RTO Insider

Your Eyes and Ears on the Organized Electric Markets

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ISSN 2377-8016 : Volume 2015/Issue 38 November 17, 2015

Young Montana Regulator Takes NARUC's Reins with Focus on RTOs, Technological Changes

By Tom Kleckner

AUSTIN, Texas — The list of state regulatory commissioners in their 30s is a short one. The list of 31-year-old commissioners with five years of experience as economic regulators is even shorter.

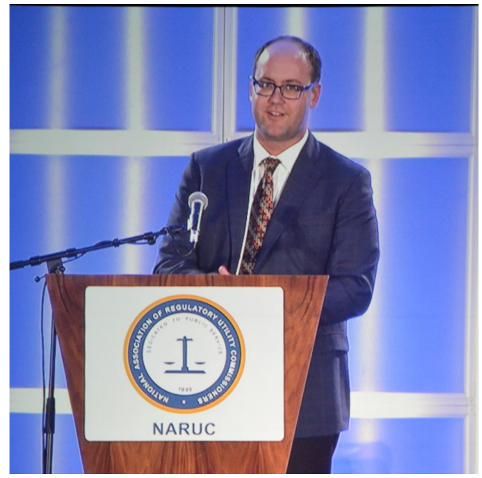
So meet Montana's Travis Kavulla, who is not only in his second term on the state's Public Service Commission but also, as of last week, the chairman of the board and president of the National Association of Regulatory Utility Commissioners (NARUC).

"It's a real honor to have the confidence of my colleagues on the utility commissions, but it's a particular honor to be in a leadership position," he told *RTO Insider* in an interview.

Judging by the 1,000-person strong standing ovation the personable Kavulla received after his acceptance speech here Nov. 10, the fourth-generation Montanan appears to command the respect of his colleagues. Kavulla credited his involvement in several Western regional initiatives. He is co-chairman of the Northern Tier Transmission Group Steering Committee and is a member of the CAISO Energy Imbalance Market Transitional Committee.

"I raised my hand in the West and volunteered to head up western commissions' exploratory efforts around a real-time energy market. These kinds of … enterprises can turn into talkathons on panel discussions, but that sense of initiative needs to be developed into practical actions."

Kavulla is referring to the expansion of organized markets in the West. The process led to the Integrated System's incorporation into SPP and CAISO's expansion of its Ener-



Travis Kavulla *Source: NARUC*

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Con Ed: Cost Allocation Dispute Could End PSEG Wheel

Cites PJM Filing in Artificial Island Case

By William Opalka

Consolidated Edison of New York says it will end use of the "PSEG wheel" to route power into New York City if it doesn't win relief in a cost allocation dispute with PJM.

In a letter last month to PJM, Con Ed said it may end its use of the wheel when its current term expires on April 30, 2017.

"Although Con Edison will not decide until April 2016 whether or not to extend the agreements, we do think it is appropriate to inform you ... that Con Edison's analysis based on currently available information does not demonstrate that the agreements should be extended," it wrote.

In a separate filing with the New York Public Service Commission (12-E-0503), Con Ed

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Utilities, Investors see Green in Clean Power Plan, Discount Litigation Risk

Nukes Unlikely to Benefit, Speakers Say

By Rich Heidorn Jr.

HOLLYWOOD, Fla. — New carbon emission regulations may face an uncertain future in the courts, but investors and utility executives said last week it won't upset the long-term shift away from coal-fired generation and toward increased efficiency.

Twenty-six states have joined legal challenges to the Environmental Protection Agency's Clean Power Plan.

"I don't think it matters [to utility capital

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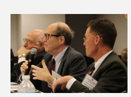
Other CPP Coverage

Also in this issue:



Edison Electric Institute 50th Annual Financial Conference

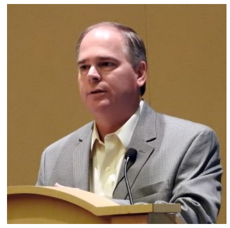
Seeking Relief from Ohio Regulators, AEP, FirstEnergy May Diverge Without it

By Rich Heidorn Jr.

HOLLYWOOD, Fla. — FirstEnergy and American Electric Power, both awaiting rulings from Ohio regulators on their requests for subsidies of their generation plants, may take different paths if they are unsuccessful.

The companies' chief executives told analysts and investors at the Edison Electric Institute Financial Conference last week that they expect the Public Utilities Commission of Ohio to rule on their requests for above-market power purchase agreements with their generators late this year or early in 2016.

CEO Nick Akins indicated the company would like to rid itself of its Ohio merchant fleet, which the company acknowledged in January it had put on the block. "We're going to be a regulated utility. That's what we're good at," he said, saying that investments in generation are riskier than those in transmission and distribution.


Akins

Akins said AEP and FirstEnergy are "on the same page" regarding the need for regulators' help to improve the finances of their Ohio fleets.

But FirstEnergy CEO Chuck Jones said his company has no plans to sell or spin off its Ohio generation fleet.

"I come from a bias that generation, transmission and distribution together is the best way to serve customers. I understand the pressures on competitive generation. I think we've taken steps to position ours to where we're cash flow positive each year for the next several years — through 2018.


Jones

"I don't see [current] prices being the right prices to sell these tremendous base load assets. So my view is we're going to stabilize it. We're going to keep it cash flow positive, keep it delivering positive earnings contributions.

"We're going to work with our regulatory in Ohio to try to get 3,200 more megawatts into a safer environment for the foreseeable future … and long term we'll see where it goes. Right now [a sale or spinoff] is not the focus."

Steve Hellman, chairman of Eos Energy Storage, said Africa will likely see microgrids "leapfrog" traditional grids in providing electricity to those now without it, much as cell phones have provided communications to areas without landline service.

"The grid has been supplanted for that challenge. I don't see trillions of dollars [being spent] for fixed line infrastructure going to electrify Africa… They'll leapfrog into microgrids … and a lot of other places in the world" will do the same.

Peter Fox-Penner, a principal in The Brattle Group, disagreed, saying the traditional grid will provide half or more of the service to those currently without it. "I totally agree that there will be some leapfrogging, but I actually think we'll build some traditional grid."

Hedge fund executive **Stuart Zimmer** said that FERC "has become much less constructive" for infrastructure investors, due in part to its move to reduce transmission projects' returns on equity. "We now have this former enforcement guy [Chairman Norman Bay] leading FERC. He refuses to meet with investors. That's very different from most state jurisdictions who want to understand the people … who are actually writing the checks so that infrastructure gets built," he said. "You want a healthy dialogue between the commissioner and investor to understand investors' concerns because we determine the cost of capital for these companies."

FERC spokeswoman Mary O'Driscoll responded: "Chairman Bay frequently meets with outside parties representing a wide range of interests on energy matters and issues, consistent with FERC's *ex parte* regulations."

Edison Electric Institute 50th Annual Financial Conference

Utilities, Investors see Green in Clean Power Plan, Discount Litigation Risk

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spending plans]," said Stuart Zimmer, general partner with Zimmer Partners, which manages energy-focused hedge funds. "You have to comply. You don't know if you're going to win or lose [in court]. … You have to have a plan in place," he said during a panel discussion at the Edison Electric Institute's 50th annual Financial Conference.

James Hempstead, associate managing director for Moody's Investors Service, agreed.

With the legal challenges, "there will be some starts and stops and some lurching over the next couple of years … but utilities can see the writing on the wall. They know that they need to shift their generation supply mix and it needs to be a cleaner mix and they need to be more efficient … and that's where they're heading.

"To the extent that you have the CPP that is a federal mandate that helps you get your state regulators to get those costs approved, that's a good thing," he added. "Whether its MATS [Mercury and Air Toxics Standards] or CSAPR [Cross-State Air Pollution Rule] or CAIR [Clean Air Interstate Rule] or the CPP or whatever the next version of that is going to be, [the regulations are] going to keep coming. That is what's incorporated into our long-term view."

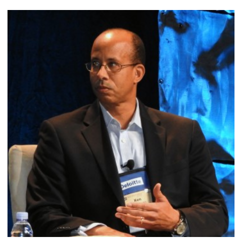
American Electric Power CEO Nick Akins said his company has urged officials in the 11 states in which it operates to file implementation plans even as nine of them fight the rule in court.

"Clearly [it's] a great investment opportunity for AEP moving forward," he said, referring to grid upgrades to support renewables and distributed generation. "I don't think there's any question that customers in the future are focused on a cleaner energy economy."

Moody's Toby Shea agreed that the CPP is an opportunity for utilities to increase their rate bases. "In the near term we see it as more positive than negative," he said, adding, "There's a risk that you keep making all these investments and pushing up the rates — at some point you're going to get some pushback" from regulators.

Overruns, Waste Issue Cloud Nuclear's Future

Although the CPP encourages emissions trading — which would benefit non-emitting generation — few utilities are likely to include nuclear plants in their capital spending plans, speakers said.

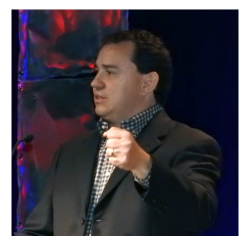


"It seems to me that the only place we are going to see nuclear generation construction is going to be in fully regulated, vertically integrated utility states like you're seeing in South Carolina and Georgia," said **Kenneth Adams**, managing director of global public markets for TIAA-CREF, which manages retirement and other investment funds.

Zimmer said nuclear power will be a tough sell even to utilities in such states because of the cost overruns plaguing Southern Co.'s two new Vogtle units in Georgia, which are more than three years behind schedule, and SCANA's two new Summer units in South Carolina, now projected to cost more than $12 billion, a 20% increase over the original price tag.

"Southern Co. has seen what was once the best premium in the group get destroyed by the risk and overhang of building a nuclear plant and cost overruns. It now trades at a much lower price relative to its history," he said. "SCANA … has seen its stock trade at a 10 to 15% discount. [Nuclear plants] are really risky investments. You don't have real clarity on what they're going to cost."

Zimmer said he had discussed with Dominion Resources CEO Thomas Farrell and CFO Mark McGettrick the possibility of adding a third unit to their North Anna nuclear complex. "[They said] 'it's our second-to-last option.'"



Policymakers will have to make "a big-boy decision" about nuclear waste to improve nuclear power's prospects, said **Michael E. Webber**, deputy director of the Energy Institute at the University of Texas at Austin.

"Either we store it or we process it," he said. "I'd like to see us process it because that is the better environmental solution and the better economic solution."

Interest rate increase

James Hempstead, associate managing director for Moody's Investors Service, said rising interest rates will be mostly passed through to consumers through utility bills.

"If interest rates start to rise at a trajectory that's a little bit steeper than people are expecting, our expectation at Moody's is that the allowed ROEs will eventually start to rise as well, but there will be a big lag behind that ROE level, partly because when interest rates fell, authorized ROEs stayed high for an extended period of time."

Kenneth Adams, managing director of global public markets for TIAA-CREF, said rising rates could present refinance risks because debt-to-EBITDA (earnings before interest, debt and amortization) ratios haven't improved during the period of low rates. "It's a false sense of security that your interest coverage is higher. Because when that debt matures and you're looking to replace it in a higher interest rate environment … you're going to have [higher] costs."

A *Wall Street Journal* poll released last week found that 92% of business and academic economists expect the Federal Reserve to raise its benchmark federal-funds rate — which has been near zero since the 2008 financial crisis — at its December meeting.

Edison Electric Institute 50th Annual Financial Conference

HOLLYWOOD, Fla. — More than 1,000 investors, lenders, analysts and utility executives gathered at a beachfront hotel here last week for the Edison Electric Institute's 50th Financial Conference, a mix of panel discussions, company presentations and one-on-one meetings. Below are some of the notable comments from company officials.

Thomas Werner, CEO of SunPower, said that solar power costs could be cut by half, even though prices for solar panels have already dropped 50%. "I think we've just scratched the surface. … Two-thirds of the cost is not in the panel. So there's a huge opportunity still to take cost out of the rest of the system."

Dominion Resources CFO Mark McGettrick said the company is still recovering from the effects of the 2013 sequester, federal spending cuts triggered when lawmakers were unable to reach a budget deal. He said the cuts hurt commercial office space in the Northern Virginia suburbs. The state's electricity use, which had been growing at 2.5 to 3% annually, is projected at 1% annual growth now.

Mergers "are not for the faint of heart," said **Exelon CEO Chris Crane,** referring to opposition to the company's proposed acquisition of Pepco Holdings Inc.

Talen Energy CEO Paul Farr said his company, created from the generation of PPL and Riverstone Holdings, will be both less leveraged and less hedged than its independent power producer peers. "We're not interested in growth for growth's sake," he said.

He said the company is considering expanding its holdings in ERCOT and PJM West, where — unlike PJM East — it doesn't face market power concerns.

Farr said the company won't pay a dividend due to its cash flow volatility, preferring to reward investors through stock buybacks.

Public Service Enterprise Group CEO Ralph Izzo said the two new generating plants the company is building in Maryland and New Jersey will have heat rates of 6,500-6,700 Btu/kWh, efficient enough to "jump pretty much to the front of the [PJM] dispatch queue."

The company's new 540-MW Sewaren unit in Woodbridge, N.J., will replace an aging 550-MW unit at the site. "There isn't enough duct tape in the world that could have kept that unit viable for the new [Capacity Performance] market," he said.

Izzo said the company realized that the loss of the generation would make the area vulnerable to new entry because of its capacity prices and good spark spreads because of the availability of Marcellus gas.

PSEG knew "somebody is going to build here. That will cannibalize some of our older combined-cycle units," he said, recounting the company's deliberation. "You just have to say OK, 'Who's going to be doing the cannibalizing? Somebody else or us?' We said it should be us."

NARUC Annual Meeting

McCarthy Defends CPP, Asks for Continued Engagement

By Tom Kleckner

AUSTIN, Texas — Environmental Protection Agency Administrator Gina McCarthy ventured into somewhat unfriendly territory last week at the National Association of Regulatory Utility Commissioners' annual meeting to defend the Clean Power Plan and urge continued dialogue.

Calling the CPP the "biggest single step America has taken to deal with climate change and carbon pollution," McCarthy told her keynote audience she fully expects the plan to be implemented.

"We know this rule will stand the test of time because it's grounded in facts and science and firmly rooted in the Clean Air Act," she said. "We're confident we'll withstand the litigation."

More than two dozen states filed challenges in federal court after EPA's Oct. 23 publication of the final rule in the Federal Register. (See *Legal Debate over Clean Power Plan Takes Center Stage*.)

"If you think we go into a corner when someone sues us, that's not how we do it," said McCarthy, her thick Boston accent making "corner" sound like "conner."

