RTO Insider

Your Eyes and Ears on the Organized Electric Markets

ERCOT ■ ISO-NE ■ MISO ■ NYISO ■ PJM ■ SPP

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Exelon-Pepco Merger Doubtful as DC Mayor, Advocate Reject Alternatives

By Suzanne Herel

The D.C. Office of the People's Counsel and Mayor Muriel Bowser's administration on Friday came out against Exelon's revised merger proposal in filings that appear to quash the energy giant's chances of acquiring Pepco Holdings Inc.

Neither the alternative offered by Public Service Commissioner Joanne Doddy Fort nor the options filed March 7 by Exelon guarantee "the type of rate protection I have been seeking in this case for almost two years," said People's Counsel Sandra Mattavous-Frye.

Mattavous-Frye

"Most critical to me were the benefits for residential ratepayers, particularly low-income residents who struggle to pay their electric bills," she said. "OPC worked hard to achieve the guarantee of no rate increases for residential ratepayers through March 2019. We urge the PSC to resolve this issue expeditiously to bring closure for D.C. residents."

In the March 7 joint filing, Exelon and PHI offered three options: Accept the agreement brokered by Mayor Muriel Bowser's administration, which the commission rejected 2-1 on Feb. 26; adopt the revision of that agreement that Fort and Commissioner Willie Phillips proposed; or agree to a new alternative that would provide $20 million in rate relief taken from funds earmarked for smart grid and environmental programs. It asked the PSC to rule by April 7. (See *Exelon, Pepco Urge Compromise Deal to Win DC PSC OK for Merger*.)

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Bowring Urges Return to 'Fundamentals'

State of the Market Report Finds PJM Markets Competitive in 2015

By Michael Brooks

Status		Priority: High	Medium	Low	Total	% of Total
Adopted		20	13	16	49	24.4%
Partially Adopted		6	10	8	24	11.9%
Not Adopted	(No Action)	20	39	44	103	51.2%
	(Pending before FERC)	3	1	0	4	2.0%
	(Stakeholder Process)	6	7	1	14	7.0%
Replaced by Newer Recommendation		1	5	1	7	3.5%
Total		56	75	70	201	100.0%

Status of Market Monitor recommendations (1999-2015) *Source: 2015 State of the Market report, Monitoring Analytics*

WASHINGTON — PJM needs to return to "the fundamentals" with market design not "influenced by political whims," Independent Market Monitor Joe Bowring said last week.

Policymakers should not fear market prices going too high or low, Bowring said in a press conference announcing the Monitor's annual State of the Market report.

"There's a million temptations to move away from the basics because somebody might be getting hurt by them," he said, noting that every sector of the market complains about the rules sometimes. "That's all good because it's not supposed to be helping any particular sector; it's supposed to be reflecting the value of power."

As in past years, the Monitor found that PJM's energy, capacity, regulation, synchronized reserve and financial transmission rights markets were all competitive in 2015, as mitigation overcame market power found in all but the FTR market. The Monitor judged the design of the regulation and FTR markets as "flawed" and that of the capacity, day-ahead scheduling reserve and synchronized reserve markets "mixed."

The Monitor listed 27 new recommendations, 10 of them high priority, for 2015. (See sidebar, *New, High-Priority Recommendations – 2015 State of the Market Report*, p.13.) Half of the high priority recommendations relate to the FTR market. (Ten of the new recommendations were listed in prior quarterly reports.)

It also for the first time compiled a list of all

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State-Sponsored Energy Procurement Moves Ahead in NE

By William Opalka

CROMWELL, Conn. — Requests for proposals for the next rounds of multistate clean energy, efficiency and storage procurement were released on Wednesday.

The RFPs were for resources from 2 to 20 MW as well as energy efficiency and energy storage, according to Connecticut

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Also in this issue:

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Editorial

Editor-in-Chief / Co-Publisher
Rich Heidorn Jr. 202-577-9221

Contributing Editor
Ted Caddell 434-882-5589

Production Editor
Michael Brooks 301-922-7687

MISO Correspondent
Amanda Durish Cook 810-288-1847

PJM Correspondent
Suzanne Herel 302-502-5793

SPP/ERCOT Correspondent
Tom Kleckner 501-590-4077

CAISO/West Correspondent
Robert Mullin 503-715-6901

ISO-NE/NYISO Correspondent
William Opalka 860-657-9889

Subscriptions and Advertising

Chief Operating Officer / Co-Publisher
Merry Eisner 240-401-7399

Marketing Assistant
Ben Gardner

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

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CAISO Tariff Change Would Extend Market to DER

By Robert Mullin

CAISO has asked FERC to approve a new Tariff provision that would enable rooftop solar and other small distributed energy resources (DER) to participate in California's energy and ancillary services markets (ER16-1085).

The rule changes create an "initial framework" to extend market participation to DER smaller than 0.5 MW — the current minimum for selling into the ISO's wholesale market — by allowing for aggregation at the distribution system level.

CAISO is anticipating participation by distributed generation, energy storage and electric vehicle charging stations, but the framework leaves open the possibility for market entry by other types of resources located on either side of the customer meter. This "broad definition" of eligibility is intended to avoid excluding emerging technologies from participating in aggregation.

"The framework will accommodate various resource types as well as different business models, provided the aggregation is capable of operating as an integrated resource and meets specific technical requirements," CAISO wrote. Those models could include microgrids interconnected to distribution systems as well as third-party aggregators and utilities operating DER.

