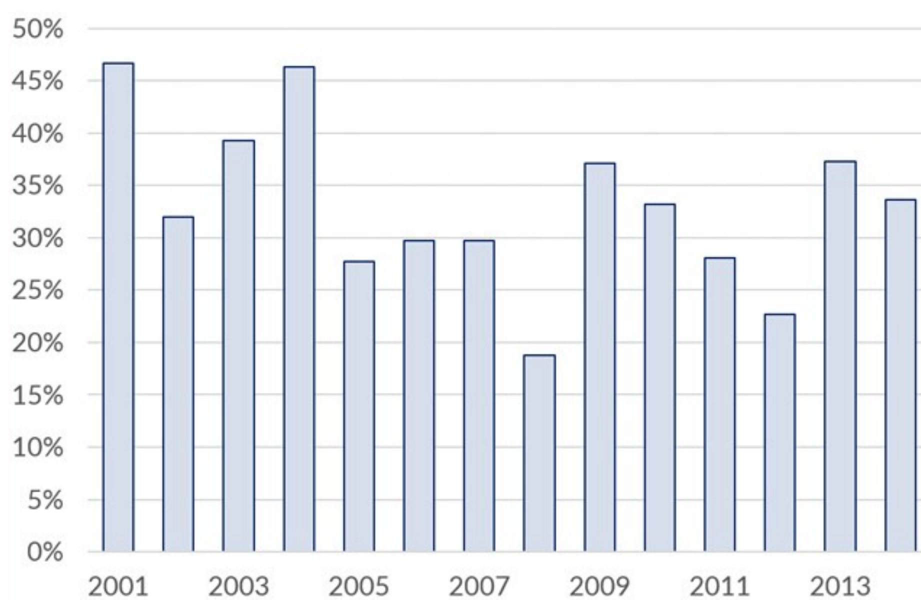
The proposed changes to Manual 33: Administrative Services for the PJM Interconnection Operating Agreement would relax rules barring the release of data such as uplift payments, DR deployments, generator outages and cleared capacity resources. (See *PJM Stakeholders to Study Relaxing Confidentiality Rules*.)

Under the proposed language, certain information on individual generation outages would be released under a two-month lag.

Some stakeholders cautioned against releasing information they said should remain confidential. Others called for release of information on causes of uplift and for posting cleared capacity by zone.

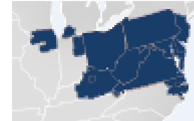
PJM officials plan to revise the manual language further based on last week's discussion. No timeline is set for a vote.

— Suzanne Herel and Amanda Durish Cook



Top 10 generators share of energy uplift credits *Source: Monitoring Analytics*

PJM News



Planning Committee Briefs

IRM, FPR Rising; PJM Methodology Challenged

The Planning Committee last week approved an increase in PJM's Installed Reserve Margin despite misgivings by some who said the rise seemed counterintuitive under the RTO's Capacity Performance program and other efforts to reduce generator outages.

Delivery Year	Recommended IRM		Recommended FPR	
	2015 study	2014 study	2015 study	2014 study
2016/17	16.4%	15.5%	1.0952	1.0896
2017/18	16.5%	15.7%	1.0959	1.0911
2018/19	16.5%	15.7%	1.0883	1.0835
2019/20	16.5%	NA	1.0881	NA

Results of PJM reserve requirement study *Source: PJM*

The Reserve Requirement Study results were endorsed by a 100-2 vote with 35 abstentions. It increased the IRM for delivery year 2016/17 to 16.4% from 15.5% in the 2014 study. IRMs also rose for 2017/18 and 2018/19 (see table).

PJM's Patricio Rocha-Garrido said the increase resulted from changes in capacity and load models as well as a decline in the capacity benefit of ties (CBOT) — the help PJM can expect from imports during peak loads.

The forecast pool requirement (FPR), which determines the amount of capacity procured in the annual Base Residual Auction, also is slated to rise, to 109.52% of peak for 2016/17, up from 108.96%. Rises also are forecast for 2017/18 and 2018/19.

Steve Lieberman of Old Dominion Electric Cooperative said ODEC had too many questions about the methodology to endorse the results. "We don't understand how, with CP and everything that is required of generators, [PJM's analysis] will result in an IRM that's higher," he said.

Carl Johnson, representing the PJM Public Power Coalition, also abstained, saying stakeholders have repeatedly raised similar criticisms of PJM's modeling. With the "fundamental change" in capacity assumptions under CP, "It's probably time for us to undertake a formal process for reevaluating how this is done," he said.

James Wilson, a consultant to state consumer advocates, presented a harsh critique of PJM's methodology, saying there was no reason for planners to increase the IRM or FPR.

Wilson said the results were dictated in part by PJM's "rather arbitrary" choice of the 2003-2012 period for its load model, one of 40 he said it could have selected.

He also disputed planners' claim that PJM's and its neighbors' annual peaks are becoming more coincident. Wilson said PJM's PRISM modeling software treats all of the RTO's neighbors as a single "world," ignoring their diversity.

"PJM is blessed with multiple diverse and substantial neighbors," he said. "We greatly underrepresent the potential assistance from these neighbors."

David "Scarp" Scarpignato of Calpine defended PJM's modeling, saying there were "20 to 30" input assumptions that could increase or decrease the IRM and FPR. "I don't think the supply side has laid out all the counter" arguments, he said.

Scarp said the IRM is based on meeting summer peaks, while CP was designed in response to problems with generators' winter performance, including mechanical failures and access to natural gas.

"Calpine is a large gas generation fleet," Scarp said. "We don't have problems getting gas during the summer. That's not changing because of CP."

Winter Study Criteria, Uplift Added to Planning Manual

Members endorsed PJM's first criteria for reliability studies focused on meeting winter peaks.

The criteria, outlined in Manual 14B: PJM Region Transmission Planning Process, define the winter peak period as 06:00-09:00 and 17:00-20:00 from Dec. 1 through Feb. 28.

The studies will include thermal and voltage evaluations; solutions to identified problems will be developed through the Transmission Expansion Advisory Committee.

The criteria will be effective for baseline studies on Jan. 1 and for interconnection queue requests received after the effective date of the revised manual language. The criteria are scheduled to be considered by the Markets and Reliability Committee on Oct. 22.

Members also endorsed a separate change to Manual 14B, adding energy market uplift payments as an issue to be considered in the planning process when developing transmission upgrades for operational performance.

Task Force to Seek Fix for Late Filings in Interconnection Queue

Members endorsed the charter for the Earlier Queue Submittal Task Force, which will seek new ways to discourage late entries into the interconnection queue.

PJM had instituted an escalating filing fee in an effort to encourage generators to file their interconnection requests earlier, but the change was "complicated and ineffective at dissuading late entry," the RTO said. The influx of 11th-hour entries results in a higher proportion of deficient filings and interferes with planners' ability to start feasibility analyses. (See *PJM to Try Again to Speed Interconnection Filings*.)

The group, which will be facilitated by PJM's Andrew Gledhill, will seek a solution that could be implemented by May 1, 2016.

FirstEnergy Removing Black Oak SPS

FirstEnergy is removing the special protection scheme for the Black Oak 500/138-kV #3 transformer.

The scheme was put in place in 2010 after PJM identified potential overloads with the loss of the Black Oak-Hatfield 500-kV line.

FirstEnergy said the scheme is no longer necessary because of generation retirements, the rerating of the transformer in 2012 and completion of the Trans-Allegheny Interstate Line (TrAIL).

— Rich Heidorn Jr. and Amanda Durish Cook

PJM NEWS

Transmission Expansion Advisory Committee Briefs

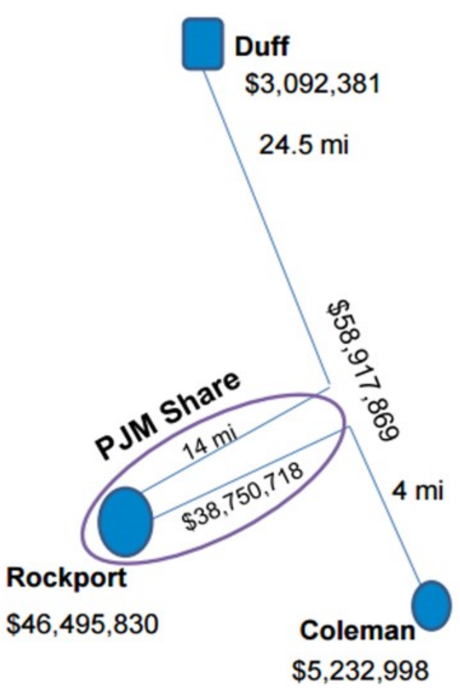
$20M Threshold to be Eliminated from PJM-MISO JOA

PJM and MISO will make a joint filing with FERC later this year to eliminate the $20 million minimum for interregional market efficiency projects, PJM officials told the Transmission Expansion Advisory Committee last week.

The two RTOs indicated their willingness to do so in response to a complaint by Northern Indiana Public Service Co. (EL13-88). NIPSCO, which filed the complaint in 2013 over its frustrations with MISO and PJM's interregional planning process, says nothing much has changed since then. (See *MISO-PJM Cross-Border Projects Still Languishing, NIPSCO Says*.)

In an Aug. 14 filing, PJM and MISO said they would lower or eliminate the $20 million threshold. MISO also said it would inform FERC by the second quarter of 2016 on whether it will eliminate its 345-kV minimum on such projects.

PJM and MISO embarked this year on a search for "quick hit" transmission projects on which they might collaborate to relieve congestion.