"We will be sitting down with the states and the regions, and we'll be working together. We'll be answering questions the best we can. Every state knows that when they work with us to develop a state plan, we'll come up with a plan that best meets their needs … while litigation continues elsewhere."

EPA's final rule calls for reducing power plant carbon dioxide emissions by 32% from 2005 levels by 2030. It calculates individual state targets ranging from a 7% reduction for Connecticut to a 47% cut for Montana. States would have to comply with interim goals between 2022 and 2030, but they have the option of asking for a two-year extension by Sept. 6, 2016.

Encouraging Extensions

McCarthy said the extension option was why the first step was specifically designed not to be a "heavy lift."

"We are looking for states requesting extensions," she said. "That lets us know which states are actively working this issue and what their timelines are. We're confident the states have the flexibility and options to meet their goals. While we needed to recognize state targets, we also needed to recognize that electrons flow out of those state boundaries all the time."

Gina McCarthy © *RTO Insider*

McCarthy encouraged state officials to continue working with EPA. "By doing that," she said, "we will have done great justice to this rule and aligned our common missions going forward.

"Your part, in my opinion, remains an essential part of our success: to ensure the plan maintains reliability, to ensure our consumers are well served and to ensure energy remains affordable."

Pushback

When the floor was opened to questions, McCarthy received pushback from several NARUC members.

Julie Fedorchak, chair of the North Dakota Public Service Commission, pointedly said the final rule was "anything but thoughtful," noting her state's emissions target went from an 11% reduction to a 45% reduction in the final plan.

McCarthy agreed North Dakota's targets are "challenging" but said the final plan gives states a wider range of compliance options, such as regional trading programs.

"We've opened tremendous opportunities for flexibilities," she said. "We hope that those flexibilities make this easier."

Ryan Sitton, a first-term commissioner on the Railroad Commission of Texas, asked McCarthy what she thought was Congress' role.

"It's two-fold," she responded, first pointing to the Clean Air Act and the authority it gave to EPA to regulate pollution. Secondly, McCarthy said, "Congress has an ability to provide solutions to climate change today, if they choose to do that.

"The president has made it clear if Congress wants to provide more flexibility than we're working under [now], he would welcome that. Right now, that doesn't seem to be where we're at."

Leakage

McCarthy and Joe Goffman, EPA's associate assistant administrator and general counsel, nearly made it out of town without discussing "leakage," in which states might use new gas plants to compensate for retired older plants without achieving the state's emission reductions.

The concern for states is that stricter requirements for new plants may not allow them to build the newer plants. States that do build the new plants can set aside emissions allowances (for renewable energy and gas plants), but the plants would not be eligible for trading programs.

Appearing on a panel discussing multi-state solutions to the CPP, Goffman thanked the moderator and the audience for not asking about leakage before he left the stage early.

McCarthy was asked about leakage after her keynote address and jokingly responded, "Next question."

Turning serious, she then said, "The short answer is my eyes glaze over when people start talking about leakage."

McCarthy said she believes it's important to "maintain the integrity of the reductions so they're achievable. We don't want to prejudge how it's handled. We're looking for continued engagement on this, so unfortunately, I don't have a silver bullet on how this might be resolved."

Michael Nasi, a partner with Jackson Walker, said the CPP incents the construction of combined-cycle gas turbines. However, as he pointed out, new fossil generation would "not be consistent" with the federal administration's carbon-reduction goals.

"What's to keep them from coming back to undercut [new-emissions standards]?" he asked. "How do you integrate new

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NARUC Annual Meeting

Kavulla Takes NARUC's Reins with Focus on RTOs, Technological Changes

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gy Imbalance Market in the Western Interconnection.

"I'm delighted [the Western Area Power Administration] and Basin [Electric Power Cooperative] saw the benefit of participating in what I regard to be an efficient and liquid market" in SPP, he said. "It seems to be going very well. I have some concerns about seams issues, as most people do … but they're not novel issues."

A Western RTO?

WAPA's Upper Great Plains region was the first federal power marketing administration to join an RTO. The dominant role of the Bonneville Power Administration, another power marketing administration, is one of the reasons there's been reluctance to create an energy market in the Pacific Northwest, Kavulla said.

"Bonneville's legal status as a federal power marketing administration was seen as an impediment to the creation of a market. WAPA reached an accommodation with SPP and that shows that concern to be overstated," Kavulla said. "Bonneville could participate as a member of an RTO if it chose to, but there's a very long way to go before that happens."

Kavulla said that whether or not a Western RTO is formed "comes down to whether there is a trusting relationship between California and the other states, as well as the utilities and commissions realizing there's a lot of money and a lot of efficiencies being left on the table.

"Once some of those governmental concerns about Cal-ISO are ironed out, I think a Western RTO will be achieved."

Technological Changes

For now, Kavulla is firmly focused on his term as NARUC's president and the issues facing economic regulators. Harkening back to the technological innovations that transformed the telecomm industry and that could do the same to the electric industry, he asked his acceptance-speech audience to focus on two important initiatives: greater involvement in and a better understanding of RTOs, and better pricing signals for customers who generate their own power or react to market signals by reducing demand.

"We need to understand that an RTO or an ISO can facilitate competition and the efficient use of resources that our consumers are already paying for," he said in his prepared remarks. "[And] we need clear and economic price signals that do not overcompensate or undercompensate … customer-side actions.

"Regulation may not fix the price of electric power in RTOs … but regulations prescribe the definition of market products, the way in which those products are bid into and procured from the market, and even the amount of those products one needs to avoid penalties," Kavulla said. "Most commissioners barely have time to keep up with our own dockets, but we owe it to ourselves to better understand these wholesale markets. NARUC, working together with the existing organizations of state regulators that advise RTOs and ISOs, can help in that role."

Kavulla praised NARUC's Electricity and Energy Resources and Environment committees' work in creating a rate-design subcommittee that will report to Kavulla and his four fellow board members.

"I hope this subcommittee will work to create a practical set of tools — a manual, if you will — for regulators who are having to grapple with the complicated issues of rate design for distributed generation and for other purposes," he said. "We have an ability, through a staff subcommittee, to produce a practical, expert and most importantly ideologically neutral guide that offers advice to the dozens of states who are grappling with this question, and yet do not have the resources to do it themselves."

State, RTO Roles in Clean Power Plan

And then there's the Environmental Protection Agency's Clean Power Plan, a heavy topic of conversation here. EPA Administrator Gina McCarthy delivered NARUC's keynote address, and several of the panels focused on the plan and its implications for the industry. (See related story, *McCarthy Defends CPP, Asks for Continued Engagement*, p.5.)

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McCarthy Defends CPP, Asks for Continued Engagement

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[intermittent] renewables when you need gas to balance them out?"

Mass-Based vs. Rate-Based

Goffman did contribute to his panel discussion on multi-state options, saying that whether to take a rate-based approach or a mass-based approach won't be the first question asked.

"Don't devise cures that induce disease," he said. "Making the system work will take priority."

A mass-based approach expresses the state's goal as the maximum number of tons of CO_2 that can be emitted during a specific time period. The rate-based approach sets the state goal based on pounds of CO_2 per megawatt-hour of generation from covered plants. The mass-based approach limits total emissions.

The panel generally agreed a mass-based approach with a trading program offers more benefits than a rate-based approach. The latter can be more complex, and thus more expensive.

"It behooves all state interests, your regulators' office and your governor's office, to figure out what works best for your state," said Doug Scott, vice president of strategic initiatives with the Great Plains Institute.

"The EPA did a remarkable job putting this together," said Latham & Watkins' Bob Wyman. "They didn't take a position on which one they preferred."

That said, Latham did note, "Rate-based looks backwards, it creates more transaction costs … in every other way, it's less effective."

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Kavulla Takes NARUC's Reins with Focus on RTOs, Technological Changes

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Kavulla said it is clear to him "most states, if not nearly all, will select a mass-based approach and open doors to trading in some form."

"Then, the issue becomes the allocation of allowances and if you do trade, to whom do you open doors? Is it a regional approach?"

Asked about the role RTOs would have in helping implement regional trading programs, Kavulla noted that CAISO and the Canadian province of Quebec currently participate in a cap-and-trade program "that has no interconnection at all between them."

"There's a reason RTOs are going hither and yon and saying they'll be an important part of this debate … that's really a decision up to the states," Kavulla said. "RTOs can come up with options that get away from a command-and-control solution for 111(d) compliance. As an economic regulator, I accept the proposition that whatever the environmental law may be, we should meet it in the most efficient manner … and that means trading.

"I hate to paint myself and other economic regulators as skeptical curmudgeons, but we're the ones who have to be promoting economically efficient outcomes — which is going to be really hard work in the context of the Clean Power Plan."

Former Journalist

Kavulla attributes his ability to get to the heart of the matter to his early career as a journalist. "It requires a talent for reading and boiling down a lot of complex materials and translating them into analysis," he said.

A graduate of Harvard, where he majored in history, Kavulla edited the conservative political journal *Harvard Salient* and wrote a regular column for *The Harvard Crimson*, the school's daily newspaper. Upon graduation, he landed an associate editor's position at the conservative *National Review* and several editing and writing jobs, from "8,000-word essays to very short, newsy write-ups" on the economy, politics and culture.

Kavulla returned to his hometown of Great Falls in 2009, intent on finishing a book on American evangelicals' influence on the African church and continuing his freelance career. However, he wound up "being sucked in the vortex of local politics," helping elect a city commissioner to undo the city utility's "ill-conceived" fixed-rate electricity contracts.

Discovering that he enjoyed the process and understood the issues, Kavulla ran for the Great Falls area's seat on Montana's five-member PSC in 2010, winning election by 28 percentage points. Kavulla was re-elected last year, and will be term-limited in 2018.

After that? A Republican, he is already being mentioned as a potential FERC commissioner. Both Commissioners Tony Clark and Colette Honorable served as NARUC president before moving to Washington.

"I really don't know," he said with a laugh.

No worries. There's much to do until then.

Other NARUC Officers, Board Elections

Pennsylvania Public Utility Commissioner Robert Powelson was elected first vice president and John Betkoski, vice chair of Connecticut's Public Utilities Regulatory Authority, was elected second vice president.

Appointed to NARUC's board of directors were: Judith Jagdmann of the Virginia State Corporation Commission; Ellen Nowak, chairman of the Wisconsin Public Service Commission; New Hampshire Public Utilities Commissioner Robert R. Scott; and Brien J. Sheahan, chairman of the Illinois Commerce Commission.

The NARUC board also confirmed Michigan regulator Greg White as executive director effective Dec. 1. He will replace Chuck Gray, who is retiring.

NARUC immediate past President Lisa Edgar thanked Gray for "37 years of service, regulatory intellect and camaraderie."

"He has left a lasting imprint on the association," she said.

White served on the Michigan Public Service Commission for more than five years after working in a variety of staff positions with the agency since 1987. He holds a Master of Public Administration from Grand Valley State University and a bachelor's in resource development from Michigan State University.

Deep in the Heart

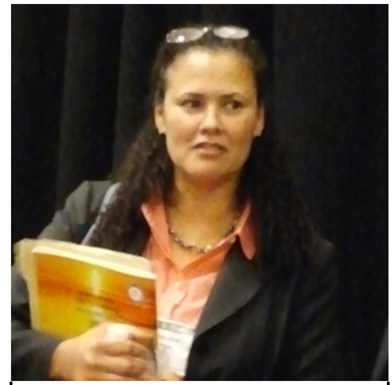
ERCOT Director of System Planning Warren Lasher compared integrating renewables into transmission systems to Central Texas' well-known barbecue. "I recommend you try our brisket. It takes about 18 to 20 hours to cook, but you don't want to do that too quickly, or it won't taste very good."

Kathleen Barron, Exelon vice president of federal regulatory affairs and policy.

NARUC Annual Meeting

"Uncertainty is one of the bigger risks facing this whole endeavor to restructure the grid," said **Kentucky Public Service Commission Chairman Jim Gardner**. "The Clean Power Plan is really accelerating that movement. There's no solution out there for anybody that will be cheap."

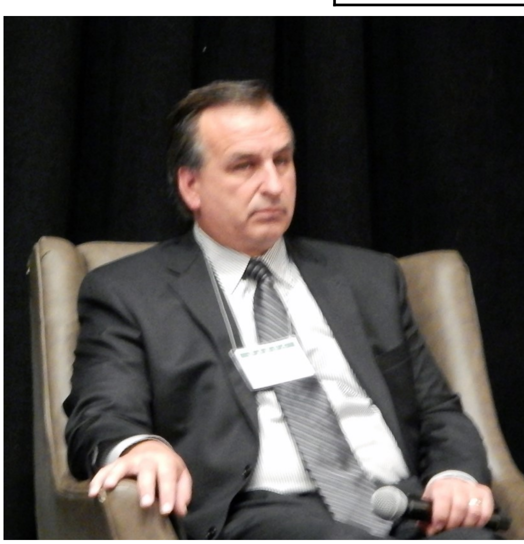
David Boyd, MISO's vice president of government and regulatory affairs, talked about the difficulty of preparing for the Clean Power Plan. "We could wait for each of our 15 states to bring forth their plans and then engage people in the stakeholder process … but we'll miss the boat. Until we can narrow down the range of options within the states, this will remain a very uncertain process."



Kelly Speakes-Backman, senior vice president of policy and research for the Alliance to Save Energy, recommended a regional approach to CPP compliance. "We're all dependent upon each other. If one state has trouble reaching its goal, another state may be able to make up the difference."

Southwestern Electric Power Co. President Venita McCellon-Allen expressed misgivings about how utilities have clustered their infrastructure. "Think about water lines, gas lines, high-voltage power lines … we put them in the same right of way and it's pretty efficient, right? But that's kind of a shopping mall for terrorists."

FERC Commissioner Tony Clark urged regulators to "ensure the regulations set up in your state, or whatever your jurisdiction is, are set to where the world is today and where it is headed, not where the world was 15 years ago."



PJM Chief Operating Officer Mike Kormos said the RTO is seeing gas combined-cycle generators operating very much like baseload plants. "It doesn't necessarily mean they operate 24/7, but the more you run them, the more you operate as baseload, the better firm [gas] transmission looks to the generators."

Michele Beck, director of the Utah Office of Consumer Services, said regulators should keep the most vulnerable ratepayers in mind when designing new rates. "We must evaluate the impact on all our customers. So a study of time-of-use rates says 59% like it … but what about the other 41%?"

ISO-NE NEWS

Solar Developer Asks FERC for PURPA Enforcement

By William Opalka

A renewable energy developer who has challenged Connecticut's clean energy procurement practices has taken its complaint to FERC after a federal appeals court ruled it had not exhausted all of its administrative remedies.