The rules would bar some resources from participating in aggregations, including generation rated at 1 MW or greater, demand-side resources bid into the market by curtailment service providers and demand response intended to react to grid emergencies. Generating units between 0.5 MW and 1 MW would need to terminate their participating generator agreements in order to join an aggregation. Also excluded would be resources already participating in a retail net energy metering program.

New Participant Type

The Tariff revisions would introduce three new terms into CAISO's official market lexicon:

- Distributed energy resources: Any resource in the ISO balancing area with a first point of interconnection to a utility distribution company or a metered subsystem.
- Distributed energy resource aggregation: A "market resource" comprising one or more DER organized to participate in the wholesale market. Aggregations can contain multiple resource types, but resources will be restricted to participating in a single aggregation.
- Distributed energy resource provider: "A new type of market participant," according to CAISO, DER providers would be owners or operators of an aggregation. They would engage the market through a registered scheduling coordinator, which would submit schedules and bids based on the aggregation's generation distribution factors.

The rules would permit a DER aggregation to operate at a single pricing node or across multiple nodes. Regardless of the configuration, the resources are required to provide a net response at the nodal level consistent with dispatch instructions, with missteps subject to imbalance charges.

Compensation will be based on nodal LMPs, but CAISO will not directly poll meters in an aggregation, so DER scheduling coordinators must provide the ISO with settlement quality meter data in order to receive payments.

In its filing with FERC, CAISO urges approval of the changes by pointing out that distributed facilities already participate in ISO wholesale markets as both generating and demand-side resources.

"The Tariff revisions proposed in this filing do not change those arrangements," CAISO wrote. "Instead, the CAISO is extending the same opportunity to support the reliable operation of the transmission system to aggregations of distribution-connected resources, recognizing the significant transformation in the industry and deployment of emerging technologies."

Correction

In the March 8 newsletter, *RTO Insider* incorrectly quoted Evan Pittman, associate director of corporate strategy for Comverge, as saying that ERCOT's lack of a capacity market is a challenge for expanding demand response.

Here is the correct quotation:

Evan Pittman, associate director of corporate strategy for Comverge, said third-party demand response providers' lack of access to ERCOT's energy market is a challenge for expanding DR.

But he said non-opt-in entities — electric cooperatives and municipally owned utilities that do not operate as competitive retailers and don't allow customers to choose alternate suppliers — provide an opportunity for DR. "They don't have to worry about customers leaving in two years and they can operate their own distribution systems, so they can decide where this goes. [They] have a golden opportunity to act now."

ISO-NE NEWS

CT Power and Energy Society's Annual Energy, Environment and Development Conference

Connecticut sees itself as an energy technology and policy innovator, but much work remains to help it maintain its leadership position, speakers said at the annual Connecticut Power and Energy Society's Energy, Environment and Development Conference last week.

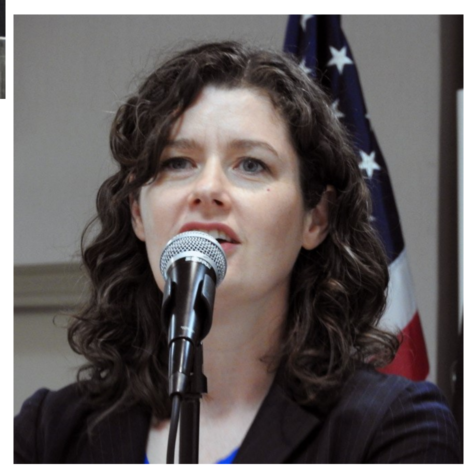
Connecticut Gov. Dannel Malloy said he is looking forward to the Clean Power Plan, which he believes will be upheld in the courts. "In Connecticut and New England, what these rules are saying is 'finally, the rest of the country is going to have to live by the same set of rules that we've had to live by,'" he said.

New England has long complained of being at the 'end of the tailpipe' from Midwest polluters. Malloy said the CPP will be good for his state's environment — and its economy. "I think it will level the playing field, at least with respect with our ability to compete with other states [and] with respect to the cost of the eventual product, electric energy."

Daniel Sosland, president of the Acadia Center, said technology is creating a historic transition in the electric industry. "The question is how fast will we get there. Will markets drive changes? Will policy keep up?" he asked. "The system that we've built and has been reliable is a one-way power flow ... but in the system we're building now, the centerpiece is in your community. It's in your home, it's in your place of work."

David Kooris, director of the City of Bridgeport's office of planning and economic development, recounted the difficulties the city had winning state and federal regulatory approval for a 1.6-MW anaerobic digester and cogeneration facility built near a wastewater treatment plant. "The regulatory environment isn't yet ready to accommodate some of the new technologies we're talking about. That was a tough regulatory process and [state environmental regulators] were working closely with us, knowing it was an objective of theirs. But it was fairly arduous just because of the outdated aspects of the regulations."

Jonathan Milley is director of business development for Vionx Energy, which is developing flow battery technology that proponents say will deliver long-duration energy storage at lower costs than lithium-ion batteries. He talked about storage's challenges in winning a place in the market. "Storage is trying to find a leg in the three-legged stool in between generation, transmission and distribution, and doesn't quite know how to fit into the equation."



Katie Scharf Dykes, the Connecticut Department of Energy and Environmental Protection's deputy commissioner for energy, spoke of accommodating state public policy goals in deregulated wholesale energy markets. "I hope there's a peaceful resolution, a productive resolution," she said. "State public policy goals are not discretionary whims; we have a statutory mandate to cut carbon, and we have an obligation to our ratepayers and our children to address this challenge."

Paul Hibbard, vice president of The Analysis Group, said resolving cost allocation questions is essential to overcoming the region's infrastructure challenges. "The real confusing piece is what consumers will pay for which pieces of infrastructure, how much will that cost and what might be the alternatives."