Cost sharing for Duff-Rockport-Coleman
Source: MISO

Project Name	Company	Cost	Min. B/C -- All Sensitivities	Congestion Reductions - All Sensitivities			
				AEP-DOM	AP South	Interfaces	RTO Total
201415_1-9A	DOM High Voltage/Transource	$ 300.70	2.09	$ 10.9	$ 138.6	$ 167.9	**$ 184.0**
201415_1-6C	Dominion	$ 39.10	3.46	$ (2.4)	$ 92.3	$ 79.1	**$ 79.8**
201415_1-18E	FirstEnergy	$ 66.00	1.24	$ (14.4)	$ 73.0	$ 73.6	**$ 71.0**
201415_1-6D	Dominion	$ 42.70	2.02	$ (3.0)	$ 55.9	$ 68.5	**$ 66.4**
201415_1-14A	Duke-ATC	$ 51.53	1.35	$ (0.9)	$ 42.9	$ 51.0	**$ 38.4**
201415_1-17C	NextEra	$ 15.70	1.35	$ (24.2)	$ 47.5	$ 39.4	**$ 37.0**
201415_1-17A	NextEra	$ 16.50	1.88	$ (29.8)	$ 48.5	$ 35.0	**$ 29.6**
201415_1-6B	Dominion	$ 25.00	1.48	$ (3.3)	$ 13.5	$ 26.5	**$ 26.2**
201415_1-19G	LS Power	$ 48.60	1.82	$ (9.6)	$ 14.4	$ 22.5	**$ 24.3**
201415_1-19B	LS Power	$ 38.90	1.24	$ (30.3)	$ 25.1	$ 14.2	**$ 16.8**
201415_1-19C	LS Power	$ 41.90	1.92	$ 6.0	$ (58.6)	$ (33.4)	**$ (29.3)**

Previously identified finalists highlighted in blue.

AP South/AEP-DOM project candidates ($ in millions) *Source: PJM*

In a Sept. 3 filing, PJM said the studies found that about three-quarters of the $400 million in cross-border congestion identified was expected to be relieved by regional transmission projects under the MISO and PJM tariffs and that congestion on lower voltage facilities could be eliminated by upgrades costing less than $5 million.

"Reduction or elimination of the $20 million threshold in the [joint operating agreement] and the [345-kV] voltage threshold in MISO's regional process would enable quick-hit projects to qualify as an interregional project," PJM said.

PJM officials said they and MISO officials will make a joint filing to remove the $20 million threshold from their Joint Operating Agreement. MISO would file alone if it decides to eliminate the 345-kV threshold from its Tariff.

AEP to Build Rockport Line as Supplemental Project

American Electric Power will build a 14-mile double-circuit line between its Rockport substation and MISO's Duff-Coleman 345-kV line as a supplemental project in the PJM Regional Transmission Expansion Plan. The project, which is intended to solve stability problems at the substation, will piggyback on MISO's planned Duff-Rockport-Coleman project. (See *MISO Staff Recommends 3 Economic Projects*.)

"We clearly should have gotten involved [in the project planning] much earlier," said Steve Herling, vice president of planning. "MISO was great," he added, noting that MISO delayed its process to allow PJM to conduct its own analyses.

"We've already had a number of conversations with MISO as to how we can be better synched up in the future," Herling said. "We're pretty happy it didn't fall through the cracks. Next time we want to do it in a more formalized way." (See related story, *FERC Sets Nov. 12 Tech Conference on PJM Tx Planning Rules*, p.4.)

Most AP South/AEP-DOM Proposals Clear Sensitivity Tests

All but one of 11 proposals that passed the initial benefit-cost ratio to address congestion in the AP South/AEP-DOM area also show positive benefits under 10 different sensitivity analyses, PJM planners told the TEAC.

The sensitivities included fuel prices (+/- $1/MMBtu), load forecasts (+/- 2%), interface ratings (changes in anticipated project impacts by 20%) and combinations of fuel price and load forecast sensitivities.

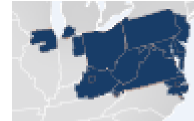
All but two of the projects cleared the 1.25 B-C ratio under all sensitivities and all but one showed congestion savings for the entire RTO. However, nine of the 11 worsened congestion on AEP-DOM alone (see chart).

Planners will continue their analysis by combining components of multiple projects as well as considering projects involving capacitors and reactive devices.

At September's TEAC, planners focused on only six of the projects, which they labeled

Continued on page 10

PJM NEWS



Transmission Expansion Advisory Committee Briefs

Continued from page 9

"finalists." (See Transmission Expansion Advisory Committee Briefs.)

No Market Efficiency Projects to be Accelerated

Planners evaluated six planned market efficiency projects but determined that none of them should be accelerated because the projects are either too large to reschedule or their in-service dates are in the near future. An additional six projects expected to reduce congestion also were ineligible because they are being developed by MISO.

SVCs Recommended to Fix High Voltage in AEP, PSEG

Planners will recommend more than $51 million in upgrades to address high voltages in the AEP and PSEG transmission zones.

The AEP project would involve installation of a 450-MVAR static VAR compensator (SVC) at the Jacksons Ferry 765-kV substation and a 300-MVAR shunt line reactor on the Broadford end of the Broadford-Jacksons Ferry 765-kV line. It is expected to be in service in June 2018 at a cost of $51 million.

Planners also will recommend six shunt reactors on the PSEG system in addition to about 1,500 MVARs of approved reactors and SVCs planned to go in service by 2016. Three devices are required as soon as possible; the other three will be installed in coordination with the Bergen-Linden Corridor 345-kV project. No cost estimate was listed for these projects.

Planners Choose $25.8M AEP Proposal over Cheaper LS Power Option

PJM will recommend AEP's proposed $25.8 million upgrade rather than a $7.4 million proposal by LS Power to address low voltage and overload problems in the AEP zone.

Paul McGlynn, general manager of system planning, said PJM determined that LS Power's proposal to build a new Grassy Creek switching station would be insufficient to address expected load growth driven by shale gas production in the area. The AEP project, due in service by June 2020, is expected to prevent violations for at least 15 years, PJM said.

"We believe [the AEP project] is the better, more robust solution," he said.

LS Power's Sharon Segner questioned why AEP's more expensive project was selected, saying PJM's load growth assumptions are too high. "We want to make sure the right solution is picked, even if at the end of it, AEP takes the idea that we proposed," she said.

Dominion to Spend $273M+ on End-of-Life Projects

Dominion Virginia Power will spend more than $273 million on nine projects to replace aging transmission lines in accordance with its "end of life" criteria, which sets the lifespans for wooden structures, conductors, connectors and porcelain insulators.

The rebuild of the Cunningham-Dooms 500-kV line is expected to cost more than $100 million, with an in-service date of June 2020. Eight other projects, expected to be completed between 2016 and 2019, will total about $173 million.

Exelon Retiring Perryman Unit in BGE

Exelon has decided to retire, rather than repair, its damaged 51-MW Perryman 2 generator in the BGE zone.

Exelon told FERC in April that the 43-year-old oil-fired unit experienced a "severe mechanical failure" in February that would take nine months to repair (ER15-1611).

Exelon said that a portion of a compressor shroud detached, damaging a number of the compressor's components. "In addition to the compressor issue, electrical testing revealed that the unit's generator field and stator windings are in a degraded condition," Exelon said.

PJM planners are conducting a reliability analysis on the retirement request, which was filed Oct. 2. Exelon requested the retirement be effective Jan. 1.

— Rich Heidorn Jr.

PJM: Artificial Island Cost Allocation Appears 'Disproportionate'

Continued from page 1

ince of the PJM transmission owners."

The TOs will be filing their own response to the complaint, PJM said.

In most cases where the DFAX methodology is applied, it reasonably identifies the beneficiaries judging by power flows, PJM said. "For example, a project which fixes a transmission overload in a given region will allow greater flows into that constrained region," it said.

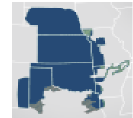
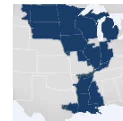
But the Artificial Island project isn't a typical reliability-based upgrade. It's a stability issue that affects the ability to perform maintenance on the connected transmission system from the Salem and Hope Creek nuclear plants. Therefore, system stability, not power flow, was the derived benefit.

PJM said violations requiring such work are rare.

"As a result, in analyzing this matter, the commission should take into account the unique 'as applied' nature of the complaint and not lose sight of all of those instances where solution-based DFAX, for more typical reliability-based violations, renders a result which is 'roughly commensurate' with the intended beneficiaries," PJM said in the filing.

PJM said that regardless of cost allocation, it stood by its selection of the winning proposal, which was "based upon sound engineering judgment which analyzed the submitted projects on the basis of system performance, constructability and cost evaluations." (See PJM Staff Picks LS Power for Artificial Island Stability Fix; Dominion Loses Out.)

SPP/MISO News

MISO, SPP Join in as Arkansas Begins Crafting CPP Compliance Strategy

By Tom Kleckner

NORTH LITTLE ROCK, Ark. — Arkansas environmental and utility regulators began a dialogue with stakeholders on how to comply with the Environmental Protection Agency's Clean Power Plan in an all-day workshop Friday at the state's Department of Environmental Quality headquarters.

ADEQ and the state Public Service Commission gathered with a diverse group that included representatives from MISO and SPP, environmentalists, and trade groups. The group discussed their reactions to the carbon emission rule and how to create an efficient stakeholder process.

"The process is undefined," said PSC Chairman Ted Thomas, "but that's why we're here today."

"Engagement is very important to us," ADEQ Director Becky Keogh said. "We want to engage with as many stakeholders as we can."

ADEQ and the PSC have been charged by Arkansas Gov. Asa Hutchinson with crafting a strategy that takes into account carbon dioxide reductions already underway, maintaining the "remaining useful life" of the state's power plants and "limiting the EPA's opportunities for overreach and encroachment upon the state's rights."