Allco Renewable Energy on Tuesday asked FERC to begin an enforcement action against Connecticut under the Public Utility Regulatory Policies Act. Allco says that a 2013 state law that solicited renewable energy generation and directed Connecticut utilities to enter into contracts with selected generators is an intrusion into FERC's jurisdiction over wholesale electricity markets (EL16-11).

The company cited FERC and federal court rulings that say states have no authority to procure energy except under PURPA, which is limited to qualifying facilities (QFs) of 80 MW or less. Allco, which develops small QF solar projects, alleges Connecticut's Department of Energy and Environmental Protection and the Public Utilities Regulatory Authority violated PURPA by awarding a contract to a 250-MW wind farm in Maine.

Allco asked the commission to void the contract and enjoin the Connecticut agencies from entering into any other wholesale purchases except with QFs. The company also says a recent solicitation by Connecticut eliminates smaller facilities and imposes onerous fees on applicants.

The developer sued DEEP in late 2013 in U.S. District Court, saying it effectively crowded out smaller developments in its selection. The court ruled last year that prices were set by project bidders and the selections were not an intrusion by state regulators into the wholesale market.

Allco, which had proposed five solar projects that were not selected, appealed to the U.S. Court of Appeals for the Second District, which dismissed the complaint Nov. 6 (Case 15-20).

Allco's Unadilla Solar Project, a 1-MW solar farm in Georgia. Allco has at least 15 similar QFs across the country. *Source: Allco Renewable Energy*

"Allco failed to exhaust its administrative remedies, a prerequisite for any qualified facility to bring an equitable action seeking to vindicate specific rights conferred by PURPA," the appeals court wrote.

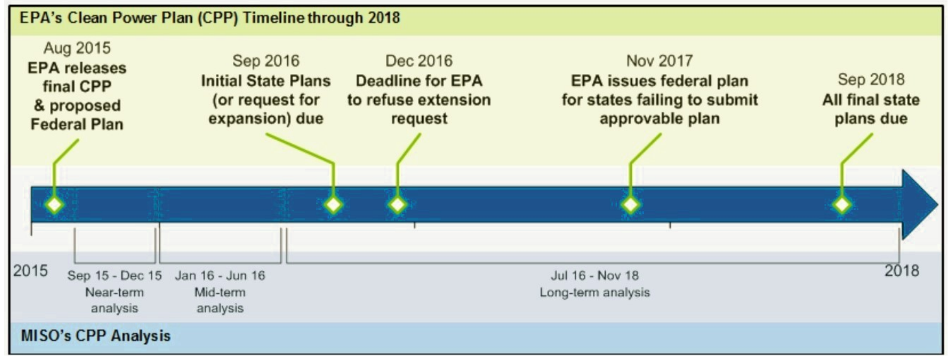
Allco has also filed a federal lawsuit making many of the same arguments in a challenge to a soon-to-be-released request for proposals by Connecticut, Massachusetts and Rhode Island to jointly procure renewable energy resources. (See *Allco Challenges New England's Renewable Procurement Plan*.)

That lawsuit is pending in U.S. District Court in Connecticut.

MISO NEWS

MISO Unveils CPP Study Scope, Will Deliver Preliminary Near-Term Results Next Month

By Amanda Durish Cook



Source: MISO

MISO on Thursday released the final scope of studies it will conduct through mid-2016 to help the RTO's 13 states evaluate their compliance options under the Environmental Protection Agency's Clean Power Plan.

The near-term analysis, expected to be completed by January, will look at the implications of various compliance paths. It will be based on the models used in prior analyses of the draft CPP with updates reflecting the final rule.

The mid-term analysis, expected to run through June, will use new models based on the most relevant compliance paths from the near-term study to determine likely resource buildouts and their locations under three separate futures. It will be the foundation for transmission development under the 2017 MISO Transmission Expansion Plan.

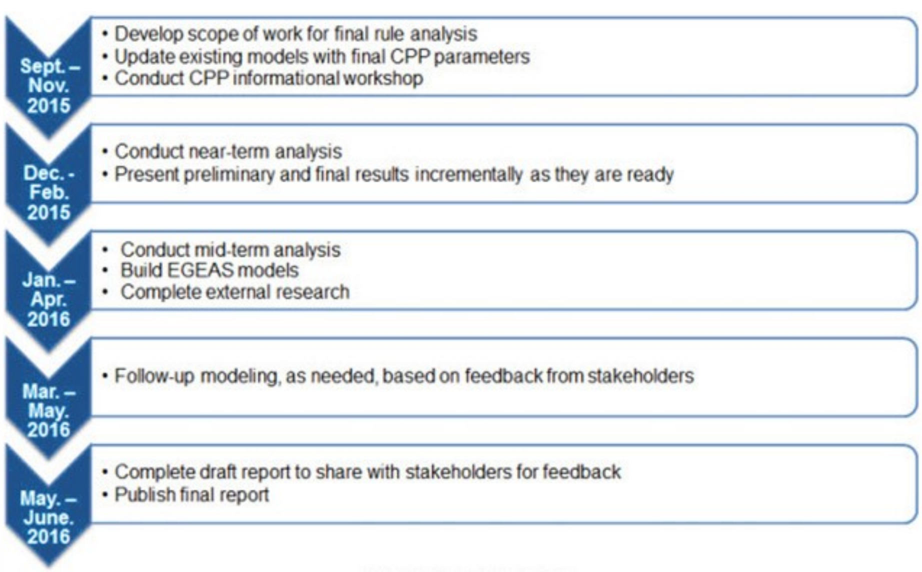
A long-term analysis, which will run through late 2018, will seek to develop transmission overlays needed to implement state compliance plans.

"MISO's CPP study efforts over the next two [to] three years will create a bridge between the uncertainty and complexity that exists today and the modeling certainty needed for effective transmission overlay design," the RTO wrote in its 10-page study scope.

The near-term study will model six scenarios, including a business-as-usual case, compliance via coal retirements and increased gas generation, and one weighted toward energy efficiency with a wind and solar buildout. The study will apply seven mass- and rate-based compliance options, both with and without interstate trading.

Preliminary Results in December

Bakke said MISO's research team will have preliminary near-term analysis results ready to be presented at December's Planning Advisory Committee meeting. "We're trying to frontline as much as we can of this study into January and February," said Jordan Bakke, senior policy studies engineer at MISO.



MISO analysis of Clean Power Plan: high-level schedule *Source: MISO*

At last week's PAC meeting, stakeholders expressed concern that the study could lead to an overwhelming output of information.

"We're not going to lead with a mountain of data. We're going to lead with the peak of the mountain," Bakke responded.

MISO's analysis, Bakke said, will examine the CPP from a system perspective, purposefully omitting an individual state breakdown. Bakke also called a study on reliability impacts under the rule "premature." Instead MISO is asking for states to reach out with their plans so the RTO can begin applying them.

"When we move into our mid-term analysis, that's when we get more detailed. For now, these are generic assumptions," Bakke said. He added that the mix of rate-based and mass-based compliance in the study scope will be more nuanced when states come forward with their plans.

MISO isn't putting itself under a deadline to qualify for the CPP's Clean Energy Incentive Program, which rewards states with emission rate credits for "early action." MISO said the program is "complex and will be further reviewed as the study progresses."

States that delay coming forward with a plan or extension request beyond late 2016 will have a preset federal plan imposed on them in November 2017. State requests for extensions are due next September. (See *Revised Clean Power Plan Allows More Time, Sets Higher Targets*.)

"In the final rule, they're really allowing states to do a wide variety of things. … You have a fair bit of options in what your plan will look like," said Mary Waight, one of MISO's policy studies engineers, during a CPP informational workshop on Nov. 6.

MISO News

Planning Advisory Committee Briefs

CPP to Play Role in Reworked Futures Development

MISO's Planning Advisory Committee continued discussion Wednesday on a revised planning futures process that will help the RTO develop transmission needed to comply with the Clean Power Plan.

Durgesh Manjure, MISO's manager of resource adequacy coordination, said the final CPP plan will be incorporated into the MISO Transmission Expansion Plan beginning with the 2017 cycle. The MTEP 16 futures are based on the draft rule, which was changed significantly.

"Futures for the next few MTEP cycles are expected be driven largely by the CPP. Work done for MTEP 17 should allow for more efficient development of MTEP 18-plus futures," MISO wrote in a presentation.

MISO "believe[s] it's appropriate to bring in the Clean Power Plan to the MTEP 17 cycle," even though implementation itself isn't slated to begin until 2022, Manjure said. States are required to submit a compliance plan or an extension request in September 2016 with final plans due in September 2018.

While MISO said incorporating the CPP final rule into MTEP16 "could be beneficial," there are ultimately no plans to revise MTEP16 futures to reflect the final rule.

Stakeholders have said that drivers used for MTEP futures should not be limited by existing policies and include policies on the horizon. They also asked that MISO share historical and forecast data on key variables before workshops take place.

Transmission-owning stakeholders requested that MISO review its resource siting process. The RTO said siting is to be reviewed in the coming year.

"It's a journey of discovery," Manjure said, quoting MISO executive vice president of transmission and technology Clair Moeller's stance on CPP preparation. "By no means are we jumping the gun on MTEP 17. This is a precursor to the conversation," he added.

Under the realigned MTEP futures development, MISO will share relevant historical and forecast data at the beginning of an MTEP cycle, then check if the existing futures sufficiently capture the economic and policy landscape for long-term transmission planning, reusing them if appropriate. The RTO will also actively look for any new sensitivity scenarios and plan to reuse resource expansion and siting in successive PROMOD models. PROMOD models themselves will be updated annually to represent the latest topology in MISO's footprint.

"The timeline and overall process definitely warrants a look," Manjure summed up.

Manjure said the revised planning futures process will be subject to "ongoing discussions" at upcoming PAC meetings; no voting date has been set.

Proposed Changes to Expedited Project Review Fall Short, Stakeholders Say

The PAC continued its review of MISO's proposed changes to the out-of-cycle review process, with some stakeholders

Continued on page 12

FERC Rejects Rehearing in Entergy Move to MISO Membership, OKs Cost Allocation Filing

By Amanda Durish Cook

FERC last week denied requests by Texas and Louisiana regulators for rehearing of its December 2013 order approving the Entergy operating companies' incorporation into MISO and Entergy Arkansas' exit from the companies' system agreement.

The Public Utilities Commission of Texas contended FERC was wrong because in filing "limited" amendments to the agreement, Entergy didn't subject its entire system agreement to scrutiny.

The Louisiana Public Service Commission contended that FERC's order failed to determine what entity is responsible for costs left when an operating company withdraws. It said ratepayers of the last remaining company in the operating company system could unjustly bear the brunt of the costs needed to plan and operate the resources of multiple companies. Louisiana regulators also questioned whether Entergy's proposed congestion cost would correspond with MISO practices and suggested that Entergy Arkansas' exit would leave a regulatory gap in state authority over Entergy.

FERC's Nov. 9 order denied the commissions' complaints on all fronts, saying that the system agreement doesn't require withdrawing companies to pay an exit fee or otherwise compensate remaining companies (ER13-432-001).

"[Entergy Arkansas'] integration into MISO does not require a broader review of the system agreement. Nothing about Entergy's intent to operate as a power pool within MISO is inherently inconsistent with behavior in an organized market," FERC wrote. "Furthermore, nothing in the system agreement or commission precedent would bar Entergy from integrating the operating companies into MISO as a power pool."

FERC last week also accepted Entergy's compliance filings required by the 2013 order (ER14-1263, et al). The commission had ordered the companies to amend their costs and credits allocator to use energy usage instead of peak demand as the basis for calculations.

The Louisiana commission protested that Entergy's revised allocator "departs dramatically from the criteria articulated by the commission" by using monthly energy usage data instead of hourly energy usage data, as MISO's Tariff states. They asked FERC to reject Entergy's method on the basis that it violated cost-causation principles.

FERC instead accepted Entergy's compliance filing, noting that using hourly energy usage data "would be problematic because it would be inconsistent with the monthly allocation of ancillary services and uplift charges and credits related to generating units."

"We find that Entergy has provided sufficient detail in its compliance filing to explain how it will calculate the energy-based allocator and has justified why its proposal is just and reasonable," the commission wrote.

FERC Commissioner Colette Honorable, a former Arkansas regulator, did not participate in either ruling.

MISO NEWS

Planning Advisory Committee Briefs

Continued from page 11

complaining that the changes don't address their concerns that expedited projects could undercut competition under FERC Order 1000.

The RTO is drafting changes to its business practices in response to the uproar earlier this year over Entergy's $200 million out-of-cycle project in Louisiana.

MISO defended its proposal to eliminate detailed criteria defining expedited projects, saying it did so because the RTO does not have the authority to challenge load-serving entities' load assumptions or regulatory drivers. MISO said it would consider adding more detailed criteria "provided that those bounds do not require MISO to challenge the obligations of the LSE or [transmission owner]."

"We really believe that the best mechanism to address these types of issues is transparency," said Matthew Tackett, a MISO principal adviser.

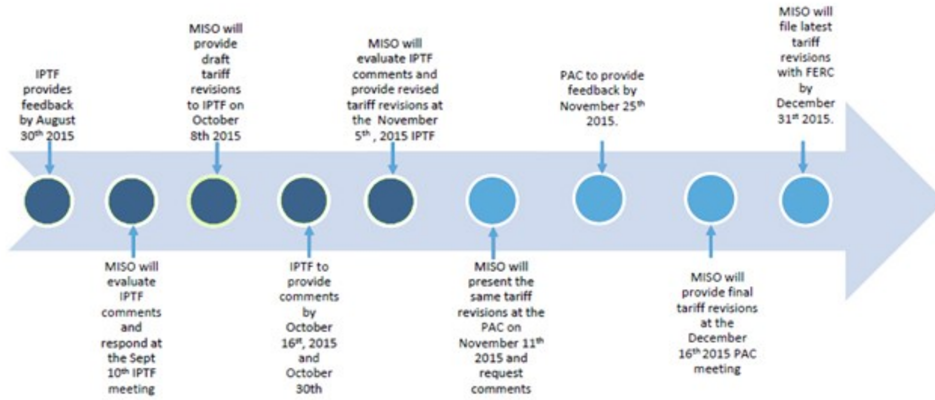
MISO also said the PAC does not have the authority to order planning staff to report to MISO's Board of Directors on expedited projects. MISO staff reports to the board at its own discretion.

"Of course we will consider [recommending] these projects if there's an appropriate need and if the timing is appropriate," Tackett said.

Stakeholders argued that under the proposed changes, MISO and the PAC can do little to prevent TOs and LSEs from inflating their load demands and proposing an expedited project under false pretenses. One PAC member said it would be "troubling" if MISO chooses to interpret the Tariff language narrowly and ignore stakeholder concerns.

Another said the revision process had become "a very frustrating exercise" because redline suggestions to the manual language have not been accepted by MISO.