ISO-NE NEWS

State-Sponsored Energy Procurement Moves Ahead in NE

Continued from page 1

Department of Energy and Environmental Protection Deputy Commissioner for Energy Katie Scharf Dykes.

"It's clear the transformation in the energy market and the electricity market is really accelerating," she told the Connecticut Power and Energy Society's annual Energy, Environment and Development Conference.

In addition to the multistate procurement, DEEP also issued a draft RFP for natural gas resources. The procurements were authorized by the state's Affordable and Reliable Energy law, passed last year.

Connecticut, Massachusetts and Rhode Island last year released an RFP for large-scale renewable energy projects, reasoning that joint proposals and larger projects would obtain lower costs than states could secure on their own. (See *New England States Combine on Clean Energy Procurement*.)

More than 30 proposals were received, including eight wind power purchase agreements, 18 solar PPAs and one fuel cell PPA. There also were six combinations of wind, hydro, solar, energy storage and transmission. Some projects sought to account for wind's low capacity factor by pairing it with hydropower and transmission.

The selection of successful bidders will begin in late April.

Eversource Energy President of Transmission Jim Muntz said the RFP for large-scale projects provided a glimpse of how market participants would respond to multiple jurisdictions.

"This was really the first real opportunity for folks to put some reality to their idea and try to marry up with the customers who stated a willingness to pay," he said. "This is somewhat rare to have that in the neighborhood of a big idea."

Among the proposals is Eversource's Northern Pass transmission line, which would carry Canadian hydropower into the region.

In total, about 4,200 MW were proposed. But "big ideas" like undersea transmission lines from Canada or large offshore wind projects were noticeably absent.

Although several projects proposed large-scale wind and transmission in Maine, none were paired with any proposals that would build transmission to move energy farther south. Except for relatively small improvements along the New York-New England interface, no solutions were offered to relieve many of the existing choke points.

Maine Clean Power Connection *Source: Iberdrola*

Workers build a turbine for the Maine Renewable Energy Interconnect project. *Source: Maine Renewable Energy Interconnect*

MISO NEWS

MISO Touts $2.6 Billion in Member Benefits

By Amanda Durish Cook

CARMEL, Ind. — MISO provided members about $2.6 billion in economic benefits during 2015, compared with membership costs of $267 million, according to the RTO's most recent "value proposition" study.

The benefit figure represents an average of MISO's estimated $2.1 billion to $3.1 billion in member savings last year, which is in line with the range for 2014. MISO estimates it has generated $14.5 billion in cumulative net benefits for market participants since it began calculating the financial impact of its services in 2007. (See *Year 1 Judged a Success for MISO South; Gains Limited by SPP Dispute*.)

The study examined RTO services such as improving coordination with neighboring systems and helping members assess the impact of environmental regulations. Benefits are assessed across nine subject areas, which include reliability, market commitment and dispatch, wind integration, compliance efforts and generation investment deferral. MISO excludes hard-to-quantify benefits like seams management and does not calculate individual member savings.

Other highlights of the report:

- The diversity of MISO's 15-state footprint helped delay generation investments through capacity sharing across zones with different peak seasons, resulting in savings of $1.6 billion. The South region alone saved between $559 million and $753 million.
- Improved unit commitment through five-minute dispatch saved members $147 million, while broader sharing of regulation and spinning reserves — along with the centralization of FERC, NERC and North American Energy Standards Board compliance responsibilities — yielded an additional $208 million.
- Reliability and demand response technology improvements saved an average of $181 million and $112 million, respectively.
- Wind integration efforts in the North and Central regions produced 787 MW of additional wind generation, translating into savings of $347 million. MISO credits its regional planning for resulting in more economical placement of wind resources. MISO also said improvements in generator availability incentives in those regions delayed the need for 1,694 MW of new capacity construction, saving market participants between $213 million and $263 million.

"By centrally managing the transmission system as a large region, MISO is able to deliver reliable service and provide billions in economic value," MISO CEO John Bear said in a press release.

FERC Upholds MISO Cancellation of GIA for North Dakota Wind Project

By Amanda Durish Cook

FERC has accepted MISO's request to terminate a generator interconnection agreement (GIA) with EDF Renewable Energy's 150-MW Merricourt wind project in North Dakota, eliminating the prospect the facility would be granted additional time in the interconnection queue before completing construction.

FERC said MISO's interconnection policy is clear in denying such extensions unless a project's development has been hindered by another project in the queue.

"No such circumstances are presented here, and, even if such circumstances were present, Merricourt could not extend its [commercial operation date more than] three years beyond the original COD," the commission wrote (ER16-471).

Commissioner Cheryl LaFleur was the sole dissenter in the 3-1 ruling, citing worries that the decision could create barriers for other wind projects.

MISO revoked Merricourt's GIA after the facility failed to meet a Dec. 1 deadline to begin commercial operations, despite a request to extend the term until Sept. 30,

2017. Merricourt maintained the project was eligible for such treatment because it had completed a significant amount of construction and was close to securing a long-term power purchase agreement. Development hit a snag in 2011 when Xcel Energy withdrew its PPA for the project, but Merricourt said it could bring the wind farm online by the end of this year.

FERC's ruling pivoted on a narrow reading of the text within MISO's GIA with Merricourt, particularly a provision permitting the developer to extend the in-service date after demonstrating "significant steps to maintain or restore operational readiness." The commission ultimately agreed with MISO's interpretation that the language only applies to a facility that has already begun — and then ceased — operating.