Thomas and Keogh have met in recent weeks with EPA Administrator Gina McCarthy and Janet McCabe, the agency's assistant air administrator. They have also attended meetings in other states to gain additional perspectives.

The state envisions a steering committee leading the strategic effort, with a policy committee and three subcommittees focused on those areas with the most impact: the economy, the environment and the electric grid.

EPA released its final rule in August, giving states until September 2016 to decide whether to submit a final plan or an initial strategy requesting a two-year time extension. States that fail to submit a plan by September 2018 could find themselves under a federally implemented plan.

Arkansas is among the states suing to block the rule, although it saw its CO_2 reduction requirements eased from 44% in the draft rule to 36% in the final. The targets, which must be reached by 2030, are based on a 2005 baseline.

"We moved from a very difficult position to the middle of the pack," Keogh said.

SPP's Lanny Nickell, vice president of engineering, was among those urging the state to consider a request for a two-year delay.

Arkansas energy stakeholders meet in North Little Rock. © RTO Insider

"We respect a state's right to litigate, but we also believe we have to develop something on a parallel path in case the litigation is not effective," said Nickell, who's been leading SPP's CPP compliance effort. "I ask that Arkansas work with us early and often in the process. We have to prepare the grid for whatever happens. The earlier we get some sense of what's being planned, the better off we'll be."

Representing the other RTO in the room, MISO's David Boyd said, "We will try and assist the state in implementing plans, but timing is still a problem. We do see a lot of transmission infrastructure and gas infrastructure [needs] and issues with design and permitting."

Both Nickell and Boyd recommended a regional, trading-ready approach.

"We think carbon trading is a good thing," Nickell said. "Our studies have shown that compliance on a regional basis is more effective than state-by-state. If you have to do something, it's a good way to go, and trading ready helps."

"Think millions of dollars being on the table," Boyd said. "If you want to be part of a liquid market, you need a partner to trade with."

The group also discussed the CPP's mass-based and rate-based alternatives. Rate-based goals represent CO_2 emissions per unit of generation, while mass-based represents the total metric tons of CO_2 emitted by affected sources for each state.

Nickell said SPP is still evaluating the two alternatives, but, he said, "It appears a mass-based approach seems less complex."

"We want to keep our options open and let the markets tell us what energy prices will be moving forward," Thomas said.

Business and industrial interests repeated their criticism of EPA and the rule. Andrew Parker, director of governmental affairs for the state's Chamber of Commerce, said the rule exceeds EPA's legal authority and

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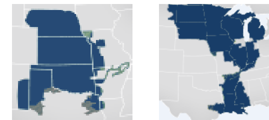
"Three words: Ouch. Stop. Enough!"

Brent Stevenson, Arkansas Forest Paper Council

SPP/MISO News



SPP Staff Recommends 1 of 3 Interregional Projects; MISO Says 'No'

By Tom Kleckner

> **"MISO can act or decide not to act. That will be a decision if MISO decides not to make a recommendation at all."**
>
> **David Kelley, SPP**

SPP staff will urge the Markets and Operations Policy Committee this week to recommend approval of just one of three interregional projects coming out of the SPP-MISO coordinated system plan (CSP) study. But even that project is a long shot because MISO has already decided against it.

SPP's Brett Hooton told the Seams Steering Committee last week that staff is recommending approval of only the $18.5 million South Shreveport-Wallace Lake rebuild, an 11-mile, 138-kV project addressing area congestion. SPP says the project has a benefit-cost ratio of 11.86, assuming it pays 20% ($3.7 million), with the remainder paid by MISO.

Hooton said staff does not recommend the other two interregional projects evaluated as part of a regional review: the Alto-Swartz series reactor and the Elm Creek-NSUB 345-kV transmission line. He said both could be reevaluated in a future regional or interregional study.

Complicating matters, however, was MISO's announcement before its Planning Advisory Committee last month that it would not recommend any of the three projects for approval to its board. Staff told the PAC it found all three projects' costs outweighed the calculated benefits. MISO said the project showed a benefit-cost ratio of 0.86. (See "No Go for MISO-SPP Interregional Projects" in *MISO Planning Advisory Committee Briefs*.)

The two RTOs face a December deadline to come to agreement on the interregional projects, though the current six-month window can be extended. MISO's Board of Directors meets Dec. 10 and will take up staff's recommendation on the interregional projects at that time.

"MISO can act or decide not to act," said David Kelley, SPP's director of interregional relations. "That will be a decision if MISO decides not to make a recommendation at all."

Hooton told the SSC that MISO staff has been invited to present its study results at the Oct. 22 meeting of SPP's Economic Studies Working Group, which has also endorsed the South Shreveport-Wallace Lake project. A MISO spokesperson said the RTO would participate in the conference call.

SPP's review of the three projects took into account modeling updates since the CSP's initial approval. These included transmission projects approved in January, updated generator information based on the 2017 Integrated Transmission Planning 10-year assessment and a new 500-kV MISO project to serve added industrial load in southern Louisiana.

MISO is evaluating alternatives to the Alto series reactor project for resolving local area congestion and reliability and transmission service needs in the market congestion planning study.

South Shreveport-Wallace Lake 138-kV rebuild *Source: SPP*

SPP Adds TO Members, Tie Lines with Integrated System

The Oct. 1 addition of the Integrated System has more than doubled SPP's tie lines, from 233 to 498.

With the IS, SPP is now responsible for both DC ties from the Eastern Interconnection to ERCOT and seven DC ties to the Western Electricity Coordinating Council.

In addition to the system's three main entities — Western Area Power Administration-Upper Great Plains, Basin Electric Power Cooperative and Heartland Consumers Power District — SPP added Basin Electric members Corn Belt Power Cooperative, East River Electric Power Cooperative and Northwest Iowa Power Cooperative.

Also coming aboard as TO members were NorthWestern Energy, Missouri River Energy Services and Harlan Municipal Utilities.

SPP now has 30 TO members. On Jan. 1, it will add two more when it picks up Basin Electric members Tri-State Generation and Transmission Association Cooperative and Central Power Electric Cooperative.

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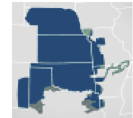
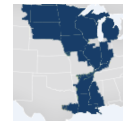
SPP/MISO News





MISO, SPP Join in as Arkansas Begins Crafting CPP Compliance Strategy

Continued from page 11

warned of significant cost increases to consumers, "especially the elderly, poor and others on fixed incomes."

Jordan Tinsley, counsel for the nonprofit Arkansas Electric Energy Consumers, complained that the rule would result in stranded assets.

Lanny Nickell, SPP, (left) and David Boyd, MISO. © RTO Insider

"They are requiring us to demolish our trusty pickups that we've taken good care of all these years. They won't let us trade them in, but we have to go out and buy a shiny Lamborghini," he said. "We think it will be very bad policy to get rid of our functional, efficient [generators], without regard for lower-cost alternatives."

Brent Stevenson, executive director of the trade group Arkansas Forest Paper Council, took a more bombastic approach.

"Three words," he said, pausing before thundering, "Ouch. Stop. Enough! "There's a cost to the EPA's rules. Energy is one of the top three costs in our industry, along with labor and materials. Guess where we make up those costs? [The CPP] costs me money, it costs North Little Rock money, it costs the people of Arkansas money. We believe this rule should be struck down by the courts, but we're not confident that will happen."

Sierra Club of Arkansas Director Glen Hooks took an opposing viewpoint.

"We view the CPP as an opportunity," he said. "If we do it properly, we can seize the opportunity in a way that benefits Arkansas and its environment and citizens."

Or, as Keogh said, paraphrasing the late Yogi Berra, "When we reach the fork in the road, we'll take it."

SPP Staff Recommends 1 of 3 Interregional Projects; MISO Says 'No'

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Tx Project Proposals Increase with Order 1000

SPP has seen a large increase in the number of transmission project proposals as a result of FERC Order 1000.

The RTO received more than 1,700 detailed project proposals in its last planning cycle as a part of its transmission-owner selection process, which allows for competitive bidding on certain transmission projects. SPP normally sees 300 to 400 proposals a cycle, according to Ben Bright, SPP's manager of regulatory processes.

Bright told the Transmission Planning Improvement Task Force last week the sudden increase "creates a lot of churn and staff time," but that SPP is working to improve the submittal forms and discussing other options to streamline the process.

He said working with states on individual right-of-way issues has also added to staff's workload.

"We're expecting even more [proposals] this cycle," Bright said.

MISO, Big Rivers, Century Aluminum Reach Settlement in SSR Dispute

By Amanda Durish Cook

MISO, Big Rivers Electric Corp. and Century Aluminum have reached a settlement over the disputed system support resource agreement for Big Rivers' Coleman plant in Hawesville, Ky. The settlement was submitted for FERC approval Oct. 6 (ER14-292, ER14-294).

MISO filed the SSR agreement in November 2013 to keep Coleman units 1-3 running for reliability. In December 2012, Big Rivers had asked to shut down the three boilers due to the loss of its power purchase agreements with a Century Aluminum smelter, the utility's largest customer.

MISO won FERC approval to terminate the SSR after eight months, saying a special protection scheme and a service agreement between MISO and Century for reliability coordination service rendered it unnecessary.

Coleman power plant *Source: Big River Electric Corp.*

Under the settlement, MISO will charge Big Rivers $25,000, with 99.5% of that amount credited back to Big Rivers and the remaining 0.5% credited to Southern Indiana Gas and Electric Co.

Under separate bilateral agreements, Big Rivers will allocate its credit — $24,875 — to Century Aluminum.

Century agreed to drop its claims regarding the SSR agreement other than its "ability to petition … for the development and construction of transmission upgrades as a feasible alternative to future SSR agreements [and] claims arising out of the prioritization of Century's entitlement, if any, to amounts paid by MISO to Big Rivers in connection with the Coleman SSR agreement under separate bilateral agreements."