Discussion on the process will wrap up at December's PAC meeting, when the committee will be asked to approve the changes.



MISO queue reform process. *Source: MISO*

Queue Remodel Moves to Final PAC Review; Stakeholders Request Transition Plan

MISO expects to draft final Tariff language for its interconnection queue reform effort in the coming month.

The proposed changes, which include the introduction of phases and related fees along with a reduction of restudies, drew criticism from stakeholders at last week's PAC meeting. Stakeholders representing wind power developers were particularly critical of the plan, saying it could increase their costs to $25,000/MW for projects that may not come to fruition.

The last revision of queue rules was completed in 2012.

"We have made changes over the past, but they're not going as well as we envisioned, so this is our chance to go back and fix it," Vikram Godbole, senior manager of MISO's generator interconnection planning group, told the committee.

Under current rules, Godbole said, customers may leave their interconnection projects in the existing queue even if they don't wish to proceed. He also said the current queue process takes too much time and doesn't lend enough certainty to interconnection customers due to the volume of restudies.

"What we're going to do is restructure the restudies and minimize the number of restudies allowed," he said.

The new rules would eliminate restudies after interconnection customers execute a permanent generator interconnection agreement.

The new rules set new deadlines for receiving refunds of milestone payments.

Godbole said interconnection customers proposing a project will receive a detailed study from MISO in the first 110 days of the process. After reviewing the study, the requesting owner can decide whether to seek a refund of the $5,000/MW milestone paid at the queue application. Before executing a generator interconnection agreement, customers must pay two more milestones during phases that last 80 and 135 days, respectively.

No refunds will be permitted for interconnection customers that do not withdraw their projects before the third, 135-day phase begins.

Godbole encouraged stakeholders to view the proposed milestone payments as "deposits."

Several stakeholders asked for more time to consider the changes, saying at just four months the process felt "rushed." Godbole responded that MISO has incorporated three cycles of comments thus far on the proposed changes.

Some stakeholders requested a clearer transition to the new rules.

"We've heard it crystal clear that stakeholders want a transition plan by the time we file with FERC," Godbole said. He asked stakeholders to provide "actionable items" that MISO can incorporate into the plan.

MISO asked for PAC's feedback on the changes by Nov. 25 in order to present final Tariff language to the committee on Dec. 16.

— Amanda Durish Cook

MISO NEWS

EUCI Midwest Transmission Summit

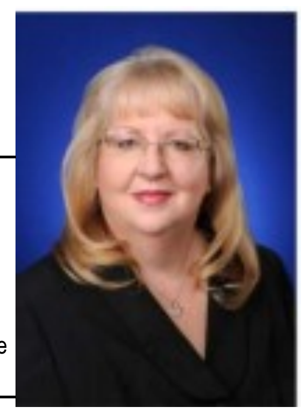
Bob McKee, American Transmission Co.'s manager of regulatory relations and policy, said planners shouldn't wait until 2018 to begin work on new transmission needed to comply with the Clean Power Plan. "It takes on average five to 10 years to construct a new transmission facility. We want to make sure that there's enough time on the front end that transmission is not an afterthought. … There's work that can be done now to narrow a portfolio of projects." *© RTO Insider*

"We should resist compartmentalizing transmission projects into reliability or market efficiency or public policy because each project can provide multiple benefits that go beyond the labeling," said **Onur Aydin, senior associate of The Brattle Group**. "We should really consider the combined benefits. It would be a really important step forward." *© RTO Insider*

"I think it's going to be really important for states to submit their compliance plans by 2016 rather than waiting until 2018," agreed **Marka Shaw, regulatory affairs manager for Exelon**. "If they wait to the very end, it's going to be very difficult to catch up. Transmission expansion is going to be driven by a state's compliance approach. Failure to plan appropriately could lead to reliability issues." *© RTO Insider*

"If we retire more coal and replace it with other technologies — wind and solar storage — what we're going to see here is a difference in reliability. The areas of concern are frequency support, voltage control and ramping," said **Mark Ahlstrom, vice president of NextEra Energy's renewable energy policy**. "From an engineering standpoint, these problems are all very solvable. The price of [reliability] options is coming down quite a bit."

Beth Krogel Roads, general counsel for the Indiana Utility Regulatory Commission, said the commission is very concerned about the failure of MISO and PJM to develop interregional projects in the state. "Historically, that's what we've seen for the last 10 years, and we hope that doesn't continue for the next 10. … Indiana's very interested in interregional planning projects. To a certain extent, we don't mind paying for it because we see the value."



"We're the Land of Lincoln, but we're in need of Benjamins," said lawyer **Christopher J. Townsend, a partner in Quarles & Brady**, remarking on the Illinois Commerce Commission's $100,000 application fee for a 225-day expedited procedure on transmission line approval. Developers also must pay a $20,000/mile construction fee to counties in which lines are sited. "Hopefully some of these new projects can get approved and move forward."

NYISO NEWS

Settlement Reached on Cost Allocation, ROE for NY TOTS Projects

By William Opalka

New York transmission owners filed a proposed settlement with FERC on Nov. 5 establishing the cost allocation and rate of return for three transmission projects intended as contingencies for the potential closure of the Indian Point nuclear power plant in Westchester County (ER15-572-004). (See *Divided FERC Trims ROE on NY Tx Projects, Orders Hearing*.)

The proposal settles the revenue requirements, including the return on equity and the inclusion of adders, of New York Transco, the organization of investor-owned utilities in the state that will develop and own the Transmission Owner Transmission Solutions (TOTS) projects.

"This settlement agreement results in a total ROE (10%) for the TOTS projects that is lower than the base ROE (10.60%) proposed by the applicants and supported by the applicants' filing," the settlement says.

The agreement leaves intact the 50-basis-point adder for the TOTS projects, as granted by FERC, for costs up to $228 million. The agreement says the adder accounts for benefits to customers, including congestion relief.

Transmission District	Allocation of the Costs of the TOTS Projects (%)
Central Hudson	5.99
ConEdison/O&R	63.18
NYSEG/RG&E	10.12
National Grid	12.16
LIPA	8.55

TOTS projects cost allocation *Source: proposed settlement, ER15-572-004*

That resolves the New York Public Service Commission's objection to having a separate adder for the transcos' participation in an RTO and the transcos' inclusion of additional adders for other ratepayer benefits, according to the settlement.

The agreement also includes transmission owners New York Power Authority and Long Island Power Authority as signatories. Because they are public authorities, they cannot joint the NY Transco organization. Also agreeing to the settlement are the New York Public Service Commission; the New York State Department of State Utility Intervention Unit; New York City; the New York Association of Public Power; the Municipal Electric Utilities Association of New York; and an unincorporated group of about 60 industrial, commercial and institutional energy consumers.

The cost allocation is "voluntarily agreed to by all participants who will bear the costs of the TOTS projects under the NYISO [Tariff]," according to the settlement.

NY Transco's members and their allocations are: Central Hudson Gas and Electric (5.99%); Consolidated Edison of New York and Orange and Rockland Utilities (63.18%); National Grid's Niagara Mohawk Power (12.16%); and New York State Electric and Gas and Rochester Gas and Electric (10.12%).

The agreement does not include two AC projects in the FERC order from April: the estimated $1 billion Edic-Pleasant Valley 345-kV line and the $246 million Oakdale-Fraser 345-kV line.

Rehearing requests for them will remain pending but held in abeyance, as those projects may be subject to further action by NYISO, according to the settlement. The ISO could issue a "viability and sufficiency assessment," which would restart their settlement negotiations.

NYISO NEWS

FERC's NY ICAP Exemptions Satisfy No One

By William Opalka

New York officials and others last week asked FERC to rehear an order that exempted renewable generation and self-supply resources from buyer-side mitigation rules in the state's installed capacity market (EL15-64).

The Oct. 9 order was seen by the commission as a way to exempt resources that had minimal impact on capacity prices while aiding compliance with federal carbon emission rules. (See *FERC Grants Exemption for Renewables, Self-Supply in NY ICAP Market*.)

But several parties who sought the exemption in May say the commission's order will stifle development of the very resources it is trying to protect. Petitioners representing power generators, meanwhile, sought to reverse or limit the exemptions.

"The commission adopted a renewable generation exemption that is unduly restrictive because it is limited to a narrowly defined population of intermittent renewable resources, and further constrains the exemption with an annual cap on new eligible renewable capacity," said the original petitioners, the New York Public Service Commission, the New York Power Authority and the New York State Energy Research and Development Authority. "Moreover, the commission declined to adopt a general exemption for demand response resources."

The petitioners were joined by New York City, the Natural Resources Defense Council and intervenors representing large commercial and industrial customers.

The order stated that a renewables cap should be developed through a stakeholder process at NYISO. The petitioners say they want no cap imposed. They also objected to the exclusion of demand response resources.

In other filings:

- Astoria Generating, TC Ravenswood, NRG Energy and Cogen Technologies Linden Venture want to eliminate the self-supply exemption, saying that FERC did not identify evidence that it would not suppress capacity market prices.
- The Independent Power Producers of New York and the Electric Power Supply Association asked the commission to bar state entities such as NYPA from using the self-supply exemption, saying they have "demonstrated a strong incentive and ability to subsidize new entry to suppress ICAP prices."
- Transmission owners Consolidated Edison, Central Hudson Gas & Electric, Rochester Gas & Electric and New York State Electric and Gas requested a rehearing because there was no inclusion of demand response resources.
- Entergy is advocating a reversal of the order, saying the exemptions will "become tools to artificially suppress capacity prices."

Shuttered Finger Lakes Plant Seeks Gas Line for Repowering

By William Opalka

A power plant developer says it has met most requirements to repower a 106-MW coal-fired generator in the Finger Lakes region that has been closed for more than four years.

Greenidge Generation says it hopes to repower the facility with natural gas as a merchant plant by the middle of next year. To do so, it has asked state regulators for expedited approval of a 4.6-mile connection to the Empire Connector interstate gas pipeline. The petitions are before the New York Public Service Commission (15-E-0516, 15-G-0571, 15-T-0586).

An environmental group has challenged the company's request for a certificate of public convenience and necessity, saying the plant is not needed and runs counter to the state's clean energy goals.

"The public need for the pipeline is entirely dependent upon the public need for the generating station. Because [the developer] has failed to demonstrate a public need for reopening the generating station, there is no basis for determining that there is a public need for a new gas pipeline to the generating station," the Committee to Preserve the Finger Lakes wrote.

The group also said the reopening of fossil fuel-fired power plants runs counter to the state's Energy Plan released earlier this year that seeks to cut greenhouse gas emissions 40% below 1990 levels by 2030 and 80% by 2050. "These targets cannot be achieved if New York continues to bring fossil-fueled generating infrastructure online," it said.

The group asked the commission to deny the request for expedited approval and instead conduct evidentiary hearings.

Greenidge disputes the environmentalists' characterization of the public need. "The commission has consistently recognized that [merchant] facilities are in the public interest ... where they have been shown to provide benefits in the form of increased employment, improved reliability and lower prices for electric energy and capacity throughout New York state," it wrote.

It also says the Energy Plan does not restrict natural gas generation. "Moreover, CPFL's allegations with respect to the state Energy Plan involve only legal and policy matters and fail to raise any contested issues of material fact for which a hearing would be required," the filing said.

Empire Connector Interstate Pipeline
Source: Tuff-N-Nuff

Built in 1953, the plant is located on Seneca Lake in Yates County. It was purchased in 1998 by AES and operated by it and its subsidiaries until March 2011, when it was mothballed. The plant has not operated since.

During the AES bankruptcy proceeding in 2012, the company said it intended to permanently retire the plant. The plant was sold to GMMM Holdings, which in turn sold the facility to Greenidge in February 2014, according to the Greenidge filing.

Greenidge said most permits are current, but it needs an air permit and water withdrawal permit from the state Department of Environmental Conservation.

PJM News

TOs Defend Jurisdiction at FERC Conference

By Michael Brooks

WASHINGTON — PJM transmission owners defended their jurisdiction over maintenance of the grid last week under questioning by FERC staff at a technical conference held to gain insight into the RTO's local planning process.

Commission staff questioned PJM officials for almost four hours on subjects ranging from the difference between its Planning Committee and Transmission Expansion Advisory Committee to what is discussed at its sub-regional committee meetings.

The staffers were particularly interested in learning how PJM reclassifies supplemental projects as baseline projects in its Regional Transmission Expansion Plan and how it determines whether local transmission needs should be opened to competitive proposals under Order 1000.

FERC ordered the conference in September, partially in response to a complaint by Dayton Power & Light over the reclassification of the Cunningham-Elmont 500-kV end-of-life project in Virginia as a baseline project in the 2015 RTEP. Dominion Resources originally proposed the rebuild as a supplemental project, meaning it would bear the full costs. (See *FERC Sets Tech Conference on PJM Tx Planning Rules*.)

In June, FERC issued a deficiency letter seeking additional information on PJM's cost allocations for 61 baseline upgrades, including the Cunningham project. In its response, PJM acknowledged that "there is no specific language in either [the Tariff] or the PJM manuals that explains how PJM recategorizes a supplemental project to a required transmission enhancement eligible for regional cost allocation."

Supplemental Projects

PJM Vice President of Planning Steve Herling, who did most of the talking for PJM at the hearing, told FERC that supplemental projects are proposed at the discretion of the TOs and are not in response to any violations of North American Electric Reliability Corp. standards or the TO's own planning criteria. They're often proposed to replace aging infrastructure. "If you went down the list in our database, I guess half of them start with the word 'replace,'" he said.

Supplementals "could very well mask a violation that would have otherwise arisen, and it will not be obvious to anyone that such a violation would have arisen," Herling said. This only becomes apparent if the TO decides not to go forward with the project and, once pulled from the RTEP, PJM finds that a violation would occur. The project would then be converted to a baseline project.

Valerie Teeter, of FERC's Office of Energy Policy and Innovation, asked PJM what that conversion process entails: "Does that violation kind of go back to the beginning of the stakeholder process? [Does it] go through the process that any other violation would? Is there a proposal window for solutions?"

"It's all a matter of timing," Herling responded. If the supplemental was identified three years ago and PJM realizes that absent the supplemental there will be a violation, construction on the project is likely to have begun. "At that point, we're certainly not going to shut the project down so that we can hold a [proposal] window and see if a better project exists," he said.

But, Herling said, that decision is "purely judgmental," meaning there's no bright line for when the RTO would open a proposal window to select the most cost-effective solution.

FERC's Zeny Magos, far left, asks PJM a question. © *RTO Insider*

"Where it gets gray is in the middle," when PJM notices a potential violation a year after a supplemental is proposed, for example. "Depending on the circumstances, we would likely say, 'OK, put the brakes on, we're going to open up a window'" for competitive proposals, Herling said. "Again, it's very judgmental. It's all going to be case-by-case based on the circumstances."