FERC added that keeping the wind project active could be unfair to other projects in the queue.

In her dissent, LaFleur focused instead on Merricourt's progress with the project, which she said was so advanced that it would not cause harm to other project developers.

"In my view, our precedent provides the commission with clear authority to determine whether a COD extension is appropriate in a given case," LaFleur wrote. "Here, I believe that Merricourt has both demonstrated meaningful progress towards reaching commercial operation in a reasonable timeframe … and effectively rebutted concerns expressed by MISO that the Merricourt project is speculative and potentially harmful to other customers in the queue."

MISO has said that Merricourt is free to continue work on the project, which has so far cost about $20 million according to the developer. That will require it to re-enter the queue and obtain a new GIA.

MISO NEWS

Energy Bar Association's 2016 Midwest Chapter Annual Meeting

INDIANAPOLIS — The Clean Power Plan, Order 1000, FERC enforcement and distributed generation were favorite topics at last week's annual meeting of the Energy Bar Association's Midwest chapter. Here's a sampling of what we heard.

"Let's not talk about how the stay will halt work" on the Clean Power Plan, FERC Commissioner **Colette Honorable** said. "The industry was moving toward a more renewable future long before the Clean Power Plan came along. Let's continue our work regardless of the stay. It's a stay. It's not a decision on the ultimate merits of the plan."

Honorable also asked the Energy Bar Association for feedback on whether Order 1000 could be improved. "I know it's not perfect. … We know that the sticky part is interregional planning. I want Order 1000 to aid in the development of these very important interregional projects and not be a barrier."

Steve Allen, pipeline safety director at the Indiana Utility Regulatory Commission, commented on the trend of electric utilities acquiring gas businesses to feed their gas turbines. "You can have a good safety culture without having a good pipeline safety management system in place, but you can't have a good pipeline safety management system without a good safety culture."

John Tsoukalis, an associate with The Brattle Group, said if FERC prohibits virtual trades at nodes with financial transmission rights in order to stop participants from taking losses on virtuals to increase the value of their FTRs, it would also end legitimate trading and harm the market. "FERC is growing aggressive on how they [prove intent]," he said. "But that's still a question: How heavily does intent versus economic evidence weigh in FERC's investigation?"

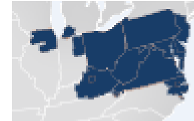
John Parsons, of the MIT Sloan School of Management, discussed the bidding strategy that landed J.P. Morgan in FERC's crosshairs for market manipulation in California and Michigan in 2013. "From 10 to 11 p.m., their bid price was negative $30/MWh; from 1 to 2 a.m., their bid price was $999/MWh. What they were trying to do was exploit a seam in the algorithm. [The unit] got paid $999/MWh for the two to three hours it took to ramp down," he said.

Jim Cater, director of economic and financial policy for the American Public Power Association, questioned the appeal of customer-owned distributed energy resources such as rooftop solar. "There's a notion that somehow there's a customer groundswell of this, but I don't know that many people who are involved with this at home," he said. "I don't want to be perceived as a naysayer … but this has got momentum behind it that could benefit from a bit of cost-benefit analysis."

Stacy Stotts, of law firm Stinson Leonard Street, said the Supreme Court's stay of the Clean Power Plan is unprecedented. "The biggest argument [against the CPP] is that utilities are already regulated under the Clean Air Act. If this argument prevails, the rule is gone, it's going to be vacated … I think that's a strong argument. Now, what if the rule is vacated? An important thing to remember is the EPA [still] has to regulate emissions — the Supreme Court told them to in *Massachusetts v. EPA*."

Donna M. Attanasio, senior advisor for energy law programs at George Washington University Law School, talked about the genesis of the e21 Initiative, which the university launched in 2014 along with the Great Plains Institute, Xcel Energy and others to plot a new regulatory model in Minnesota. "Customers want green power; they want more flexibility. If the utilities aren't going to provide these, customers are going out and getting it themselves. This is where the e21 Initiative started."

PJM NEWS



COO Kormos Leaving; Post Won't be Filled

By Suzanne Herel

Mike Kormos, executive vice president and chief operations officer for PJM, is leaving the RTO on April 15 after 27 years.

Kormos had sought last year to replace retiring CEO Terry Boston, but the post went to Andy Ott, who had long been Kormos' equal on the organizational chart, with Kormos heading up operations and Ott running the markets.

Formerly executive vice president of operations, Kormos was given his current title and additional responsibility over the RTO's state and member services in June, as part of a string of organizational changes set off by Ott's promotion. But with Boston gone and Ott in place, Kormos' career had hit a ceiling at PJM. (See *Boston Retirement Prompts Additional Promotions at PJM*.)

Kormos

"We are grateful for Mike's countless contributions to PJM," Ott said in a statement. "His relentless focus on driving operational excellence has helped solidify our reputation as a grid operator. After a very long career with PJM, he has decided that it is time to move on and pursue something new. The entire executive team and I wish him the best in his future."

In addition to overseeing state and member services, Kormos is responsible for system operations, planning and corporate compliance functions.

The RTO said that Kormos' position would not be filled and that his responsibilities will be transferred to other members of the executive team. Until then, Ott will assume those functions.

"We have a strong management team that will carry on the day-to-day operations and execution of PJM's long-term strategy," Ott said.

Kormos' top deputy, Mike Bryson, was promoted to vice president of operations, from executive director of system operations, in June.

"Mike Kormos has been a great contributor to PJM, and he'll be missed," said Joe Bowring, PJM's Independent Market Monitor.

A PJM spokeswoman said Kormos has not indicated his future plans. Kormos could not be reached for comment.