COMPANY BRIEFS

Duke Razes Retired Coal-Fired Plant

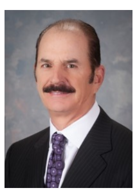
The powerhouse at Duke Energy's retired Cliffside Steam Station in Mooresboro, N.C., came down in a cloud of dust last week, the latest demolition Duke has conducted to modernize its generation fleet.

The coal-fired station went into service in 1940, and units 1 through 4 were retired in 2011. Units 5 and 6 are coal-fired units equipped with modern scrubber technology and still operate as part of the James E. Rogers Energy Complex.

See a video of the powerhouse implosion here.

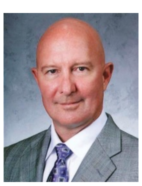
More: *Duke Energy*

Entergy Execs Announce 2016 Exits



Savoff

Entergy Executive Vice President and Chief Operating Officer Mark Savoff and Executive Vice President and Chief Nuclear Officer Jeff Forbes announced coordinated retirement dates last week.



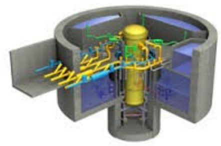
Forbes

Both executives plan to shift to advisory roles on Nov. 1 before retiring in 2016's first quarter. At that time, Tim Mitchell, Entergy's senior vice president of nuclear operations, will be named acting chief nuclear officer. In an executive restructure, the chief nuclear officer will directly report to Entergy Chairman and CEO Leo Denault. Mitchell will also be a candidate in Entergy's search for a permanent chief nuclear officer.

Savoff and Forbes joined Entergy in 2003 and oversaw the transition of Entergy's transmission system to MISO in 2013.

More: *Entergy*

DTE, GE Working on New Economic BWR Design



DTE Energy is teaming up with GE Hitachi to design a new type of boiling water reactor. While others are working on smaller, modular designs, the two companies are working on advancing the first-ever Economic Simplified Boiling Water Reactor (ESBWR).

The ESBWR incorporates passive safety systems, including a reactor that can cool itself for more than seven days without backup power or any human input. DTE has already received licensing from the Nuclear Regulatory Commission for the ESBWR.

The company said it has no current plans to start construction but said it is "keeping the option open, given the long-term environmental and economic advantages of nuclear power." Dominion Virginia Power has selected the new design for a possible third reactor at its North Anna site in Virginia.

More: *Nuclear Street*

Alliant Eyes Boosting Solar Capacity by 50%

Alliant Energy subsidiary Interstate Power & Light in Iowa is planning to increase its total solar energy capacity by 50%, according to a recent request for proposals.

The company said it is looking to develop solar projects of between 1 and 10 MW. It currently purchases about 22 MW of solar capacity from about 1,650 customers in its service territory.

Alliant said the plan is unrelated to an Environmental Protection Agency air emissions settlement that calls for it to spend $6 million on environmental mitigation projects, which could include solar generation.

More: *DesMoines Register*

Xcel Energy to Accelerate Minnesota Wind, Solar Investments

Xcel Energy says it will reduce its greenhouse gas emissions in Minnesota by increasing wind and solar power investment and replacing two coal-burning generators with a natural gas-fired unit in the mid-2020s.

The plan, submitted to state regulators, would reduce carbon dioxide emissions in the Upper Midwest 60% by 2030 compared with 2005 levels. Until now, Xcel had aimed for a 40% reduction over that period.

Two of the three coal-fired units at Xcel's Sherco power plant — Xcel's largest in the region — would be retired in 2023 and 2026 under the plan. The two units, built in the 1970s, would be replaced by a new power plant fueled by natural gas.

More: *Minneapolis Star Tribune*

PSEG Combined-Cycle Project To Deliver Power by Summer 2018

Construction on PSEG Power's 540-MW Sewaren 7 combined-cycle project is expected to begin next year at an existing power station site in Woodbridge, N.J.

The $600 million dual-fuel gas-turbine facility is set to deliver power to the PJM market for the summer of 2018.

The project was finalized after clearing the Base Residual Auction in August.

More: *Black & Veatch*

Line Replacement Has Wisconsin Residents Worried

Residents in Onalaska, Wis., are concerned over Dairyland Power Cooperative's planned replacement of a 65-year-old 161-kV line.

Dairyland, which is based in La Crosse, has been working nearly a decade to replace the 9-mile stretch of line connecting power plants in Alma and Genoa to the grid, and designs are not yet ready, in spite of a late 2016 start date. The cost of the project is calculated between $7 million and $8 million. Other transmission lines in the area

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have been rebuilt recently or are in the process of replacement.

Residents are worried that the new line, which will carry twice the electricity at the same voltage, will increase exposure to electromagnetic radiation. Dairyland says raising the wires will mitigate exposure.

More: *LaCrosse Tribune*

NuScale Seeking British Partners For Modular Reactor Design

NuScale Power, a U.S. company developing a small modular reactor with the help of a $217 million Department of Energy grant, is looking for a partner to help make the design a reality in the United Kingdom.

The company, mostly owned by Fluor Corp., is distributing a prospectus in the U.K. seeking a partner in what it says is a chance to get a piece of the $612 billion nuclear market by 2035.

NuScale's design is on track to come up for U.S. certification next year, and the company says it expects to receive U.S. regulatory approval in the early 2020s. It is currently developing a test model in Idaho, using technology that can be customized for scale, allowing deployment in series, with up to 12 small reactors totaling about 600 MW.

More: *Nuclear Street*

Indiana's Rising Power Prices Drive Pushback

Northern Indiana natural gas and electric provider NIPSCO has asked state regulators for an 11.5% hike in residential electric rates. Indiana's industrial utility customers are protesting the request.

Joseph Hamrock, CEO of NiSource, parent company for NIPSCO and utilities in six other states, said the increases are needed to fund plants, poles and wires that serve as fail-safes even in light of new generating technologies.

More: *NWI Times*

South Field Energy to Build 1,100-MW Nat Gas Plant in Ohio

South Field Energy announced plans to build a $1.1 billion, 1,100-MW natural gas-fired power plant in Columbiana County, Ohio.

South Field and other companies are taking advantage of the cheap gas being produced at Utica Shale fields in the state. It is the sixth natural gas plant under construction in Ohio, according to the *Akron Beacon Journal*.

Construction would start in 2017, and the plant should be operational by 2019. South Field is also building an $899 million gas-fired plant in Carroll County.

More: *Akron Beacon Journal*

Ameren Increases Quarterly Dividend by 3.7%

Ameren increased its quarterly dividend on common stock, from 41 cents/share of common stock to 42.5 cents, an increase of 3.7%. The common share dividend is payable Dec. 31 to shareholders of record at the close of business on Dec. 9. The company's board of directors also declared quarterly cash dividends to all classes of Ameren Missouri stock and all classes of Ameren Illinois preferred stock.

More: *Ameren*

Federal Briefs

Now a Lobbyist, Ex-Sen. Landrieu Lands Coal Company as 1st Client

Landrieu

Former Louisiana Sen. Mary Landrieu, now a lobbyist, has signed her first client: FutureGen Alliance, the company behind a currently failed clean-coal project.

FutureGen Alliance is a coalition formed to research and develop a coal-fired power plant that would capture carbon dioxide and entomb it underground. Its Illinois project, FutureGen 2.0, received millions of dollars in government stimulus support but never got off the ground after Illinois lawmakers declined to finance the additional $1.7 billion it said it needed. The Department of Energy has since withdrawn its support.

While environmental groups applauded its death, Illinois Sen. Dick Durbin was sorry to see it go. "This is a huge disappointment for both Central Illinois and supporters of clean-coal technology," he said at the time.

More: *The Hill*

Obama Appoints EPA Strategist To Run Climate Change Campaign

Thomas Reynolds, a top Environmental Protection Agency communications strategist, has been named to a new White House position and will run the Obama administration's climate change agenda.

Reynolds is seen as an aggressive communications strategist and is the architect of EPA Administrator Gina McCarthy's nationwide tour to promote the agency's new climate rules. He has also directed the energetic social media campaign around the Clean Power Plan.

Before signing on with EPA, Reynolds was a regional media director for Obama's 2012 re-election campaign.

More: *The New York Times*

Gas Surpasses Coal as Generator for 2nd Time

The U.S. Energy Information Administration said that in July, for the second time ever, more power was generated by natural gas-fired plants than by coal-fired plants in the U.S. The administration said that natural gas-fired plants generated 35% of U.S. power in July, compared to 34.9% from coal.

Compared to the same period a year ago, coal fell from 150 billion kWh to 139 billion kWh. Natural gas generation increased from 114 billion kWh to 140 billion kWh. The report said natural gas generation has been increasing its share because of the abundance of low-cost shale gas, in addition to more stringent federal emission regulations affecting coal-fired plants.

The first time natural gas edged out coal-fired generation was in April.

More: *FuelFix*

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Federal Briefs

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Fed Court Rules Obama's Waterway Protection Bid Can't be Enforced

A U.S. Court of Appeals in Ohio ruled Friday that the Obama administration's regulation to protect small waterways from pollution cannot be enforced throughout the country. A 2-1 majority decided the "Waters of the United States" rule is likely illegal and stayed rule so it can be reviewed.

"We conclude that petitioners have demonstrated a substantial possibility of success on the merits of their claims," the judges wrote in their decision, explaining that the Environmental Protection Agency's guidelines run counter to an established Supreme Court ruling. The appeals court said a stay would be appropriate and provide an opportunity to review the jurisdictional issues.

"A stay allows for a more deliberate determination whether this exercise of executive power, enabled by Congress and explicated by the Supreme Court, is proper under the dictates of federal law," the court said. The decision comes after a North Dakota judge in August issued a similar ruling.