Cunningham-Elmont

PJM reclassified the Cunningham line after Dominion revised its planning criteria last year. In its complaint, DP&L accused Dominion of exploiting what it called a loophole resulting from an Order 1000-related filing by PJM TOs that permits a portion of the costs of new 500-kV baseline projects to be shared by load-serving entities throughout the RTO.

Herling said that any party, including PJM, can identify whether a project might need to be converted from supplemental to baseline, especially in the case of aging infrastructure. However, "most often, my gut is it will be the transmission owner who will recognize the likelihood that the project should be converted. It is not always intuitive to anyone else."

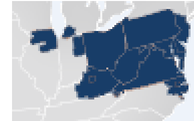
For the Cunningham rebuild, Dominion provided a "condition assessment" that the company said justified converting the project to baseline. Performing a condition assessment "is not the kind of thing that PJM could take as an initial step on their own," Herling said. PJM then did its own evaluation based on Dominion's work to confirm that it met the criteria for a baseline.

FERC staff asked why a proposal window was not opened for the need associated with Dominion's planning criteria for aging infrastructure.

"That's one we're continuing to think our way through as a general matter," Herling replied. "It's challenging to us to justify going out and seeking other proposals when you're going to have to tear the line down anyway, [and] the state would prefer you reuse the existing right of way." In Cunningham's case, PJM determined a violation would occur if it was taken out of the RTEP, so it needed to be replaced.

Continued on page 17

PJM NEWS



TOs Defend Jurisdiction at FERC Conference

Continued from page 16

Hertzel Shamash, vice president of resource planning for DP&L, spoke up at this. "You [eliminate] any of the existing transmission lines … and you're going to violate NERC standards, because you need that line. It wouldn't be there if you didn't need it.

"Regarding the open window: Yeah, you can build on existing rights of way, but someone can build it for a lower cost," he said.

Maintenance, not Planning?

TO representatives pushed back at staff's focus on the lack of a defined conversion process. The Cunningham case, in which a change in planning criteria led to a conversion, "is relatively rare," said Steve Naumann, vice president of transmission and NERC policy for Exelon. "It's a unique circumstance."

"The drivers [of supplemental projects] can be so different, and many of them are management of the assets, which is not something that has been turned over to PJM," Naumann said. "That has remained with the transmission owner: to manage their own assets, as opposed to transmission expansion. The TOs as a whole believe there's no need — nor is there a requirement — to have a … hard and fast set of filed criteria for supplemental projects. Otherwise they wouldn't be supplemental projects."

Maintenance of the system is solely the purview of the TOs, said Frank "Chip" Richardson, manager of transmission regulatory and business affairs for PPL. "It's excluded from PJM's processes. … You don't see any processes where PJM evaluates the maintenance of the system."

"We, by definition, don't think supplemental projects are planning projects," said Raja Sundararajan, vice president of transmission asset strategy and policy for American Electric Power. When AEP finds things that are broken and need to be fixed, it lets PJM know, he said. "Is that a planning process? No, that is not a planning process. That is fundamentally a maintenance and replacement of the assets."

Maintenance is a business decision left solely up to the TO. "There's a clear delineation of where planning is and when operation begins," Sundararajan said.

From left to right: AEP's Raja Sundararajan; Hertzel Shamash of DP&L; Exelon's Steve Naumann; and PJM's Paul McGlynn. © *RTO Insider*

FERC Unconvinced

FERC staff seemed unconvinced by these arguments. "I am not seeing that delineation," replied Zeny Magos of FERC's Office of Energy Markets and Reliability. "I personally do not see the difference between planning your transmission system and maintaining your transmission system."

Mark Ringhausen, vice president of engineering for Old Dominion Electric Cooperative, also had complaints about the lack of process. He said one of ODEC's neighboring TOs presented $250 million in supplemental projects last year, including rebuilds for aging infrastructure. He said PJM told ODEC the co-op didn't have the ability to influence changes to other TOs' supplemental projects because PJM said such projects are outside the RTO's jurisdiction. "Clearly there is no process," Ringhausen said.

Ringhausen cited FERC's June 22 rehearing order on the planning and cost allocation requirements of Order 1000. In it, the commission said it read the PJM Operating Agreement as giving stakeholders "an opportunity at the early stages of each individual PJM transmission owner's planning of supplemental projects (i.e., before each transmission owner actually identifies any potential supplemental project) to review the criteria, assumptions and models each individual transmission owner uses to plan supplemental projects" (ER13-198).

"Is that happening today?" Ringhausen asked. "Clearly … it's not happening at the early stages."

"RTEP is the Regional Transmission *Expansion* Plan," Richardson countered. "It's not the 'Regional Transmission Maintenance Plan.' There's never been anything in PJM about how the transmission owners maintain their equipment.

"The definition of 'supplemental' is PJM does not need it," he said. "They would never tell us to do it."

Going Forward

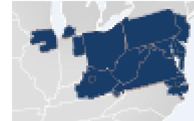
Magos asked PJM if it thought it needed to update its Tariff or manuals to include a conversion process.

"My gut is we would probably want to take a look at updating the PJM manuals, which probably could be made to point to any number of existing practices that are in the Tariff, just to ensure they are applicable also," Herling said. "Now if in the commission's judgment that needs to be in the Operating Agreement or the Tariff, fine, we can certainly do that. But we would do the manuals first."

"It would be very helpful, I think, for some of the people who have to pay for these projects to have a bright line in the Tariff that explains how you go from supplemental to regional transmission planning," said Amy Fisher of Linden VFT. "That would be kind of an exclamation point that people should be very engaged in that process."

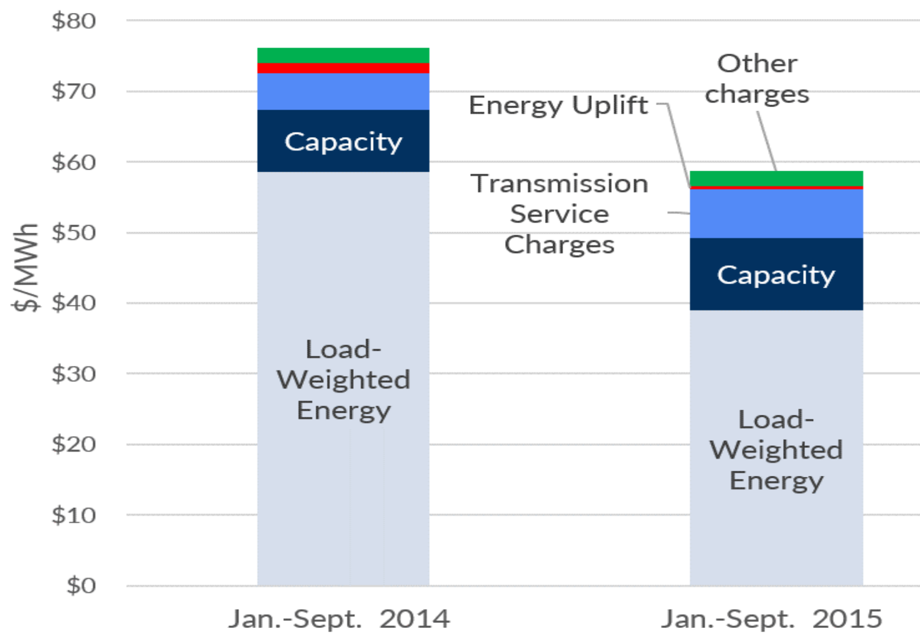
FERC staff requested comments be filed by Dec. 10 on several issues discussed at the conference, including the process for reclassifying supplementals, stakeholder input on supplemental projects and the difference between transmission planning and transmission maintenance.

PJM NEWS



Monitor: DR, Market Power Changes Needed

By Suzanne Herel



Total price/MWh by category *Source: Q3 2015 State of the Market Report for PJM, Monitoring Analytics*

PJM should tighten rules on demand response and market power, the Independent Market Monitor said in its third-quarter State of the Market Report.

The report, which included eight new recommendations, concluded that the RTO's energy, capacity and regulation markets were competitive for the first nine months of the year.

"The markets are working pretty well," Monitor Joe Bowring said in an interview. But, he said, "there is still progress to be made in some of the details of the capacity market rules, and we're concerned about some of the proposed changes to market rules, particularly the hourly offer flexibility."

The study, released Thursday, found that energy market prices dropped by one-third compared with the same period last year, due to lower fuel prices and decreased demand. The load-weighted average real-time locational marginal price was $38.94/MWh compared with $58.60/MWh in 2014.

Uplift decreased 68% in the first nine months over a year ago, from $899.1 million to $285.7 million, but Bowring said the charges remain high, in large part because of inflexible unit parameters based on rigid gas supply arrangements.

The report said that the Capacity Performance rules will address those problems in the future.

"Outages were high, performance incentives remain weak and there is no resolution of the disconnect between the incentives facing electric generating units and the incentives facing gas pipelines, which is a barrier to the construction of new pipeline capacity," the Monitor said.

Bowring noted his particular concern over the ability of generators to place hourly instead of daily offers.

"The PJM market design incorporates a variety of rules designed to help ensure competitive outcomes," the report said. "When basic elements of those rules are modified, e.g. the raising of the overall $1,000/MWh offer cap and the introduction of hourly offers in place of daily offers, it is essential that effective market power mitigation be maintained.

"A direct and effective substitute for the current market power mitigation rule limiting units to one offer per day would be to limit any hourly offer changes during the day to changes in the cost of fuel. The failure to maintain limits on aggregate market power will lead to the exercise of market power and the associated negative impacts on the competitiveness of PJM markets."

The report also found that net revenue for new entrants was down for the first nine months, decreasing 13% for a combustion turbine, 18% for a combined-cycle, 53% for a nuclear plant, 20% for wind and 5% for solar.

Congestion charges dropped by about 35% from $1.7 million for the first nine months of 2014 to $1.1 million this year.

The report included eight new recommendations, three listed as high priority. One concerns the energy market and two address demand response, provided that DR remains in the wholesale market following the Supreme Court's ruling in the Electric Power Supply Association challenge. (See *FERC Jurisdiction over DR in Peril as Supreme Court Splits*.)

- The rules around the three pivotal supplier test should be clarified and documented. In addition, markup should be constant across price and cost offers; there should be at least one cost-based offer using the same fuel as the available price-based offer; and the parameters of the cost-based offer should be at least as flexible as the parameters of the available price-based offer.
- PJM should require nodal dispatch of demand resources with no advance notice required. Alternately, if nodal location is not required, subzonal dispatch of DR with no advance notice should be mandatory.
- PJM should eliminate the measurement of DR compliance across zones within a compliance aggregation area. "The multiple zone approach is less locational than the zonal and subzonal approach and creates larger mismatches between the locational need for the resources and the actual response."

The remaining recommendations were of medium and low priority and regarded uplift and planning, respectively.

PJM spokesman Ray Dotter had no specific comment on the recommendations, saying only that many "appear consistent with the themes of prior State of the Market reports."

"PJM looks forward to working with the Independent Market Monitor to flesh out these new recommendations to ensure a complete understanding and to determine how they may be addressed, including through potential introduction into the stakeholder process," he said.

PJM NEWS

PJM Prepared for Winter Load, Milder Temperatures Expected

PJM expects 177,628 MW of generation this winter, a 35% margin over the projected peak demand of 131,720 MW, the RTO said Thursday.

The peak load for the 2014-15 season was a record 143,295 MW, set in February. Temperatures are forecasted to be milder this year.

While last winter saw colder temperatures than the previous year, when the region was hit by a polar vortex, the RTO experienced fewer generator outages — rarely exceeding a 15% outage rate compared with rates as high as 22% in January 2014.

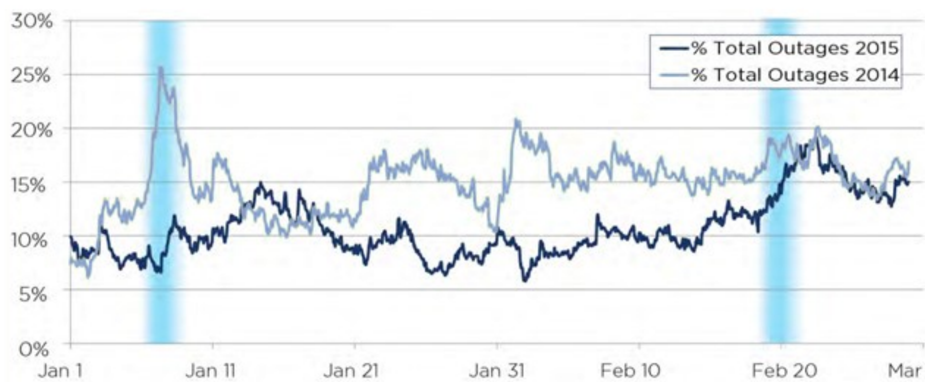
"PJM has taken many steps to reinforce generator readiness and to continue to improve coordination with natural gas pipelines, a key source for a large portion of the generation fleet," said Michael Kormos, executive vice president and chief operations officer for PJM.

In preparing for the winter, PJM offered testing to generating units that had not run in the eight weeks prior to Nov. 1, repeating a program begun last year, and had generators complete a survey assessing their fuel supplies.

Also this summer, PJM signed an information-sharing agreement with nine interstate pipelines. (See PJM, Pipelines Pledge Increased Cooperation to Boost Reliability.)

About 10,000 MW of generation have retired since last winter, only about 3,000 MW of which has been replaced, Kormos told FERC in September. (See PJM to FERC: We're Prepared for Winter.)