Commenters: DFAX Cost Allocation Inappropriate for Some Projects

By Suzanne Herel

PJM's solution-based distribution factor cost allocation method is inappropriate in certain situations and an alternative scheme should be developed, the majority of commenters told FERC as the comment period on the issue closed last week (EL15-95).

FERC called for an inquiry in November in response to complaints over the cost allocation for two transmission projects: a stability fix for New Jersey's Artificial Island nuclear complex and the Bergen-Linden Corridor upgrade.

Of 10 filings, only two, from Public Service Electric and Gas and the PJM Transmission Owners, defended the status quo, echoing their testimony at a Jan. 12 technical conference on the issue. (See *DFAX: 'Poison Pill' or 'Best Method' of Cost Allocation?*)

FERC posed two questions: Is there a definable category of projects for which the DFAX cost allocation method might not be appropriate, and could a fair approach be developed for those occasions?

"Cost causation is the gold standard for allocation of new transmission projects," wrote Hudson Transmission Partners and Neptune Regional Transmission System. "When an analytical methodology hits the boundaries of its usefulness (and every model has such bounds), it starts to kick out unreasonable results," they said. "The solution-based DFAX cost allocations for the New Jersey projects and for Artificial Island are jarring in their unreasonableness."

PSE&G disagreed, saying the evidence "does not provide any basis for identifying one or more categories of [Regional Transmission Expansion Plan] projects for which the current solution-based DFAX cost allocation methodology does not provide a just and reasonable methodology for allocating costs commensurate with benefits. To the contrary, the cost allocation for each of the projects at issue in the underlying dockets is supported by the existing record."

The transmission owners' group concurred.

"Solution-based DFAX provides a just and reasonable measure of benefits from relative use over time for the vast majority of reliability projects in PJM," the TOs wrote.

The remaining commenters said that DFAX should not be used to assign cost for projects not driven by flow-based issues, such as the stability fix at Artificial Island.

"The commission should direct PJM to modify the DFAX methodology to include load zone counterflow impacts in determining load zone impacts on that studied facility, to consider whether a project's need is driven by flow-based issues, and to eliminate discriminatory post-analysis exceptions including the *de minimis* threshold," wrote ITC Mid-Atlantic.

Wrote Consolidated Edison: "The record here, as developed at the technical conference, establishes that there is no rational relationship between energy flows and the intended benefits of non-overload projects."

The Delaware Public Service Commission, together with the Maryland Public Service Commission, Delaware Division of Public Advocate and the Maryland Office of People's Counsel, asked FERC to determine that stability-driven projects constitute a definable category for which the DFAX method should not be used.

Similarly, Old Dominion Electric Cooperative asked FERC to direct PJM to use an alternative cost allocation method for projects designed to address generator stability problems.

Weighing in with similar concerns were Linden VFT, the New York Power Authority and the Easton Utilities Commission.

PJM NEWS

Cost Estimate of PSE&G Portion of Artificial Island Fix Doubles to $272M

By Suzanne Herel

VALLEY FORGE, Pa. — The estimated cost for Public Service Electric & Gas' portion of the Artificial Island stability fix has nearly doubled, from $137 million to $272 million, PJM told the Transmission Expansion Advisory Committee on Thursday.

"We certainly were surprised when we first saw the numbers," Steve Herling, PJM vice president of planning, told *RTO Insider*. "In retrospect, we wish we'd had more foresight. We're going to have to take a real hard look at what this tells us about our process going forward. We don't like making an estimate that's this far off."

PJM stands by its selection of the project, which involves building a new 230-kV transmission line from the nuclear complex in New Jersey to Delaware.

"Based on what we have seen so far, we still believe we have the right project," Herling said. "There are elements of the design that we continue to discuss, and we're looking for opportunities to further optimize it and mitigate costs, but at this point we still believe we have the right project."

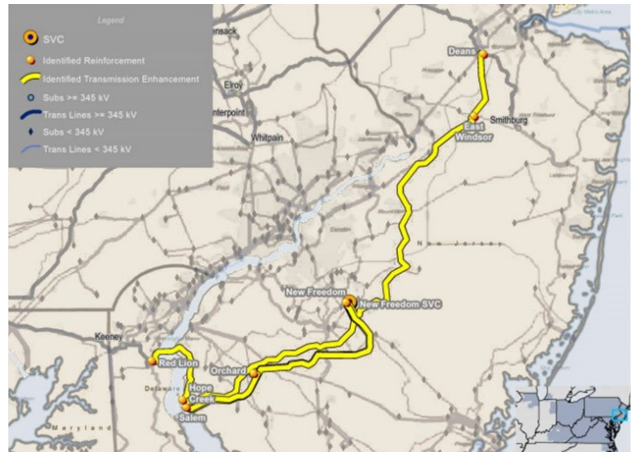
LS Power was chosen to build the line, with PSE&G and Pepco Holdings Inc. assigned to construct the necessary connection facilities. LS Power won the deal in large part because it committed to limiting construction costs to $146 million. (See *PJM Staff Picks LS Power for Artificial Island Stability Fix; Dominion Loses Out*.)

"LS Power's cost cap commitment has not changed, and LS Power continues to focus on successful development of its portion of the Artificial Island project," company Vice President Sharon Segner said.

Paul McGlynn, PJM general manager of system planning, said the cost allocation of the project would remain the same, with the bulk of the price tag being designated to customers on the Delmarva Peninsula.

After Delaware and Maryland regulators and consumer advocates complained about the seemingly disproportionate cost assignment, FERC suspended PJM's Tariff changes involving the project's cost allocation pending additional review (EL15-95).