More: *The Hill*

FERC OKs Work Start On Algonquin Expansion

FERC last week gave Spectra Energy permission to begin construction on a project to expand the Algonquin Pipeline into the Northeast. The agency approved a construction start on the AIM portion of the project, a 37-mile section that will run under the Hudson River and into Connecticut, along with two compressor stations.

The pipeline, which will eventually connect Connecticut, Rhode Island and Massachusetts, is designed to deliver additional natural gas into a region that experienced winter shortages due to pipeline constraints.

More: *Peekskill-Cortlandt Patch*

DOE: Solyndra Filed Misleading Reports in Bid for Loan

Solyndra, the failed California thin-film solar company, provided misleading documents when applying for a Department of Energy loan guarantee, according to a department report.

The investigation found that Solyndra "provided the department with statements, assertions and certifications that were inaccurate and misleading, misrepresented known facts and, in some instances, omitted information that was highly relevant to key decisions in the process to award and execute the $535 million loan guarantee."

The report also noted that department employees who approved the loan didn't conduct sufficient due diligence. Solyndra shut down in 2011, leaving the federal government on the hook for the unpaid loan.

More: *CleanTechnica*; *Department of Energy*

House Passes Bill to Speed Up Tribal Energy Projects

The House of Representatives approved a bill that would streamline the federal permitting process for energy projects on tribal lands. The White House and many Democrats oppose the bill, which the Office of Management and Budget said would undermine the energy permitting process by removing federal oversight.

The bill, introduced by Rep. Don Young (R-Alaska), cuts back on the permitting procedure for leases signed for energy projects on Native American land. Currently, the Department of the Interior reviews each lease signed by a tribe with an energy company.

"We are doing an indirect thing to allow them to ... expand their self-worth and keep their identity," Young said.

More: *The Hill*

National Grid Finds Nobody In Favor of Liquefaction Plant

A FERC-sponsored comment session on National Grid's plan to build a $100 million methane liquefaction plant in Rhode Island attracted many commenters, but none who support the project.

The plant, proposed for a site in southern Providence, is before FERC for a permit. The comment session drew about 100 spectators, and 33 spoke out against the project. FERC is also accepting written comments on the project.

More: *Rhode Island Future*; *Rhode Island Public Radio*

State Briefs

CANADA

Inuit Association Seeks Nunavut Interconnection to Manitoba System

The Kivalliq Inuit Association says connecting its remote electric grid in the far northern, and sparsely populated, territory of Nunavut to Manitoba's hydroelectric power would be a win for the region, despite the estimated $904 million cost.

An engineering study commissioned by the association said that construction of a transmission line from Churchill, Manitoba, up the western Hudson Bay coast would allow Nunavut to replace costly diesel generation with Manitoba hydroelectric power. The project would save $40 million a year and pay for itself over the course of its 40-year lifespan.

"Ever since I've been elected I've been pushing for this," said Joe Savikataaq, Arviat-South member of the Legislative Assembly of Nunavut. "Our power plants are aging and the amount of diesel our communities can hold has to be expended."

More: *Nunatsiaq News*

ILLINOIS

ComEd Project Aims to Boost Use of Demand Response

A pilot project in Chicago aims to demonstrate that demand response can be a year-round resource able to compete in PJM's capacity market.

The Combined Capacity Asset Performance Project will combine renewable energy like wind and solar with the DR capability of

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several Chicago buildings. It is being led by PJM, the Environmental Defense Fund, the Accelerate Group and the Citizens Utility Board.

Under previous market rules, suppliers of DR could choose to participate only in the summer months. New PJM rules require that resources be able to respond whenever there is a critical need.

More: *Smart Grid News*

INDIANA

Suburu Blames High Power Prices for Advantage Loss

Automaker Subaru says that the state's increasing power prices are causing its Lafayette assembly plant to lose its competitive advantage.

Industrial electricity prices in the state have risen 75% between 2003 and 2015, about twice the national rate, according to U.S. Energy Information Administration data. The state had the fifth lowest industrial electricity prices in the nation in 2003, but today 25 states offer lower pricing.

The Indiana Energy Association blames the rise in the state's industrial electric rates on federal environmental regulations, which have hit the state's coal-fired power generators. Industrial leaders are pressuring policymakers to allow for the increased use of on-site cogeneration.

More: *NWI Times*

IOWA

Renewable Tax Credits Sitting Idle in Developers' Hands

Renewable energy developers are failing to build many projects for which production tax credits have been set aside, according to Midwest Energy News.

A study of Utility Board records shows that 113 proposed wind projects were assigned the production tax credits but were never constructed. The study showed that 37 of those were approved in 2009 but received repeated 12-month extensions. Nineteen other proposed wind projects were on standby because the tax credits had already been assigned.

"There are a few projects that I think are ready to go, and are on the waiting list, and projects ahead of them may never be built," said Nathaniel Baer, energy program director for the Iowa Environmental Council. Baer called for "a fresh look" at the projects if they haven't been built years after getting awarded the credits.

More: *Midwest Energy News*

KANSAS

Kansas Municipal Utilities To Open Training Center

Kansas Municipal Utilities broke ground last week on a $3.2 million workforce training center in McPherson. The center is due to open in June 2016 and is the only one of its kind in a multistate area.

The project is answering the call from Kansas Municipal Utilities' 176 members, which have aging workforces. The training center would not serve rural electric cooperatives or investor-owned utilities.

More: *The Salina Journal*

MISSISSIPPI

State Regulators Weigh Rooftop Solar Panel Rules

The Public Service Commission is exploring whether to allow net metering. The state is one of five that do not require utilities to buy surplus power produced by customer generators.

At a two-hour hearing last week, supporters of the proposed net-metering rules say they would benefit all utility customers, while utilities expressed concern that the rules would shift costs to non-producing customers. State regulators are also considering whether it has the authority to order member-owned cooperatives to abide by net-metering rules.

Commissioners extended the comment period, and it's not clear when they will vote on the issue, which they've been considering since 2011.

More: *Associated Press*

MISSOURI

State Energy Plan Calls for Wind Incentives, More Renewables

The state's new Comprehensive State Energy Plan, released last week during the Midwest Energy Policy Conference in St. Louis, recommends adopting a building code, requiring power companies to offer efficiency programs and boosting the amount of renewable energy utilities have to offer their customers.

Gov. Jay Nixon launched the effort last year. The Division of Energy has spent more than a year meeting stakeholders. What emerged is a plan calling for incremental changes that will give the state time to adapt.

The Division of Energy says the plan is unrelated to efforts to comply with the federal Clean Power Plan. The plan does offer dozens of policy recommendations on everything from better energy education to complex changes in utility regulations.

More: *St. Louis Post-Dispatch*

NEBRASKA

Keystone XL Launches New Attempt for Approval

TransCanada, the company seeking to build the Keystone XL Pipeline, is withdrawing its eminent domain claims on the land it planned to use for the pipeline and will instead go to the state's Public Service Commission for route approval.

The company's decision came on the eve of the state trial on the eminent domain issue, which was scheduled to start Oct. 19. Even if it had prevailed in state court, TransCanada would have still had to get approval from the PSC to go forward.

"The writing's kind of on the wall," said University of Nebraska law professor Anthony Schutz. "The prospect of losing was significant enough that they probably looked at the tea leaves and said, 'Why don't we just go forward with that process now?' "

More: *Associated Press*

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STATE BRIEFS

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Local Power Providers Challenge NPPD Rates

Facing a shortfall to pay for retirement benefits, Nebraska Public Power District is asking its biggest wholesale customers for more money. However, 10 local power districts and cities are speaking out against a proposal they say is discriminatory, unfair and even outlandish.

NPPD says it needs $25 million more a year to address a shortfall in its retirement fund. It is asking for a 3.85% increase in the wholesale rate. However, those that sign a new contract will get a discount, so their increase would be just 0.6%.

A handful of cities and power districts are abandoning the public power supplier and shopping for electricity from other producers, which NPPD CEO Pat Pope says he did not anticipate.

More: *NTV-TV*

NEW HAMPSHIRE

Hassan Declines to Reappoint Consumer Advocate


Hassan

Gov. Maggie Hassan will not reappoint Susan Chamberlin, the incumbent consumer advocate on utility issues. Opponents of a Kinder Morgan natural gas pipeline project, who see her as an ally in proceedings before the Public Utilities Commission, are upset by the move as well as delays in finding her replacement.

State officials have known since July that Chamberlin, whose term expires Nov. 5, was not likely to be reappointed. "The dismissal of one of the most powerful advocates for New Hampshire residents, and the significant delay in nominations for a replacement, is a telling lack of concern for all of New Hampshire ratepayers," said Maryann Harper, a spokesperson for the Pipeline Awareness Network of New Hampshire.

The decision regarding Chamberlin was the result of a review in which the committee received confidential, anonymous feedback from managers, peers and direct reports that were not favorable enough to lead to a reappointment.

More: *New Hampshire Union Leader*

Kinder Morgan Pipeline Route May Change

Kinder Morgan announced Thursday that it is exploring a modification to the proposed Northeast Energy Direct pipeline route in Merrimack. Barry Duff, project manager, said the company met with officials from two businesses about some newly proposed amendments.

"I am happy that the businesses are being listened to," said Jody Vaillancourt, Town Council member. However, she maintained the community is at a huge disadvantage because new modifications are being introduced in the final hours.

Kinder Morgan said the original route was amended and moved farther to the east to minimize impact to a nearby school and to avoid conservation land.