— Suzanne Herel



Total outages, 2015 vs. 2014 *Source: PJM*

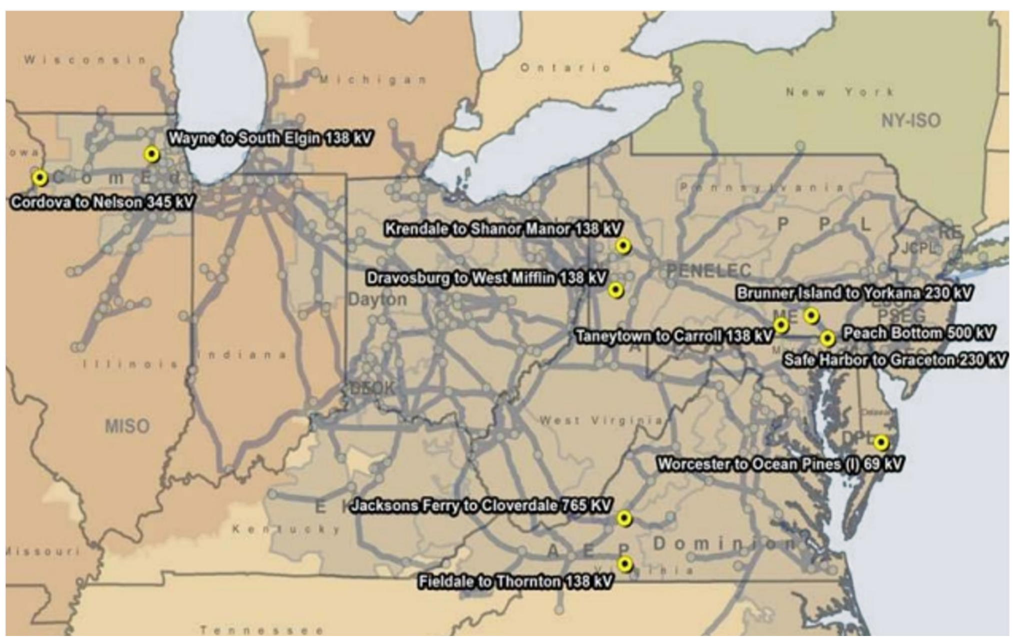
PJM Seeks FERC OK for $687M in Tx Upgrades

PJM on Friday asked FERC to authorize cost responsibilities for $687 million in upgrades included in a revised Regional Transmission Expansion Plan approved by the Board of Managers in October (ER16-319).

The cost allocations would become effective Feb. 11. Transmission customers have 30 days to submit comments about the proposed charges.

The upgrades address reliability issues or economic constraints, all on lower voltage facilities.

Included are 11 market efficiency projects, estimated at $59.3 million, which are expected to produce savings of $815 million over 15 years. They were selected from among 93 proposals, 58 from nonincumbent transmission developers.



Approved market efficiency projects *Source: PJM*

New baseline reliability projects totaled $580.5 million. An additional $47.7 million was authorized for changes to previously approved baseline projects.

In July, the board approved $295.1 million in projects, mostly to address Artificial Island stability problems. (See PJM Board OKs LS Power's Artificial Island Project Despite Objections.)

Since 2000, the board has approved more than $27 billion in transmission spending.

— Suzanne Herel

PJM NEWS

MRC/MC Preview

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

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

Markets and Reliability Committee

2. PJM Manuals (9:10-9:40)

Members will be asked to endorse the following manual changes:

A. Manual 01: Control Center and Data Exchange Requirements. Adds requirements and changes terminology to be consistent with North American Electric Reliability Corp. standards. Makes minor edits for clarity. Removes dated reference to "floppy disk."

B. Manual 03: Transmission Operations. Changes resulting from biannual review include project updates, edits and reorganization of sections.

C. Manual 12: Balancing Operations. Updates due to new instantaneous reserve check implementation. Eliminates mention of MISO as the Interconnection Time Monitor.

D. Manual 13: Emergency Operations. Updates day-ahead scheduling reserve requirement for Reliability First Corp. effective Jan. 1. Other changes made for consistency. Removes requirement that generators connected below 230 kV participate in voltage reduction.

E. Manual 14B: PJM Regional Transmission Planning Process. Changes reflect new process of considering energy market uplift in development of candidate RTEP projects.

F. Manual 14B: PJM Regional Transmission Planning Process. Updates for compliance with NERC standards.

3. Load Forecast Update (9:40-10:10)

A. Revisions to Manual 19: Load Forecasting and Analysis reflect updates to the PJM load forecast model. Adds variables to account for trends in equipment and appliance saturation and energy efficiency; revises weather variables; updates weather station assignment to zones; and revises weather normalization procedure. PJM will be publishing a white paper in 2016 to provide more detail on the forecast model. (See "Manual Changes on Load Forecast Approved Except for Solar Revision" in *PJM Planning Committee and TEAC Briefs*.)

B. Revisions to Manual 18: PJM Capacity Market and Manual 18B: Energy Efficiency Measurement & Verification to accommodate energy efficiency resources in the capacity market when they are reflected in the peak load forecast.

4. Governing Documents Enhancements & Clarification Subcommittee (GDECS) (10:10-10:25)

The committee will be asked to endorse modifications, clarifications and revisions to 12 terms in PJM governing documents.

XX. Underperformance Risk Management in RPM/CP (10:25-10:40)

Bob O'Connell, on behalf of the Supplier Caucus, will present a proposed problem statement and issue charge related to underperformance risk management in the capacity market. It would expand ways for generators to minimize penalties by netting them against over-performing generators. (See *Generators Seek to Reopen PJM Capacity Performance Rules*.)

Members Committee

ENDORSEMENTS (1:25-2:05)

1. 2015 IRM STUDY RESULTS (1:25-1:40)

Members will be asked to endorse the installed reserve margin study results, re-setting IRM and the forecast pool requirement for 2016/17, 2017/18 and 2018/19 and establishing initial IRM for 2019/20. The study increases the IRM to 16.4% from 15.5% in the 2014 study. The IRMs also rose for the following two delivery years. (See "Committee Endorses Increase in IRM" in *PJM Markets and Reliability & Members Committees Briefs*.)

2. 2016/17 THIRD INCREMENTAL AUCTION (1:40-1:55)

As part of the transition to Capacity Performance, the committee will be asked to approve Tariff revisions allowing PJM to sell excess base capacity acquired in the third Incremental Auction for 2016/17 in February. (See "Tariff Change Would Allow PJM to Sell Excess Capacity for 2016/17" in *PJM Markets and Reliability & Members Committees Briefs*.)

3. ELECTIONS (1:55-2:05)

Members will be asked endorse the following elections:

Finance Committee

- End Use Customer, David Evrard, Pennsylvania Office of the Consumer Advocate
- Generation Owner, Michelle Greening, Talen Energy
- Other Supplier, Marguerite Miller, Credit Suisse
- Transmission Owner, Jim Benchek, FirstEnergy

Sector Whips

- Electric Distribution, Steve Lieberman, Old Dominion Electric Cooperative
- End Use Customer, Susan Bruce, PJM Industrial Customer Coalition
- Generation Owner, Joe Kerecman, Calpine
- Other Supplier, Katie Guerry, EnerNOC
- Transmission Owner, Jodi Moskowitz, Public Service Enterprise Group

Members Committee Vice Chair

- Susan Bruce, PJM Industrial Customer Coalition

— Suzanne Herel

Company News

Merger Opponents Seek Ethics Investigation of Pepco-DC Stadium Deal

By Suzanne Herel

CCAN Director Mike Tidwell *Source: Chesapeake Climate Action Network*

Critics of Exelon's proposed acquisition of Pepco Holdings Inc. on Wednesday questioned the timing of a $25 million naming rights deal that D.C. Mayor Muriel Bowser finalized with Pepco days before dropping her opposition to the merger.

Pepco agreed in July to sell district property in the Buzzard Point area for the construction of a soccer stadium for D.C. United. On Sept. 18, Pepco signed a sponsorship deal in which it will pay the district $25 million for the right to rename a street near the stadium "Pepco Place." The agreement also gave the company the option to install "Pepco Park" signs near a proposed practice facility for the NBA's Washington Wizards in Southeast D.C.

On Oct. 6, Bowser announced that her administration had reached a settlement with Exelon and Pepco and would support the merger. She previously had praised the D.C. Public Service Commission's unanimous rejection of the deal in August.

In a press conference at the site of the soccer stadium, representatives of Public Citizen and the Chesapeake Climate Action Network released a letter calling on the District Board of Ethics and Accountability to "evaluate these two high-stakes situations to ensure that there was no impropriety, collusion or unethical conduct of any kind."

That office did not respond to a request for comment on how the appeal would be handled.

The groups also shared a Freedom of Information Act request they had submitted to the mayor's office asking for all internal correspondence among the administration, Exelon and Pepco.

"D.C. residents deserve to know if pay-to-play politics or *quid pro quos* played any role in advancing this massive corporate merger," said Craig Holman, a lobbyist with Public Citizen.

Bowser was on a trade mission in China. In response to the allegations, her communications director, Michael Czin, said, "Pepco, as a majority land owner at Buzzard Point, has been in contact with the district government regarding a soccer stadium for years. The sponsorship agreement stemmed from that negotiation, which was unrelated to the merger."

Pepco has said discussions involving the naming rights began in 2013.

"It's clear the small vocal minority who continue to oppose the merger are becoming increasingly desperate in their last-ditch attempts to disrupt it," Pepco spokeswoman Myra Oppel said. "They are deliberately ignoring the facts and will say just about anything to distract from the substance of the merger and to serve their special interests."

The PSC is reconsidering the merger under the agreement brokered by Bowser's office. (See DC PSC Rulings Give Exelon-PHI Merger a Shot in the Arm.)

Members of the public who aren't a party to the case will have a chance to speak at hearings before the PSC on Tuesday and Wednesday this week.

At the press conference, the groups also pointed to the pro-Bowser "FreshPAC" as evidence of "pay-to-play" politics. Officials with the independent political action committee told *The Washington Post* last week that the group, while legal, had become a "distraction" and would be disbanded.

The Post reported that Pepco has declined to say if the company had been asked to contribute to the PAC.

Ameren Earnings up on Warm Weather

Ameren reported third-quarter profits of $343 million ($1.41/share), a 17% increase over the St. Louis-based utility's $293 million ($1.20/share) for the same period last year.

Ameren said warmer summer weather and a seasonal rate redesign helped boost revenue 9.8% to $1.83 billion. As a result, the company adjusted its guidance range to $2.58 to $2.68/share from $2.48 to $2.68, assuming normal temperatures for the remainder of the year. For the first nine months of 2015, Ameren reported net income of $601 million ($2.47/share), representing a $63 million year-over-year increase.

Ameren has made $886 million in capital expenditures in Ameren Illinois and Ameren Transmission Company of Illinois in the first three quarters, a 17% increase over the same period in 2014. Capital spending for Ameren Missouri dropped 19% to $444 million.

About $475 million in capital spending went to FERC-regulated electric transmission projects, including the construction of the $1.4 billion Illinois Rivers 345-kV transmission project that stretches 330 miles from Palmyra, Mo., to Sugar Creek, Ind.

"We continue to allocate significant amounts of capital to those businesses that are supported by modern, constructive regulatory frameworks to enhance good reliability and allow customers to better manage their energy usage, among other things," CEO Warner L. Baxter said during a conference call.

— Amanda Durish Cook

COMPANY NEWS

Warm Summer in Carolinas Offsets International Weakness for Duke

By Suzanne Herel

Duke Energy was able to offset a slump in its international business thanks to increased revenue from its U.S. regulated operations and the early closing of certain strategic initiatives, the company said in announcing its third quarter results.

The Charlotte, N.C., company reported earnings per share of $1.35, compared with $1.80 a year ago. Adjusted earnings — excluding special items and discontinued operations — were $1.47/share compared with $1.40/share over the same period last year.

The company also narrowed and reduced its full-year guidance to $4.55 to $4.65/share from $4.55 to $4.75.

"This range reflects mild October weather as well as storm expenses, unfavorable foreign currency trends and the potential for extending bonus depreciation," CEO and President Lynn Good said on an earnings call with analysts.

Duke's international business has experienced a decline, contributing in 2015 about half of the $0.60/share it did in 2013 and 2014, CFO Steve Young said. "About half of this decline is due to the three-year drought in Brazil, while unfavorable exchange rates and lower crude oil prices comprise the remaining half," he said.

Income from the international business was down to $69 million in the third quarter compared with $80 million in 2014.

Young said the division's earnings are expected to stabilize by the end of the year and show a modest growth in 2016, when hydro dispatch is predicted to improve.

"Over the past several months, we have begun to see higher water inflows and lower market power prices," he said. "Further, meteorologists are forecasting a strong El Nino weather pattern through early 2016, which could lead to increased rainfall in Southeastern Brazil."

Earnings from Duke's commercial portfolio dropped $0.08/share, primarily as a result of the sale of the Midwest Generation business to Dynegy, which closed in April. Weak wind resources this year have led the company to lower its full-year expectations from $100 million to $75 million, Young said.

However, the commercial business — unregulated renewables and commercial electric and gas transmission — is expected to get a boost next quarter from tax credits related to more than 300 MW of wind and solar generation that is set to come online.

The regulated business benefited from the recently completed acquisition of 700 MW of generation from the North Carolina Eastern Municipal Power Agency. The business also was boosted by the first warmer-than-normal summer since 2012 in the Carolinas.

"On the regulated side, we're on track to complete construction of 128 MW of utility-scale solar in North Carolina by the end of this year, and are moving forward with investments in both South Carolina and Florida," Good said.

Young said Duke also has been successful in attracting new business that is expected to add nearly 7,200 jobs in its six-state service area.

COMPANY BRIEFS

Duke Makes Final Payment Of $102 Million Ash Settlement

Duke Energy, which earlier this year was hit with $102 million in federal penalties related to the massive Dan River coal ash spill, made its final payments last week with two $5 million contributions to environmental remediation programs.

The money went to a Texas-based firm, Resource Environmental Solutions, to fund remediation in Virginia and the Carolinas.

The payments settle Duke's guilty pleas to nine misdemeanor violations of the federal Clean Water Act. The pleas came as a grand jury was considering criminal charges against the company relating to its handling of coal ash at 14 North Carolina plants. Duke agreed to pay $68 million in fines and $34 million in restitution.

More: *Charlotte Business Journal*

Xcel to Offer Green-Only 'Renewable Connect' Plan

Xcel Energy is proposing the option of 100% renewable electricity for its Minnesota customers. The "Renewable Connect" program would be offered to all customers, but it is primarily aimed at business and corporate customers seeking to achieve sustainability goals.

The plan, submitted to the state Public Utilities Commission, would offer a package of wind and solar energy at a premium price, but Xcel said it would not take a profit from it. The company said the plan would provide long-term pricing certainty and allow customers to claim environmental awareness, something many companies value.

"Businesses are more careful about how they source everything, including energy," said Bill Blazar, a vice president of the Minnesota Chamber of Commerce. "It is almost like a kosher seal on a chicken — they are looking for that something to offer to their customers who want it. They are responding to the market."

More: *Star Tribune*

Continued on page 23

COMPANY BRIEFS

Continued from page 22

'Mighty Marysville' Plant in Michigan Demolished

The Marysville Power Plant, a coal-fired generator that stood for 93 years in eastern Michigan on the banks of the St. Clair River, was demolished in a controlled implosion on Nov. 7.

In its heyday, the plant employed about 250 people and produced 1,386 MW. Operations ceased in 2001. Owner DTE Energy sold the 30-acre site to a developer, who plans to convert the waterfront property into a multi-use facility including retail shops, housing, a marina and bike trails.