At a Jan. 12 technical conference ordered by the commission, stakeholders debated cost allocation based on the solution-based distribution factor (DFAX) method. (See related story, *Commenters: DFAX Cost Allocation Inappropriate for Some Projects*, p.8.)



Artificial Island stability project *Source: PJM*

So, how did PJM planners miss the mark so widely?

Herling said the Artificial Island project is unique and there was little to compare it to.

"This is the first time we've had to deal with so much work inside of a nuclear station," he said. "We did our best to add substantial adders … but in some areas they weren't big enough," he said. "I don't know how PJM could have done better with that other than doing more extensive detail design work," which would be expensive and time-consuming, he said. "We will be talking about that, as far as how to do things differently moving forward."

The Board of Managers, which approved the Artificial Island project, reviews cost increases but does not need to approve them unless the scope of the project is altered, Herling said.

"We review all significant changes with the board. They will ask us questions. They will ask us to get more information. They may suggest alternatives that we should be looking at. At the end of the day, we will do everything they ask us to do, and hopefully they will be satisfied with the information." But, Herling said, "If the project continues in the [Regional Transmission Expansion Plan], the board does not have to approve revised costs."

The board could decide to switch to another project, but that's not likely, Herling said.

PSE&G's portion of the project consists of three main elements: installing a static VAR compensator (SVC) at the New Freedom substation; putting in optical ground wire (OPGW) for high-speed relaying; and expanding the Salem substation. Herling noted that the SVC and OPGW work were common to all proposals and that any vendor likely would have run into the same cost issues.

The SVC work, which PJM estimated at $38 million, is expected to cost $43 million more, according to PSE&G, in part because of additional site work including wetland mitigation, storm water management and the relocation of a helicopter pad and several buildings. PSE&G also ran into higher vendor cost estimates, McGlynn said.

Additional site work for the OPGW installation increased PJM's estimate of $25 million by $14 million.

The Salem expansion, estimated at $74 million, will cost an additional $78 million, in part because of the cost differential for security and access requirements needed to work in a nuclear facility.

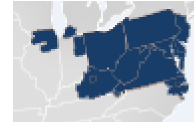
"We understood that working in Salem would be more challenging than working at a 500-kV substation in the middle of a cornfield someplace," McGlynn said. "What we're trying to look at and consider and get a better understanding of is the difference in cost."

A number of committee members were incredulous.

"Percentage-wise, this is a big miss as far as what we thought we were looking at," said Dave Mabry, representing the PJM Industrial Customer Coalition, noting that there are no cost commitments involved in the PSE&G work, all of which is considered an upgrade as opposed to a greenfield project.

"We were at $250 million … now we're up to $350 million," Mabry said. "The concern here is, is there another shoe that's going to drop?"

PJM News



Operating Committee Briefs

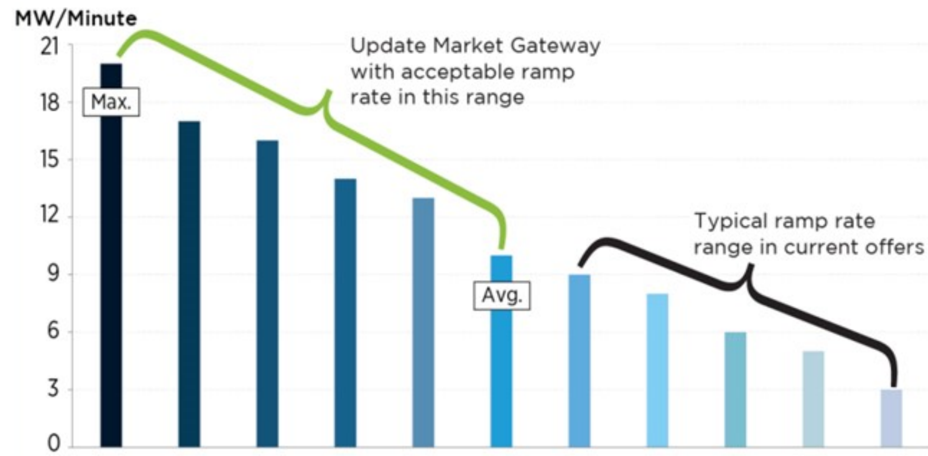
Ramp Rate for CP Penalties Approved

VALLEY FORGE, Pa. — PJM members last week approved manual and Tariff changes dictating the ramp rates Capacity Performance resources will have to meet to avoid penalties during performance assessment hours.

PJM said it found that many generators are able to increase their output faster than reflected in the ramp rates plant operators entered in Markets Gateway. The new rules will measure generators against the unit's actual ramp performance between Jan. 1 and March 31, 2016 (or June 1 to Aug. 31, 2015, for units not dispatched in the first three months of this year).

Units would be excused from penalties if they are following PJM dispatch or had approved outages.

The approach is a short-term solution that PJM hopes to have in place before the delivery year starts June 1.



Historic ramp rates *Source: PJM*

The Markets and Reliability and Members committees will be asked to endorse the changes on March 31, following a special OC session highlighting ramp rate examples on March 22.

PPL SPS to be Removed

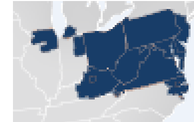
A special protection scheme to prevent generator instability if the Susquehanna-Wescosville 500-kV line ever fell onto the Susquehanna-Harwood 230-kV lines is no longer needed with the addition of the Lackawanna-Hopatcong 500-kV line, according to PPL. The SPS — which would have resulted in tripping Susquehanna Unit 1 — will be removed during an outage of the nuclear unit and should be complete by April.