More: *New Hampshire Union Leader*

NEW MEXICO

PNM, Attorney General's Office Refute Manipulation Claims

Public Service Company of New Mexico and the state's Attorney General's Office are challenging an advocacy group's allegations that PNM manipulated numbers to justify the company's plans for the coal-fired San Juan Generating Station. PNM proposes to close two of the plant's four coal-fired units and replace the lost capacity from other sources, including coal-generated power from another unit at the plant.

David Van Winkle, an expert for Santa Fe-based New Energy Economy, last month filed written testimony claiming PNM significantly understated the size of rate increases the utility would seek during the next 20 years if the state's Public Regulation Commission approves its plan.

PNM's Patrick O'Connell last week filed a response that said the consultant's "derogatory and inflammatory accusations about PNM's alleged manipulation of data to achieve a 'predetermined' result are totally false." Andrea Crane, a consultant from The Columbia Group, a Connecticut-based firm specializing in utility regulation that is contracted with the Attorney General's Office for cases involving utilities, also filed a rebuttal last week.

More: *The Santa Fe New Mexican*

NEW YORK

Long Island Officials Challenging PSEG Rate Increase

Elected officials are asking for a halt to PSEG Long Island's rate increase hearings, saying the rate case is flawed because of "constitutional and contractual" concerns.

The request comes a week after the Long Island Power Authority tentatively approved a $325.4 million rate increase. The increase still needs a final vote. In a letter to the state Department of Public Service, 12 Long Island Republican state assemblymen contend that there is "no true oversight" over PSEG and that the LIPA board lacks "objectivity and expertise."

PSEG, which originally sought a $387 million increase, said it followed the rate increase request process dictated by the 2013 LIPA Reform Act.

More: *Newsday*

NORTH CAROLINA

Advocacy Group Testing Duke's Solar 'Monopoly'

NCWARN, a solar advocacy group, installed a solar facility atop a Greensboro church and is selling the power directly back to the church, bypassing area utility Duke Energy. The move is intended to create a test case for state regulators.

The organization says it entered into a three-year contract to sell the power directly to the church as a way to spur a ruling on what it sees as Duke's monopoly on direct sales to customers. Current law requires the owners of a solar facility to either use the power themselves or sell directly back to the area utility.

NCWARN earlier this year built a 5.2-kW solar project on the roof of Faith Community Church and signed a three-year agreement to sell the power back for 5 cents/kWh, about half the rate charged by Duke. NCWARN is asking the state Utilities Commission to rule that the three-year arrangement is legal.

More: *Charlotte Business Journal*

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STATE BRIEFS

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OHIO

Staff: PUCO Should Reject AEP Profit-Guarantee Plan

Public Utilities Commission staff have recommended that the commission reject American Electric Power's proposal that would guarantee profits at some of its power plants.

"Staff recommends that the commission deny the [proposal] as it is currently proposed," said Hisham Choueiki, a senior energy specialist for PUCO. "However, it is possible that the [proposal], if properly conceived, may be in the public interest."

Last month, staff recommended that the commission reject a similar proposal from FirstEnergy. AEP has said its plan will help to reduce volatility in electricity pricing and preserve jobs at power plants that may otherwise close.

More: *The Columbus Dispatch*

OKLAHOMA

State is Likely to Meet Stricter Ozone Regulations

The state is expected to comply with the Environmental Protection Agency's recently unveiled tighter limits for ground-level ozone. Officials were still studying the new standards, but the Department of Environmental Quality said the state likely would fall under a three-year period that includes monitoring data from 2014-2016.

Based on monitoring data from 2013 and into 2015, all counties would meet the new standard of 70 parts/billion, said ODEQ spokeswoman Skylar McElhaney.

Bud Ground, environmental and regulatory affairs consultant with the Oklahoma Oil and Gas Association, said the new limits could put Oklahoma City and Tulsa counties closer to non-attainment status and wouldn't leave much room for variation in years with hot summers, nor would it account for smog coming over the border from Texas.

More: *The Oklahoman*

TEXAS

Coal Plant Battles Local Tax Appraisal District

Goliad County has set aside tax revenue collected in 2014 from Coleto Creek Power because the power company is embroiled in a lawsuit with the county's tax appraisal district. The company is challenging the plant's tax valuation. It was assessed at $353.7 million in 2014 and $403.9 million this year.

Coleto Creek Power claims that the 35-year-old coal-fired plant "has faced dramatic adverse developments" due in part to a newfound abundance of natural gas at low prices. The 632-MW plant also has to contend with stricter emissions requirements and is spending more to transport coal from Wyoming to Texas because a railroad agreement has expired.

Legislation that became effective Sept. 1 requires counties to repay tax revenue back with 9.5% interest, according to the county judge. The next court date is in May.

More: *Victoria Advocate*

Hearing Requests Withdrawn For North Texas Gas Plant

Van Alstyne residents have withdrawn their requests with the Commission of Environmental Quality for a formal hearing of a proposed Navasota Energy power plant.

In September, some residents named themselves as affected parties of Navasota Energy's plans to build just outside the town's city limits. That would have required Navasota officials to secure an air-quality permit from TCEQ.

A TCEQ spokesperson said that because the affected parties had withdrawn their requests, the commission now anticipates the matter will come back to the commission as uncontested.

More: *Sherman Herald Democrat*

VERMONT

More Wind Farms Likely as Part of 'Energy Revolution'

The wind industry held a two-day conference to promote renewable energy, which attracted several dozen protesters who warned that large-scale mountaintop wind turbines are a poor match for the state.

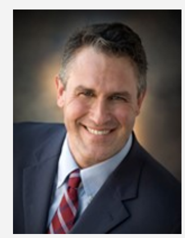
Gabrielle Stebbins, executive director of Renewable Energy Vermont, the trade group that hosted the two-day conference, said the state's "energy revolution" is picking up speed, investment and credibility. That momentum will very likely include the ridge-top development of more large-scale wind projects, she said.

The group outside waved signs reading "ridgelines are not renewable," "stop destroying Vermont," "no wind turbines" and "save the ridge."

More: *Burlington Free Press*

WISCONSIN

Lawmakers Working to End 32-Year Nuclear Ban



Lasee

Republican lawmakers in the state are trying to end a 1983 ban on new nuclear construction. Bills sponsored by Sen. Frank Lasee of De Pere and Rep. Kevin Petersen of Waupaca would waive the Public Service Commission's requirement that a waste repository be in place in order to approve new nuclear generation.

Similar bills were introduced in 2005 and 2009 but did not advance. With the 2013 closure of Dominion's Kewaunee nuclear station, the only operating nuclear generating station in the state is NextEra's Point Beach facility. Dairyland Electric Cooperative's La Crosse Boiling Water Reactor in Genoa was shut down in 1987 and is in the midst of decommissioning.

More: *La Crosse Tribune*

Moeller Leaving FERC at End of Month; No Replacement in Sight

By Rich Heidorn Jr.

WASHINGTON — FERC Commissioner Philip Moeller announced last week he will leave the commission at the end of the month although President Obama has yet to appoint his successor.

Moeller, one of two Republicans on the five-member panel, announced in May that he would not be returning when his term expired June 30. He said that he expected to serve until his replacement was confirmed.

Nearly five months later, however, Obama has yet to name a replacement. Moeller's extended term would end when the current session of Congress adjourns this fall.

Even if Obama were to nominate a replacement immediately, it could be months before the commission returns to full strength. Even non-controversial FERC appointees can get enmeshed in Congressional horse trading. For controversial appointees, the process can be even more tortuous.

The seat of former Chairman Jon Wellinghoff went unfilled for almost eight months after his resignation in November 2013. After Obama's first nominee, Ron Binz, withdrew under fire from the coal industry, it was another five months before Obama named former FERC enforcement chief Norman Bay in February 2014. It took Bay five months to win confirmation on a party-line vote in July 2014.

FERC's newest member, former Arkansas regulator Colette Honorable, was confirmed unanimously to replace Democrat John Norris after a four-month gap last year.

When Moeller announced his departure in May, speculation on his successor centered on Patrick McCormick III, chief counsel for Senate Energy and Natural Resources Committee Chairman Lisa Murkowski (R-Alaska). (See Moeller Leaving FERC.)

McCormick's appointment could have challenged the traditional comity at FERC, given Murkowski's opposition to Bay's nomination.

Moeller

But in light of the lengthy delay since his name was circulated, McCormick may no longer be in contention. Asked by *Politico* whether McCormick was under consideration, Murkowski said, "He's a very happy man at the Senate Energy Committee. I'm sure happy having him there."

Moeller, who was appointed by President George W. Bush in 2006, said he plans to seek employment in the energy industry.

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

Mayor's Settlement Puts DC PSC on the Spot in Exelon-Pepco Deal

Continued from page 1

Done Deal?

That's leading some to conclude the merger is likely to be approved.

"I think the settlement itself rather than what's in the settlement makes it more likely" that the commission will approve it, said Anya Schoolman, president of solar power advocate group DC SUN, one of the few intervenors in the case who did not sign on to the agreement.

The PSC will hear comments through Oct. 16 on the motion by the D.C. government and the utilities to reopen the record to consider the settlement. The applicants have requested a decision within 150 days.

While Washingtonians debate whether Bowser's decision to settle was savvy or a sell-out, the other states that approved the acquisition on a "most favored nation" status — Delaware, Maryland and New Jersey — are watching closely to see what a sweetened deal for the district will mean for them. (See related story, *'Most Favored Nation' Clause Triggered*, p.21.)

Meanwhile, Wall Street is weighing both the odds the deal will be consummated and whether the additional concessions Exelon made significantly hurt the acquisition's attractiveness. Exelon stock rose almost a dollar after the settlement was announced last week, closing Friday at $30.82. Pepco also rose almost a dollar, ending the week at $26.52.