More: *Port Huron Times Herald*

DTE Energy to Recycle Gypsum at Port of Monroe

DTE Energy announced plans Nov. 6 to partner with southeastern Michigan's Port of Monroe to market and transport gypsum produced from the emissions-control system at its Monroe Power Plant.

Under the collaboration, gypsum will be shipped from the Lake Erie port to clients in Canada and the Midwest. The Port of Monroe says it will build a 24,000-square-foot storage building. DTE, which recycled more than 350,000 tons of gypsum last year, said the arrangement will enable the utility to recycle 100% of its gypsum going forward.

Synthetic gypsum is produced from flue gas desulfurization systems, or "scrubbers," which use lime or limestone as reagents. The byproduct is nearly identical to mined gypsum and can be used in manufacturing cement and drywall.

More: *Associated Press*

TXU Solar Partnership Offers High-Efficiency Home Panels

Texas retailer TXU Energy last week introduced a program it calls "TXU Solar from SunPower," providing high-efficiency solar panels that the manufacturer says produce 70% more energy than conventional panels.

The program comes with a simple online and mobile monitoring system so homeowners can track their electricity production. SunPower said its panels, which have an expected lifespan of 40 years, will enable residential consumers to produce more of their own electricity than competing rooftop systems.

The new offer is being launched in North Texas. To be eligible, consumers must own a single-family home with a south-to-southwestern exposure.

More: *SunPower*

Basin Electric: SPP Membership Helps Prepare Co-op for Future

Basin Electric Power Cooperative CEO Paul Sukut says joining SPP last month has expanded the North Dakota co-op's access to power.

Sukut, speaking during Basin's annual meeting earlier this month in Bismarck, said the cooperative's membership in the regional grid allows it to purchase more power to supply growing demand. He said Basin is trying to keep up with the market while still maintaining its cooperative values.

"I can't recall a time in the last 30 years we have had this much at stake," he said, alluding to the Environmental Protection Agency's Clean Power Plan.

More: *The Bismarck Tribune*

AEP Closes Sale of River Ops to ACL

American Electric Power has closed the sale of its commercial barge operation to American Commercial Lines for $550 million. AEP bought the river operation in 2001, but the company decided earlier this year to divest the asset and redeploy the capital to its regulated operations. The sale netted about $400 million after taxes, debt retirement and fees.

AEP will retain ownership of a fleet of 12 tow boats and 429 barges to deliver coal to its coal-fired power plants, but ACL will dispatch and operate the fleet through 2016. AEP River Operations, now the property of ACL, has its own fleet of about 56 towboats and 2,300 barges that deliver 45 million tons of commodities on inland waterways, including 10 million tons of coal.

More: *American Electric Power*

Talen Energy's Susquehanna Nuke Plant Scrams

Unit 1 at Talen Energy's Susquehanna nuclear power plant automatically shut down Thursday after a malfunction that is being investigated.

Talen Energy assumed control and partial ownership of the plant earlier this year when it was spun off from PPL. Allegheny Electric Cooperative also owns a share of the plant.

Talen said the unit's safety features worked as designed and that there was no release of radiation. Unit 2 remained in operation, according to the company.

More: *StreetInsider*

FEDERAL BRIEFS

Report: US Must Level Field For Carbon Capture and Storage

The development of carbon capture and storage technology will be vital to address climate concerns, but it will require government support to make it happen, according to a report by the National Coal Council.

The report was drawn up at the request of Energy Secretary Ernest Moniz, who wanted recommendations on what can be done to encourage development and use of carbon-capture technology and how to level the playing field.

The council's report said the Clean Power Plan rules have "severely tilted the energy playing field," and that the incentives available for carbon capture and storage are too small to encourage commercial use. "Without commercial-scale deployment, developers have no history to understand technical risks, frequency and duration of down time, and other critical factors that become known only with operation," the report said.

More: *POWER Magazine*

USDA Doles out $2.3B in Loans to Rural Co-ops

The Department of Agriculture is providing nearly $2.3 billion in low-interest loans to rural electric cooperatives for infrastructure improvements.

The loans, provided through the Rural Utilities Service Electric Loan Program, will go to 77 cooperatives and smaller utilities in 31 states. USDA said the loans will help build or improve about 12,000 miles of transmission and distribution lines. They will also finance $108 million for smart grid technology improvements, $41 million for renewable energy programs and $9 million for storm damage restoration.

More: *Electric Co-op Today*

McCarthy Must Testify in Murray Energy Case

A U.S. District Court judge ruled that Environmental Protection Agency Administrator Gina McCarthy must testify in a case pitting Murray Energy against the agency's Clean Air Act regulations.

The coal producer's attorneys argued that McCarthy was deeply involved in drafting the regulations, and Murray should be able to depose her about her analyses concerning possible loss of jobs caused by the regulations. EPA and the White House sought to block her appearance, saying the regulations are clear enough on their own and that McCarthy's testimony is unnecessary.

McCarthy

Judge John Preston Baily of the District Court for the Northern District of West Virginia ruled that McCarthy's testimony is material. "By statute, the administrator is responsible for conducting the evaluations in question," Bailey wrote in his order, adding that "she has personally been involved with discussions about" the regulations.

EPA is considering an appeal.

More: *The Hill*

FERC Sets Tech Conference For 'Connected Entities' Rule

FERC has agreed to set up a technical conference to explore its proposed rule that would require ways to identify companies and individuals participating in wholesale energy market trades.

Several parties asked FERC for clarity about its Notice of Proposed Rulemaking issued in September that would require RTOs and ISOs to begin registering market participants through common alpha-numeric identifiers, including lists of their "connected entities" and a description of their relationships (RM15-23). The proposal would use a new system called Legal Entity Identifiers, which are already used by the Commodity Futures Trading Commission and Securities and Exchange Commission to track swaps trades. (See *Are You Two Related? FERC Wants to Know*.)

Several parties asked for either an extension of the Dec. 8 deadline for comments on the notice or a technical conference to clear up what they called "ambiguities." FERC scheduled the conference for Dec. 8 and extended the comments deadline to Jan. 22.

More: *National Law Review*

Erosion of Solar ITC May Hit Midwest Hardest

Solar energy advocates and some legislators are warning that the upcoming reduction in the Investment Tax Credit for solar will impact customers and small businesses in the Midwest, where few state-level solar programs are in place to provide incentives in addition to the federal subsidies.

Ray Davis, president of OGW Energy Resources, an Ohio-based solar developer, said it is difficult for solar to compete without the subsidies. "As we are primarily a coal region, our grid kilowatt-hour costs are relatively low as compared to other regions," he said. "Therefore the ITC truly is the part of the puzzle that makes solar fiscally feasible in the Midwest."

Legislation extending the credit for wind and other renewables only — but not solar — was passed by the Senate Finance Committee earlier this year. Without an extension, the commercial tax break will decrease from 30% to 10% at the end of 2016, and residential support will be eliminated.

More: *Midwest Energy News*

US Coal Burn to Stay Steady Despite Retirements

Despite the retirement of 23 GW of coal-burning capacity this year, American power plants will burn the same amount of coal next year. Surviving coal plants will ramp up to meet demand and burn about 773 million tons of coal in 2016, according to the Energy Information Administration.

In addition to increasing generation to fill the void left by plant closures, coal is also expected to compete strongly next year as natural gas steadily becomes more expensive, EIA said. Coal prices are expected to remain fairly steady.

"You've got this big wave of retirements that you don't get for the rest of the decade," said James Stevenson, director of North American Coal at IHS Inc. in Houston. "That means after this, coal demand is pretty stable."

More: *Bloomberg Business*

Obama's Keystone Decision Elicits Yawn from 35% of US

Although the Keystone XL issue has dominated the news media, only about a third of Americans care one way or the other about President Obama's rejection of the pipeline that would have delivered heavy crude oil from Canada to the Gulf Coast, according to a Reuters poll.

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FEDERAL BRIEFS

Continued from page 24

About 35% of 920 people polled said they didn't agree or disagree with the president's decision. Another 27% qualified their opinions with "somewhat." Obama rejected the proposed 1,200-mile pipeline on Nov. 6.

More: *Reuters*

Wellinghoff: Pipeline Purchases May not be Wise for Utilities

Wellinghoff

While Eversource Energy, Duke Energy and Dominion Resources are betting big on natural gas pipelines, the volatility of the gas market in light of growing renewable and battery market power could leave those investments stranded, according to former FERC Chairman Jon Wellinghoff.

Wellinghoff told Bloomberg Business that spending billions on natural gas pipelines may look like good sense when coal plants are closing and natural gas-fired plants are sprouting. But he noted that renewable energy is growing, and battery storage technology is emerging quickly.

"These utilities are taking a risk that these will be stranded assets that ultimately their shareholders will have to pay off," Wellinghoff said. "We will see regulators being more critical of these asset decisions as prices of renewables continue to go down."

More: *Bloomberg Business*

Report: EVs Emit less Pollution Over Life Cycle and Getting Cleaner

Electric vehicles generate half the emissions of gasoline-powered cars over their lifetimes, even when pollution from battery manufacturing is accounted for, according to a new study by the Union of Concerned Scientists.

The study looked at the greenhouse emissions of conventional and electric vehicles during manufacturing, operation and end of life.

While electric cars generally exceed the global warming emissions of gasoline cars in production because of their use of large lithium-ion batteries, they make up for that within 18 months of driving, according to the report.

More: *Union of Concerned Scientists*

NRC Increases Oversight Of TVA's Sequoyah Plant

A series of unplanned shutdowns at the Tennessee Valley Authority's Sequoyah Nuclear Power Plant near Chattanooga has spurred the Nuclear Regulatory Commission to increase its oversight of the plant.

NRC cited four outages at the plant's Unit 1 in the past three quarters. "Overall, the Sequoyah plant is operating safely," the commission said. "However, these shutdowns point to potential performance issues and we want to ensure that TVA addresses them appropriately."

TVA spokesman Jim Hopson said the utility has taken steps to improve operations. "We've already placed initial corrective actions into place to improve overall performance," he said. "We'll continue to look at that. We'll focus on trying to get Unit 1 back into regular oversight status."

More: *Chattanooga Times Free-Press*

STATE BRIEFS

DELAWARE

Allen Harim Building 6-Acre Solar Installation

Chicken processor Allen Harim broke ground last week on a 1.57-MW solar installation. The 6-acre solar farm will supply about 11% of the energy used by its Harbeson processing facility.

The project, which will be connected with Delmarva Power & Light's grid, will be owned and operated by Onyx Renewable Partners, which is owned by funds managed by Blackstone.

The installation is expected to produce 2.3 million kWh of power annually and reduce carbon emissions by 1,616 metric tons.

More: *Sussex County Post*

ILLINOIS

ICC Approves Grain Belt Express Transmission Line

The Commerce Commission last week, by a 3-2 vote, approved Clean Line Energy Partners' proposed Grain Belt Express, an HVDC transmission line that would pass through four Midwestern states.

The ICC put several conditions on its approval, including a prohibition on expanding capacity without commission approval, completion of financing and a requirement to get commission approval if any of the estimated $2 billion cost is to be borne by ratepayers.

The 780-mile line is designed to deliver Kansas wind energy into PJM. It has also received the approvals of regulators in Indiana and Kansas. Missouri regulators rejected it, but the company has vowed to reapply.

More: *St. Louis Post Dispatch*; *State Journal-Register*

MANITOBA

Manitoba Hydro Picks Shepherd as New CEO

Kevin Shepherd, a telecom industry veteran, has been named the new president and CEO of Manitoba Hydro. The Manitoba Hydro Electric Board recommended Shepherd for the position.

Shepherd rose through the ranks of MTS, the fourth-largest telecommunications company in Canada, and spent the last five years as president. He will assume the new position in December.

More: *CBC News*

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State Briefs

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MARYLAND

BGE Seeks Rate Hike To Cover Smart Meters

Baltimore Gas and Electric has applied for a rate hike for gas and electric customers to recover the cost of installing about 1.7 million smart meters. The Public Service Commission, which authorized the smart meter program in 2010, must approve the increase.

If approved, it would add about $15 per month to typical residential customers who receive both gas and electric service from the Exelon subsidiary.

“It is a very significant rate increase for our customers and our households that have combined gas and electric,” said Paula Carmody, head of the Office of the People’s Counsel. “They are asking for a profit level that's much higher than we think is reasonable, that will likely be challenged.”

More: *The Baltimore Sun*

MASSACHUSETTS

DONG Offshore Wind Farm Nears Proposal

Denmark-based DONG Energy A/S is proposing a 1,000-MW offshore wind farm 15 miles south of Martha’s Vineyard, outlining its plans less than a year after the proposed Cape Wind project in Nantucket Sound suffered a stunning financial setback.

The Danish company said its Bay State Wind project would install up to 100 turbines off Cape Cod on a lease it recently acquired. DONG Energy has yet to file any applications for the projects with the federal or state government, and the transfer of the lease must be approved by the U.S. Bureau of Ocean Energy Management.

DONG Energy faces lengthy state and federal permitting processes that include environmental reviews and approvals for where its power lines would come ashore. It would take about three years to build the wind farm, and the first phase could include 30 to 35 turbines and be in service by early next decade.

More: *The Boston Globe*

Proposed Kinder Morgan Pipeline Draws Opposition

Residents are opposing a bill that would allow Tennessee Gas Pipeline to extend a gas pipeline into protected conservation land in Sandisfield. Tennessee Gas, a Kinder Morgan subsidiary, seeks to add a 3.8-mile loop of 36-inch diameter pipe to one of Sandisfield's existing gas pipelines as part of its Connecticut Expansion Project. (See *FERC Finds ‘No Significant Impact’ from NE Pipeline Expansion*.)

State Rep. Garrett Bradley of Hingham filed a bill, which would convey the necessary easements to Tennessee Gas. Sandisfield-area lawmakers refused to file the bill because it would require the removal of protected land from the shelter of Article 97 of the state constitution, the state's primary conservation law.

State Sen. Benjamin Downing said that the community opposes it, and passage could set a "dangerous" precedent of taking Article 97 lands to build fossil fuel energy infrastructure. He said the bill “flies in the face of the commonwealth's energy priorities.”

More: *The Berkshire Eagle*

MICHIGAN

Shuttering Coal Plant Endangers Harbor

Consumers Energy’s announcement that it will retire its coal-burning B.C. Cobb Plant in Muskegon brought cheers from environmentalists but could be trouble for the Port of Muskegon.

Coal deliveries accounted for about half of the tonnage coming into the port, and the volume of traffic is an important consideration if the port continues to be dredged. Without coal deliveries, the volume of cargo moved through the port will fall below the 1 million-ton annual threshold that the U.S. Army Corps of Engineers sets for “high-use” harbors, which are guaranteed to get dredged.

Muskegon city officials are setting up meetings with the corps to determine a way to keep the harbor’s dredging program active.