Dominion Zone SPS Retired

A special protection scheme installed in 2007 in the Dominion zone was retired last month. The SPS addressed potential thermal overloads on the Carolina-Kerr Dam 115-kV line. The scheme is no longer needed with the completion of Regional Transmission Expansion Plan project b1793 to rebuild Kerr Dam-Carolina line 22 and project b1793.1 to remove the Carolina 22 SPS.

— Suzanne Herel

PJM NEWS



MIC Briefs

Move to Mask FTR Ownership Defeated

VALLEY FORGE, Pa. — Two proposals that would have delayed the disclosure of financial transmission rights ownership following an auction were defeated by the Market Implementation Committee on Wednesday.

Bruce Bleiweis of DC Energy offered a package that would have allowed PJM to post aggregate data after an auction, mask ownership data for three to six months and disclose ownership after one year. It garnered only 10% of a sector-weighted vote.

A PJM proposal would have aligned the release of data with how the RTO treats other information, disclosing full ownership after four months. It received only 21% in a sector-weighted vote. (See “Proposals Would Delay Posting of FTR Ownership,” *PJM Market Implementation Committee Briefs*.)

Bleiweis said his proposal was intended to provide FTR owners the same confidentiality as other market participants.

The rejections were not a surprise. Several members and Market Monitor Joe Bowring had expressed opposition when Bleiweis won MIC approval of a problem statement to explore the issue in September.

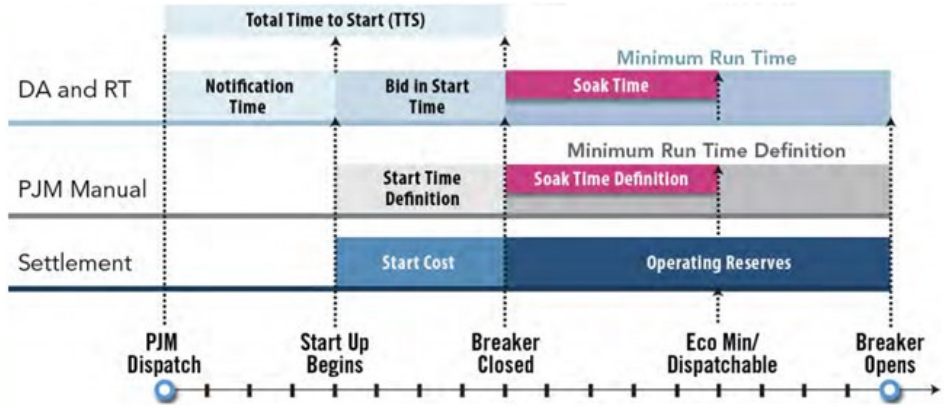
Day-Ahead Submission Deadline Moved up

Members endorsed updates to PJM’s regional transmission and energy scheduling practices intended to improve the alignment of the gas and electric markets.

A five-minute “shotgun” start window was created for hourly spot-in reservations (spot market imports), and the day-ahead bid submission deadline was moved from noon to 10:30 a.m.

Operating Parameter Definitions Approved

The committee approved short-term operating parameter definitions and voted to amend a problem statement to set June 1, 2017, as the deadline for permanent clarifications of the terms.



Proposed operating parameter relationship *Source: PJM*

The amendment was proposed by Bob O’Connell of Main Line Electricity Market Consultants and included some clarifications to the terms cold/warm/hot start-up time, minimum run time and cold/warm/hot soak time.

PJM’s definitions were approved by 82% of the members in a sector-weighted vote. O’Connell’s definitions were approved by 60% of the vote. Both proposals will advance to the Markets and Reliability Committee, although O’Connell’s definitions will not be considered if PJM’s definitions are approved.

Clarifications Sought for Bilateral Transactions

Members approved a problem statement

Continued on page 12

PJM NEWS

TEAC Briefs

Dominion End-of-Life Facilities Under Review; Proposal Windows Possible

VALLEY FORGE, Pa. — PJM and Dominion Resources are conducting an end-of-life review to prioritize upgrades on the utility's system, a project that could result in the creation of proposal windows.

Of the 106 facilities being studied, about half are at the 230-kV level, with most of the rest split between 115-kV and 500-kV lines. In total, the review is considering 2,350 miles of transmission.

PJM already has verified the need for upgrades to two 500-kV facilities: the 82-mile Mt. Storm-Valley line and the 23-mile Valley-Dooms span. The RTO said the loss of either facility could cause thermal and voltage problems.

Although some transmission owners have criteria for end-of-life facilities, others do not, treating them as supplemental projects.

The Markets and Reliability Committee agreed last month to form a task force to develop RTO-wide criteria for end-of-life transmission facilities. Proponents said uniform guidelines would help planners prioritize equipment replacement. Just two of 12 Transmission Owners voted in favor of the proposal. (See *PJM TOs Oppose Proposal to Develop End-of-Life Criteria*.)

According to industry guidelines, wood structures can last 35 to 55 years, conductors and connectors 40 to 60 years and porcelain insulators 50 years.

Planners Select Dominion-Transource Project to Address APSouth Congestion

PJM planners have selected a $292 million project by Dominion High Voltage Holdings and Transource Energy to reduce congestion in the APSouth interface.

Recommended market efficiency project, proposed by Dominion/Transource *Source: PJM*

Pending reliability and sensitivity analyses, PJM planners intend to recommend the market efficiency project to the Board of Managers in April.

It would tap the Conemaugh-Hunterstown 500-kV line and build a new 230-kV double circuit line between Rice and Ringgold. The plan also calls for building a new 230-kV double circuit line between Furnace Run and Conastone and rebuilding the Conastone-Northwest 230-kV line.