The acquisition would create the Mid-Atlantic's largest electric and gas utility — and the country's largest utility by customer count. Exelon has said the deal would boost its customer base to nearly 9.8 million from 7.8 million and increase its rate base to almost $26 billion from $19 billion.

Exelon Concessions

In making its decision, the PSC said it weighed the proposal on seven factors of public interest, among them the effects on ratepayers and shareholders, market competition and preservation of natural resources and the environment. (See *DC Halts Exelon's Acquisition of Pepco Holdings; Pepco Stock Tumbles*.)

Under the settlement, Exelon would invest $78 million in the district — more than five times Exelon's initial pledge of $14 million — to promote sustainability, increase reliability and support low-income residents. (See sidebar, *Settlement Details*, p.24.)

Of that, $17 million would be put toward conserving natural resources and the environment and promoting energy efficiency.

Exelon also would set aside $25 million to offset rate increases through March 2019 and immediately disburse $14 million to customers.

Exelon and PHI have committed to moving 100 jobs to the district from elsewhere and hiring at least 102 union employees within two years while dedicating $5.2 million in workforce training for district residents.

D.C. Councilman Vincent Orange, speaking on the Kojo Nnamdi radio show Thursday, lauded Bowser's office for securing the agreement.

"The mayor and her team actually entered into some intense negotiations and basically, they took us from last to first in terms of benefits that are going to be realized for the ratepayers and consumers in the District of Columbia," said Orange, a former regional vice president for PHI.

'Cheap Baubles'

"What they've offered is baubles — cheap, showy things that don't really add up," countered Councilwoman Mary Cheh. "The people who are getting a bad deal are residents and ratepayers."

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'Most Favored Nation' Clause Triggered

By Suzanne Herel

State	Utility	Total CIF ($millions)	# Customers	CIF Benefits/ Customer ($)	Total under MFN ($millions)	Increase under MFN ($millions)
New Jersey	Atlantic City Electric	$62	544,000	$113.97	$117.5	$55.5
Delaware	Delmarva Power	$40	312,500	$128.00	$67.5	$27.5
Maryland	Delmarva Power/PEPCO	$109.2	737,526	$148.06	$159.3	$50
D.C.	PEPCO	$72.8	337,117	$215.94	$72.8	-
Total		**$284**	**1,931,143**		**$417.10**	**$133**

CIF = Customer Investment Fund; MFN = Most-Favored Nation Clause

How D.C. settlement could impact other states (based on estimated number of customers in N.J., Del. and Md.). *Source: Public Service Commissions*

Exelon spokesman Paul Elsberg confirmed last week that the concessions the company agreed to in its bid to win D.C.'s approval of its takeover of Pepco Holdings Inc. could result in changes to the deals already struck with Delaware, Maryland and New Jersey.

"The most-favored-nations clauses in other jurisdictions that have already approved the merger proposal … would be triggered by a final order from the Public Service Commission of the District of Columbia approving the merger," he said. "The existing approvals are not contingent on the result of the MFN, although once the D.C. PSC issued its order, we would return to the other commissions to true up our merger packages in their jurisdictions."

Elsberg said the company did not have an estimate of how much the cascading concessions would cost.

Exelon and Pepco had estimated that accepting all of the district's demands would have boosted the cost of the proposed transaction to $7.35 billion to $8.75 billion, according to the PSC's Aug. 27 order rejecting the merger.

"That was the PSC's estimate based on a different set of proposals, and not the settlement with the District of Columbia government," Elsberg said. "Regrettably, we do not have an estimated cost based on the current settlement."

In its settlement with D.C., Exelon pledged $72.8 million in a Customer Investment Fund (CIF), which the company says results in $215.94 in benefits per customer, based on 337,117 customers. The MFN provision, identical for each jurisdiction, requires that Exelon increase each jurisdiction's CIF so that the benefits per distribution customer are equal.

Based on estimates of each jurisdiction's number of residential customers, the settlement could increase Exelon's total contribution to the CIFs by more than $100 million. (See chart.)

Some state regulators, however, say they believe the MFN provisions applies to more than just the CIFs and include other benefits.

Roger Berliner, a regulatory attorney and Montgomery County councilman who led opposition to the merger in Maryland, said no amount of new benefits afforded his state would make it a deal that would be in the public interest.

But, he said, "Will I want to make sure if, in fact, there are things that have been offered to D.C. that should now be reflected in what Maryland consumers can get? Absolutely. I want everything we can get out of this." That includes the $5.2 million Exelon has offered for workforce training. "I promise we'll be knocking on that door," he said.

Delaware, as well, has its eyes on D.C.

"The plan all along was to have the commission review the settlements from all the jurisdictions regarding the most-favored-nation [status] and kind of see where we match up compared with what other jurisdictions got, so I think it's potentially impacting Delaware," PSC spokesman Matt Hartigan said. "Depending on what the final order says from D.C., that might result in more benefits, but it's a little premature to say at this point."

Stefanie Brand, director of the New Jersey Division of Rate Counsel, opposed the merger and still has concerns over issues like ratepayer protections and promises of reliability. But, she said, an approval in D.C. likely would mean more money for New Jersey customers.

"We don't really know how it's going to shake out," she said.

Mayor's Settlement Puts DC PSC on the Spot in Exelon-Pepco Deal

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"We think that either the mayor got tricked into agreeing to a deal that provides very little more for D.C. than the rejected deal, or she is trying to trick us into believing that this is something substantially better," said DC Sun's Schoolman. "The bottom line is that this does not change the underlying conflict of interest" between Exelon as a merchant generator with a commitment to its nuclear fleet and the district's push for renewable energy.

The other public interest group absent from the settlement is Grid 2.0, which advocates for distributed generation.

"The 'Halloween candy' that's been added by the mayor to make this appear better doesn't address the underlying issues identified by the Public Service Commission," said Larry Martin of Grid 2.0.

That was Then, This is Now

Former opponents of the merger aren't the only ones who seem to have executed an about-face.

Exelon and Pepco initially argued against implementing a host of conditions proposed by Bowser's administration, calling them "extraordinary and inappropriate on a number of levels."

In particular, they said, increasing the Customer Investment Fund would be too costly. The settlement reached last week more than doubles the CIF, from $33.75 million to $72.8 million.

Due to the most-favored-nation clauses, accepting the list of conditions initially proffered by the D.C. government would have boosted the cost of the proposed transaction to $7.35 billion to $8.75 billion, according to the PSC's order.

In addition, Crane testified that Exelon was not willing to make the boards of PHI and PEPCO more "independent" because it "is simply not tenable given the nature of the

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transaction and the business in general." He went on to say, "If these or similar conditions were attached to the merger approval, I could not recommend to my board that I close the deal."

The settlement, however, does increase the independence of PHI and PEPCO in a variety of ways.

Pepco's CEO will be a member of Exelon's Executive Committee and will "have full authority to make rate case decisions," the settlement said. "The district and Pepco will be anything but 'second tier' in the new organization."

Asked what changed Crane's mind, Exelon spokesman Paul Elsberg said, "Since the PSC explained why it didn't approve the merger, we've been working hard to learn what's most important to the district — and we've responded in the settlement with the District of Columbia government.

"This included as part of the overall settlement package commitments that strengthen PHI board independence."

Businesses Support

Some of the most vocal supporters of the deal are the D.C. business community and charitable organizations that receive funding from Pepco. (See related story, *Pepco's Influence Runs Deep*, p.23.)

Harry Wingo, president and CEO of the D.C. Chamber of Commerce, has supported the merger from the start and recently participated in a media blitz, including a video posted on the merger partners' website.

Among other advantages, he said, the merger will give Pepco the ability to improve its infrastructure.

"I think the fact that the mayor is behind this improves the likelihood of this moving forward," he said. "I'm excited about it being approved."

James Dinegar, president of the Greater Washington Board of Trade, said the merger would improve reliability, safety and costs.

"Pepco has real challenges on reliability. Here is an opportunity to act like a real world power capital, not a city that has its power go out" frequently, he said, calling Exelon one of the best power companies in the country.

"My concern now is that if the best company can't buy Pepco, no one can buy Pepco," he said. If the commission rejects the merger, he said, D.C. would be left with a "wounded power company."

"My patience is pretty well done with the opponents. … What's your solution for reliability?"

Critics say Pepco is already facing financial penalties if it fails to improve its reliability.

Checks and Balances

One of the main concerns surrounding the original merger filing was accountability. How could the district trust that Exelon would hold true to its promises?

Mattavous-Frye said she's satisfied that the new agreement contains the "checks and balances" needed to ensure the companies' promises are kept.

She said a significant concession was Exelon's agreement to use an annual measurement, rather than a three-year average, to gauge progress in improving reliability.

As she noted, reliability would be monitored on an annual basis. Exelon has agreed to open its books to the OPC and PSC. And "ring-fencing" protections have been strengthened, separating PHI's finances from that of Exelon's affiliates and assets, such as its nuclear business.

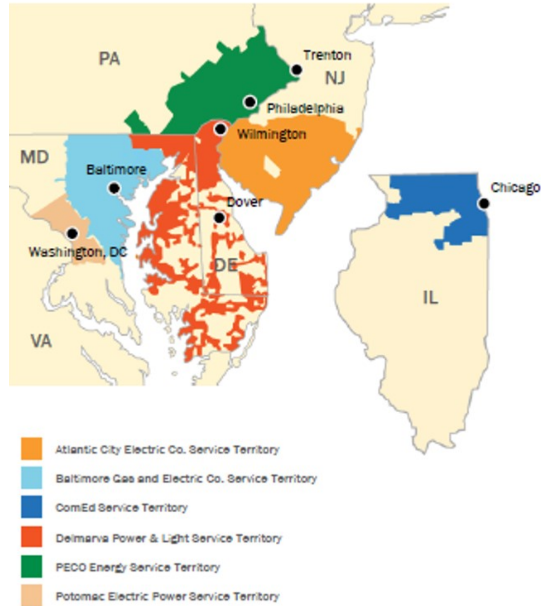
Still, critics point to unaddressed issues. Yes, Exelon says it will support solar installations, but, said Schoolman, nothing in the agreement speaks to what price D.C. will be charged for that energy. She said that the district currently pays above-market prices for the solar energy produced at Exelon's project at Dunbar High School.