More: *MLive.com*

MISSISSIPPI

PSC Approves 3 Solar Plants

The Public Service Commission unanimously approved three solar projects on Nov. 10.

The plants, which will produce a combined 105 MW, will be located in Sumrall, Hattiesburg and Gulfport. They are projected to be in service for at least 25 years.

Hattiesburg Farm will cost $85 million and cover 450 acres; Mississippi Solar 2 will cost $102 million and require 4,085 acres in Sumrall; and CB Energy will spend $6.4 million on its farm at the U.S. Naval Construction Battalion Center in Gulfport.

More: *The Clarion-Ledger*

NEW JERSEY

Getting ‘Brownfield’ Solar Credits From an Apple Orchard? Nice Try

A state court upheld a decision by the Board of Public Utilities to deny brownfield development solar credits to a company that wanted to build on a former apple orchard.

Millenium Land Development said the orchard qualified as a brownfield because of past pesticide use. The BPU denied the request. The state Court of Appeals agreed, saying the land had been assessed as farmland, not a brownfield. The state’s Energy Master Plan discourages the use of open land and farms for solar development.

More: *NJSpotlight*

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State Briefs

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Two Firms Win Leases For Offshore Wind Farms

US Wind Inc. and RES America Developments were the high bidders to win lease rights to about 344,000 acres of ocean floor near Atlantic City to build wind farms.

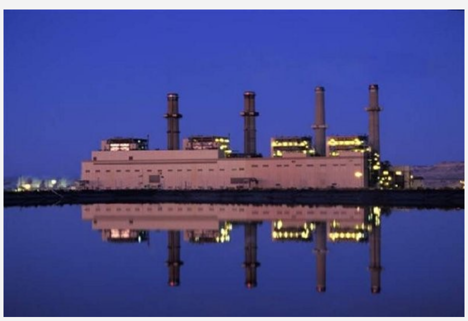
US Wind bid a little more than $1 million for about 183,000 acres. RES offered $880,715 for 160,480 acres.

Together, the areas could support up to 3,400 MW of commercial wind generation, but it's likely to take seven or eight years for operations to be developed.

More: *The Record*

NEW MEXICO

State Supreme Court Denies Petition Against 4 PRC Members



The state Supreme Court last week rejected an environmental nonprofit group's attempt to disqualify four of the five Public Regulation Commission members from voting on a high-profile case about a coal-fired power plant.

The nonprofit group New Energy Economy alleged commissioners Pat Lyons, Sandy Jones, Karen Montoya and Lynda Lovejoy have shown bias and pre-judgment in their public statements about Public Service Company of New Mexico's plan to shut down two generating units at the San Juan Generating Station, a coal-fired power plant that PNM co-owns and operates.

More: *Albuquerque Journal*

NEW YORK

State Dept. Refuses Certificate For Entergy's Indian Point

The Department of State has refused to issue a certificate for the continued operation of Entergy's Indian Point nuclear generating station, saying that the plant has been "damaging the coastal resources of the Hudson River" for decades by killing fish in its cooling system.

Secretary of State Cesar Perales rejected the coastal zone certificate for Indian Point, noting that the plant is close to two seismic faults and is too close to New York City. But Entergy said Perales' rejection is moot, as it had withdrawn the application last year after a state appellate court ruled that it was not necessary. Entergy is seeking a 20-year license extension for the two reactors.

The secretary's refusal is the latest blow against Indian Point. The state attorney general has been critical of the plant's operation, and Gov. Andrew Cuomo has called for its closure.

More: *The Journal News*

Cuomo Nixes Port Ambrose LNG Terminal

Cuomo

Gov. Andrew Cuomo has killed a three-year-old proposal to build a liquefied natural gas terminal 19 miles off Jones Beach, citing concerns about the environment and terrorism.

The deep water Port Ambrose docking station was to supply the state with LNG from overseas. Cuomo, in formally announcing his veto, said al-Qaida has threatened to target such facilities and Superstorm Sandy was powerful enough to damage infrastructure built to survive 100-year storms. He also said the fuel port would harm commercial fishing and conflict with a major wind farm proposed for the same waters.

"When you put all of those things together, the reward was not worth the risk," he said.

More: *Newsday*

RHODE ISLAND

Developer Says Burrillville Plant less Polluting

Invenergy's proposed natural gas-fired power plant in Burrillville would lead to an even larger net decrease in regional emissions than initially forecast, the company said last week. The Chicago-based energy developer has argued that because its efficient combined-cycle plant would sell power at a lower price than competing generators, it would replace the output of older, less efficient facilities.

According to the company's figures, the 900-MW Clear River Energy Center would reduce carbon dioxide emissions across New England 9% if it were to go online immediately. If the project starts generating power in 2019 as scheduled, the effect would be less dramatic because some of the biggest emitters, such as Somerset's coal-fired Brayton Point Power Station, would already be closed, but the overall decrease would still be about 1%.

In a filing made with the Energy Facility Siting Board, Invenergy claims the decrease could actually be larger because of the recently announced closing of the Pilgrim Nuclear Power Station in Massachusetts.

More: *Providence Journal*

SOUTH DAKOTA

PUC Approves 103-MW Willow Creek Wind Farm

The Public Utilities Commission has approved a 103-MW wind facility to be built near Newell. Developer Wind Quarry says the 45-turbine Willow Creek Wind Farm should be on line by December 2017.

The state ranks fourth in the nation in potential wind energy, and the Willow Creek facility would bring the state's wind capacity to 987 MW. "Many people will be surprised to know that the addition of the Willow Creek project is likely to propel South Dakota to be the state with the greatest amount of wind as a percentage of the state's total capacity, in the nation," Commissioner Gary Hanson said.

More: *South Dakota PUC*

Continued on page 28

STATE BRIEFS

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TEXAS

State's Wind Generation Setting All-Time Highs

Wind generation from the plains hit several all-time highs this fall, according to ERCOT and the federal Energy Information Administration. An instantaneous peak of 11,467 MW was set Sept. 13, which was broken on Oct. 21 with a new record of 11,950 MW. That record was eclipsed on Oct. 22 at 12,238 MW.

ERCOT and EIA attributed the new records to increased capacity, strong winds and increased demand due to warm autumn weather. The records were set despite lower capacity factors, estimated at between 75% and 81% during the fall compared to 83% in February.

The government predicts that with new capacity coming online, the latest record is likely to fall soon.

The excess of wind generation in the state is prompting some utilities to offer plans that don't charge for electricity during off-peak hours, if customers agree to pay a premium during higher demand times. The *New York Times* recently profiled several customers who are taking advantage of a TXU Energy program that offers free overnight electricity in exchange for higher peak pricing. It said about 50 retail electricity customers are offering similar plans in the state.

Some customers said they wait to run energy-intensive appliances until after 9 p.m., when the power supply is gratis. Most wind generators in the state produce more electricity during the nighttime, when the wind blows more strongly. Wind power now represents about 10% of the state's overall generation.

"Any plan that creates an incentive for a customer to shift a load off peak [hours] is helpful to grid operations. It's a better use of the system," said Paul Wattles, ERCOT senior market design analyst, told the *Midland Reporter-Telegram*.

More: EIA; New York Times; Midland Reporter-Telegram

Houston Signs 20-Year, $80M Solar Deal with Hecate Energy

Houston will ramp up its use of green energy to keep the lights on and laptops humming at City Hall with the approval last week of a 20-year, $80 million deal to purchase solar power from Nashville-based Hecate Energy.

Hecate, which operates 20 plants around the world, will supply the city with up to 30 MW of solar-generated power annually, beginning in December 2016, from a plant it plans to build near Alpine. Hecate offered a two-decade fixed price of 4.8 cents/kWh, nearly 2 cents less than the city pays under its current contract.

The contract will provide about 7% of the city's annual electricity needs and will replace electricity that now is purchased from coal-fired generators.

More: Houston Chronicle

Ector County 350-MW Gas Plant Begins Formal Operations

The Ector County Energy Center, a 350-MW natural gas plant, was formally opened earlier this month, heralded by local governmental officials as a boon to the local tax base.

The plant is designed to provide peaking energy and respond quickly when ERCOT requests additional power supply. It uses two GE 7FA simple-cycle combustion turbines fueled by Permian Basin natural gas.

Commercial operation began in September. Generation from the plant has already hit about 294 MW.

More: Odessa American

VIRGINIA

Dominion Applies to Build Above-Ground Tx Line

Dominion Virginia Power has requested permission to construct a 230-kV transmission line that would run above ground for 5 miles along Interstate 66 in Prince William County.

Some county officials and residents had pushed for at least part of the project to be buried.

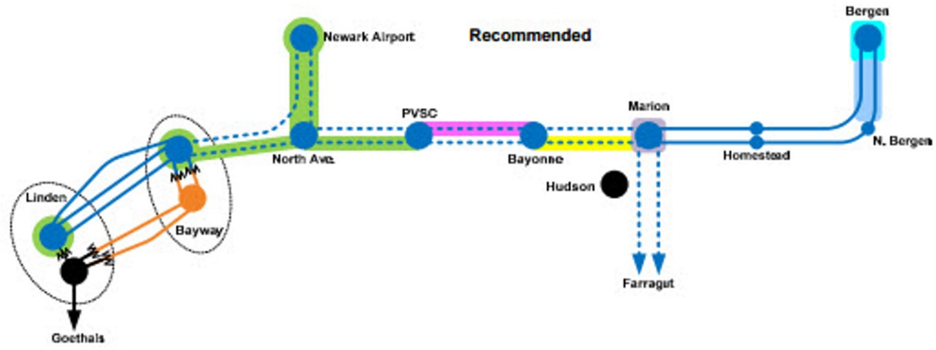
The State Corporation Commission is expected to make a decision within 18 months.

More: The Washington Post

Con Ed: Cost Allocation Dispute Could End PSEG Wheel

Continued from page 1

said it had identified less costly alternatives to the wheel, in which Public Service Electric and Gas takes 1,000 MW from Con Ed at the New York border and delivers it through New Jersey to Con Ed load in New York City.



PSEG short-circuit solution *Source: PJM*

On Oct. 23, Con Ed also asked FERC to reconsider its request that it force PJM to recalculate the cost allocation for two transmission upgrades in northern New Jersey (EL15-18). Con Ed asked FERC to consider PJM's response in the cost allocation dispute over the proposed Artificial Island transmission project, in which PJM acknowledged weaknesses in its distribution factor (DFAX) cost allocation methodology. (See *PJM: Artificial Island Cost Allocation Appears 'Disproportionate'*.)

"PJM previously responded to Con Edison's arguments by asserting that DFAX is appropriate for all transmission projects," Con Ed wrote. "However, in its answer to the Artificial Island complaint, PJM now concedes that DFAX can produce 'an atypical cost allocation when applied to unique projects,' by which it means projects that are not needed to address transmission overloads."

PJM assigned Con Ed $629 million of the costs of a $1.2 billion transmission upgrade to address a short-circuit problem in the PSE&G transmission zone outside New York City. PSE&G was allocated $52 million of the cost. Con Ed was also assigned $51 million of PSE&G's $100 million Sewaren storm-hardening project.

Con Ed says it should pay only $29 million for the two New Jersey projects. FERC rejected Con Ed's request to change the cost allocations in June. (See *Con Ed Rebuffed Again on NJ Cost Allocation Dispute*.)

PSE&G, a unit of Public Service Enterprise Group, responded that a decision to terminate the wheel would not impact the cost allocation cases. There would be future consequences for planning of reliability projects over lines that extend from New Jersey into New York City, it added.

"We wish to make clear that if Con Edison does not extend the agreements, it may not rely upon the capability of the PJM or PSE&G systems ... as a planning assumption in future reliability determinations," the company wrote.

PSE&G and PJM transmission owners also asked FERC to reject Con Ed's bid to use PJM's Artificial Island filing in its cost allocation case.

They countered that the cases pose different technical challenges and that granting the motion would create an endless loop of interlocking disputes that would force FERC to continually revisit previously decided cost allocation decisions.

Con Ed's peak load in New York's five boroughs and Westchester County is more than 13,000 MW.

Correction

An article on the SPP Regional State Committee in the Nov. 10 issue of *RTO Insider* misspelled the last name of North Dakota Public Service Commissioner Brian Kalk.

Stakeholder Soapbox

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

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FERC Accepts SPP's Tariff-Waiver Request for 2015 Expert Panel

FERC on Friday accepted SPP's request to waive Tariff provisions governing the selection of an industry expert panel, allowing it to use one of its 2016 panelists to complete the 2015 panel evaluating proposals for the RTO's first competitive solicitation under Order 1000 (ER16-126).

SPP filed the waiver request with FERC on Oct. 20, saying that the only candidate in its 2015 pool with expertise in one of five subject areas required wouldn't be able to serve. (See *SPP Seeks Waiver on Panel; Sets New Wind Records*.)

FERC found "good cause" to grant SPP's requested waiver, saying it "will remedy a concrete problem and allow for regulatory certainty regarding review of the proposals submitted for the project."

FERC noted the waiver requested was of limited scope, covering just two subsections of SPP's Tariff and it addressed a one-time event. The commission said the request "will create no undesirable consequences since the candidate's qualifications will be reviewed and approved by both the Oversight Committee and the SPP Board of Directors prior to serving on the IEP."

— Tom Kleckner

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MRC/MC Preview

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

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

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

See *PJM Proposes Operating Reserve Changes to Cut Uplift*

pjm Energy Market Uplift Senior Task Force Charter
Draft

Mission

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

PJM Proposes Operating Reserve Changes to Cut Uplift
April 30, 2013

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

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

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

- **Federal and state regulatory news briefs**

OHIO

Industry Likes Efficiency Rule, Wants Spending Cap

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

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

More: *Columbus Business First; The Columbus Dispatch*

- **Voting summaries**

Trading Limits

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

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

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Current Capacity Imports OK: Study
October 1, 2013
PJM should be able to absorb the more than 7,000 MW of imports that cleared in May's capacity auction for 2016-17, officials said. -more-

PJM to Consider Storage as Capacity
October 1, 2013
Members agreed to consider new rules to allow batteries, flywheels and other advanced storage technologies to bid in the capacity market. -more-

PJM Likely to Limit Capacity Imports
September 17, 2013
PJM will seek to set a limit on capacity imports before next year's Base Reliability Auction under a problem statement approved Thursday by the Planning Committee. -more-

Installed Reserve Margin May Increase for 2014
September 17, 2013
PJM's recommended Installed Reserve Margin (IRM) will increase slightly because of the increasing alignment of the RTO's peak demand with demand outside of the region, according to a preliminary analysis presented to the Planning Committee Thursday. -more-

RTO Insider
Your Eyes and Ears on the Organized Electric Markets