"Thus, this provision may actually inhibit solar development and cost D.C. taxpayers more than if private sector developers were in charge of the project," she said.

Rates

Another squabbling point is rates. Exelon has set aside $25.6 million to offset the effect of any rate increases through March 2019. Then, however, it will begin recouping its costs with a guaranteed 5% return.

"It's a shell game, really," Cheh said. "They say they're going to give us this total amount. When you actually look at it, it's money that we're going to be giving back to them."



Source: Exelon

Mattavous-Frye, however, said that absent a merger, it's likely that rate increases over the next four years would top Exelon's proposed $72.8 million investment in the district.

"The settlement provides roughly five years to prepare for the 'energy future' through public education, deployment of energy efficiency programs, incorporating local solar and renewable energy and by developing local microgrids — all while D.C. ratepayers are 'ring fenced' from the financial impact of outside factors affecting Exelon's utility operations," she said.

"After 2019, certainly there will be changes, but the regulatory process of rate case investigations will remain, and Exelon-Pepco would be required to request that 'ring-fencing' provisions be removed or modified."

One of the most striking provisions of the settlement is Exelon's intention to establish D.C. as its co-headquarters with Chicago. The offices of Exelon Utilities will be moved from Philadelphia to D.C., where CEO Denis O'Brien would preside over the largest electricity distribution unit in the country. O'Brien chairs the Greater Philadelphia Chamber of Commerce.

Also moving to D.C. from Chicago would be the primary offices of Exelon's chief financial officer, currently Jonathan "Jack" Thayer, and chief strategy officer, William Von Hoene Jr. Pepco Energy Services also would be relocated from Arlington, Va.

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Pepco's Influence Runs Deep

By Suzanne Herel and Rich Heidorn Jr.

"There's a big concern that we're hanging out the 'Closed for Business' sign in the District of Columbia."

James Dinegar, Greater Washington Board of Trade

In May, the D.C. Council unanimously approved $250,000 for the Office of the People's Counsel to conduct a study on the feasibility of the district replacing Potomac Electric Power Co. with a city-owned utility.

The vote set lobbyists for Pepco — no strangers to the Wilson Building, D.C.'s city hall — into high alert.

Public records show that in June alone, Pepco and Exelon lobbyists Tina Ang and John Ray, of law firm Manatt, Phelps & Phillips, communicated more than 60 times with seven D.C. councilmembers or their aides, including in-person meetings, phone calls and electronic messages.

By the end of the month, the study — included in the city's fiscal year 2016 budget — was dead, with the council voting 7-6 to reallocate the funds for a study on "emerging alternatives" for energy and energy efficiency.

"Presumably, they didn't even want a study," said Councilwoman Mary Cheh, an opponent of Exelon's bid to acquire Pepco who had pushed for the original study.

The amendment to reallocate the funds was sponsored by Councilmember Anita Bonds. Bonds or her staff communicated on 19 occasions with the utility lobbyists in June. Councilmembers Jack Evans, Brandon Todd, LaRuby May and Vincent Orange — all of whom met personally with the lobbyists — and Yvette Alexander, who sent a staff member to the meetings, also voted for the change.

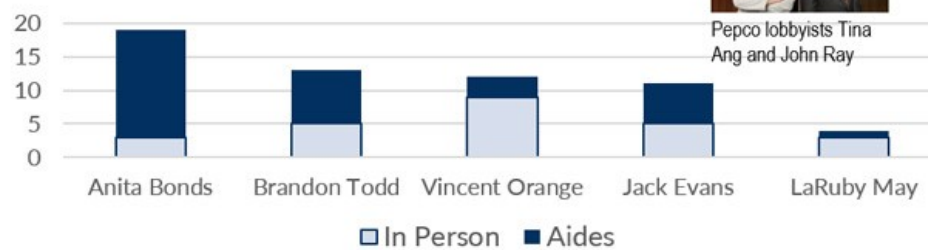
The vote was but one signal of Pepco's clout in the district.

Orange, a former regional vice president for PHI, chairs the Council's Committee Business, Consumer and Regulatory Affairs.

Anita Bonds Brandon Todd Vincent Orange Jack Evans LaRuby May

Pepco lobbyists Tina Ang and John Ray

Pepco Lobbyist Contacts (Month Ending 6-26-15):



Source: D.C. Board of Ethics and Government Accountability

Council Chairman Phil Mendelson has been criticized for voting on Pepco matters because he holds enough stock to be required to financially disclose it.

Attorney General Karl Racine, who helped negotiate the Oct. 6 settlement between Exelon and Mayor Muriel Bowser, and Racine deputy Natalie Ludaway conducted work on Pepco's behalf while at their former law firms. Beverly Perry, senior adviser to Bowser, retired in 2013 as senior vice president and special adviser to the chairman of PHI.

Charity Returned?

In their bid to win approval of the merger, Pepco officials also have looked to cash in chits with the dozens of community organizations the company supports with charitable contributions. In the district alone, Pepco spends about $1.6 million annually on charitable contributions.

Exelon and Pepco claim that more than 80 D.C.-area organizations support the merger, including 30 businesses and associations and nearly four dozen non-profit organizations. At least half of the non-profit groups listed in support were recipients of contributions from Pepco in 2014 or receive funding from the United Way of the National Capital Area, where Pepco CEO Joseph Rigby is the immediate past chairman. John Huffman, CEO of Pepco Energy Services, serves on the board of the Capital Area Food Bank, one of the charitable groups backing the deal.

Business Community Lines up in Support

Rigby also serves on the senior council of the Greater Washington Board of Trade, as well as the boards of the Federal City Council and the Economic Club of Washington — all of which have endorsed the merger.

James C. Dinegar, president of the Board of Trade, told *The Washington Post* that rejection of the deal would hurt the region's economy. "There's a big concern that we're hanging out the 'Closed for Business' sign in the District of Columbia," he said.

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Most Watched Case

Generating comments from more than 3,000 individuals and organizations, the Exelon-Pepco merger has garnered more participation than any other issue in the PSC's history of more than a century.

At the time of the PSC's vote to reject the merger, Mattavous-Frye credited the public. Standing against the deal were 26 of the district's 42 Advisory Neighborhood Commissions and half of the council.

"This was about consumer empowerment," she said. "People did not think their participation would be meaningful, and it is."

For her part, Cheh is hoping the public will rise again.

"I hope all the Advisory Neighborhood Commissions all come forth and say this settlement is bad. The community groups that took a position have to come back and say this is bad," she said. "They really have to make their voice heard."

— Michael Brooks contributed to this article.

Settlement Details

The settlement reached between D.C. Mayor Muriel Bowser and Exelon contains provisions designed to persuade the Public Service Commission to approve the company's acquisition of Pepco Holdings Inc. If the deal is approved:

- Exelon will provide a Customer Investment Fund worth $72.8 million. The fund is broken down as follows:
  - $25.6 million in rate credits against any future rate increases.
  - $14 million toward one-time, direct credits to all customers (estimated at $57 per customer).
  - $3.5 million for a Renewable Energy Development Fund.
  - $3.5 million paid to D.C.'s Sustainable Energy Trust Fund, which helps residents and businesses use renewable energy, increase energy efficiency and reduce overall energy consumption.
  - $10.05 million paid to D.C.'s Consumer and Regulatory Affairs Green Building Fund.
  - $16.15 million toward low-income residential customer assistance: forgiveness of debt that is more than two years old ($400,000); funding to customers eligible for the federal Low Income Home Energy Assistance Program ($9 million); and funding for the district's energy efficiency programs, such as its home-weatherization program, earmarked for low-income residents ($6.75 million).
- Exelon will also contribute $5.2 million to the district's workforce development programs.
- Exelon will move part of its corporate headquarters from Chicago to the district. This includes moving the offices of the CFO and the chief strategy officer. The executives must spend the majority of their office hours in the district.
- Exelon will move Pepco Energy Services from Arlington, Va., to D.C.
- Pepco will hire at least 102 union workers in the district within two years of the merger's close.
- Pepco must exceed the PSC's current reliability requirements. Failure to do so will result in self-imposed fines, up to $6 million, paid to the Sustainable Energy Trust Fund.
- Pepco will develop an "action plan" to improve its customer satisfaction ratings.
- Ring-fencing provisions: "Pepco will maintain its separate existence as a separate corporate subsidiary and its separate franchises, obligations and privileges." Pepco will not be liable for any debt related to the merger or any future Exelon acquisition. Exelon and Pepco will use "separate legal and government-affairs personnel, support personnel, and separate law firms and consultants to advocate before the commission."
- Pepco, Atlantic City Electric, Baltimore Gas and Electric, Delmarva Power & Light and PECO Energy will remain PJM members until at least the end of 2024. Exelon will also make a one-time contribution of $350,000 to the Consumer Advocates of PJM States.
- By the end of 2018, Exelon will develop or assist in developing at least 10 MW of solar generation in D.C. Exelon will also provide $5 million in "capital to creditworthy governmental entities at market rates for the development of renewable energy projects" in D.C.
- Pepco will develop and interconnect at least four microgrid projects.
- Exelon will enter into power purchase agreements with at least 100 MW of wind energy projects in PJM.

— Michael Brooks

Stakeholder Soapbox

If you'd like to contribute an op-ed article, email the editor at rich.heidorn@rtoinsider.com.

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