Planners added $10 million to the proposed $282 million cost, saying additional upgrades were required at the Ringgold transformers. The projected in-service date is 2020.

The project was selected from among a dozen projects culled from responses to a proposal window last year.

Planners said that the benefits of most competing projects were hurt by the need for optimal capacitors, and that several projects that passed the 1.25:1 benefit-cost test have minimal impacts on APSouth or increase congestion elsewhere in the RTO.

PJM said the Dominion/Transource proposal (project 9A) "consistently ranked highest in most categories," with a 2.66 B/C ratio and $31 million savings in annual production costs.

In a WebEx session Thursday, planners expect to release the results of the reliability analysis on the project as well as the sensitivity analysis on several combination projects. They also will identify designated entities.

— Suzanne Herel

MIC Briefs

Continued from page 11

and issue charge to clarify rules on how auction-specific bilateral transactions credit bonus payments and indemnification. (See "PJM Proposes Clarifications to Capacity Bilateral Transactions," *PJM Market Implementation Committee Briefs*.)

In such transactions, a seller transfers capacity to a buyer, but the obligation for performance remains with the seller.

The problem statement seeks to clarify how nonperformance charges and bonus payments apply to such transactions, and how they would be treated in litigation such as bankruptcies.

— Suzanne Herel

PJM NEWS

Bowring Urges Return to 'Fundamentals'

Continued from page 1

the recommendations it has made since 1999, listing their status and priority. The report shows that PJM has fully adopted 24% of the Monitor's recommendations, including 36% of those identified as high priority.

Energy Market

Abundant, cheap natural gas drove down LMPs in 2015, a sign that the energy market is both competitive and effective, Bowring said. "When you have a competitive market, the price of inputs flow through," he said. "Both price inputs went down — the price of gas primarily — and also load went down. The result is a very immediate decline in prices."

The average real-time LMP dropped to $36.16 from $53.14 in 2014, when the demand for gas during the January polar vortex resulted in a price spike. Using 2014's fuel prices, LMPs would have been $41.91, or 16% higher. Prices were the second lowest since 2002, above only 2012.

Although energy market results generally reflected supply-demand fundamentals, "the behavior of some participants during high demand periods is consistent with economic withholding," the Monitor said.

Among the new recommendations is that PJM define rules for using transmission penalty factors to set LMPs when a transmission constraint is binding and there are no generation alternatives to resolve it.

When system operators allow the limit to be violated, the shadow price of the constraint is administratively set through transmission penalty factors, a form of locational scarcity pricing. Bowring said that there is nothing wrong with PJM doing this, but there are no rules for it in the RTO's governing documents.

Capacity Market

One of the challenges with this year's report on the capacity market, Bowring said, was the introduction of Capacity Performance. "The Capacity Performance design incorporated a lot of the recommendations we've been making over the last five years, and we think it's a huge improvement," he said. "But nonetheless the design that was in place in 2015 was the old design and with all of its flaws. … Going forward, the design has been substantially improved."

Despite the improvements, Bowring said more needs to be done. For example, PJM's method for calculating units' net revenue to determine net cost of new entry "is just wrong," he said. The Monitor recommends that net revenue reflect the actual flexibility of units to respond to price signals. Bowring also warned against efforts by some stakeholders to dilute the penalties for nonperformance under the new market structure. (See FERC Denies AEP's Capacity Performance Waiver Request, PJM Generator Risk Proposal Faces Resistance.)

Fuel Mix

Coal declined sharply in 2015, from 72.4 GW

Continued on page 14

New, High-Priority Recommendations – 2015 State of the Market Report

Energy Market

To ensure effective market power mitigation when the three pivotal supplier test is failed:

- Markup should be constant across price and cost offers, and there should be at least one cost-based offer using the same fuel as the available price-based offer; and
- The operating parameters in the cost-based offer and the price-based parameter limited schedule (PLS) offer should be at least as flexible as the operating parameters in the available non-PLS price-based offer. The price-MW pairs in the price-based PLS offer should be exactly equal to the price-based non-PLS offer.

Demand Response

- PJM should require nodal dispatch of demand resources with no advance notice or, if nodal location is not required, subzonal dispatch of demand resources with no advance notice.
- PJM should eliminate the measurement of 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.

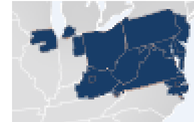
Interchange Transactions

- PJM Settlement Inc. should immediately request a credit evaluation from all companies that engaged in up-to-congestion transactions (UTC) between Sept. 8, 2014, and Dec. 31, 2015. If PJM has the authority, PJM should ensure that the potential exposure to uplift for that period be included as a contingency in the companies' calculations for credit levels and collateral requirements. If PJM does not have the authority to take such steps, PJM should request guidance from FERC. (PJM traders are awaiting a FERC order telling them whether UTC trades will be charged uplift and made subject to the RTO's financial transmission rights forfeiture rule (EL14-37). FERC had indicated it would rule by last October, but there has been no word from the commission so far. See FERC Issues Request for Comments in UTC Uplift Docket; Ruling by October?)

Financial Transmission Rights

- The design of FTRs and auction revenue rights should be modified to ensure that all congestion revenues are returned to load.
- All FTR auction revenue should be distributed to ARR holders.
- Historical generation-load paths should be eliminated as a basis for allocating ARRs.
- Counterflow FTRs should be eliminated.
- FTR auction revenues should not be used to buy counterflow FTRs with the purpose of improving FTR payout ratios.

PJM NEWS



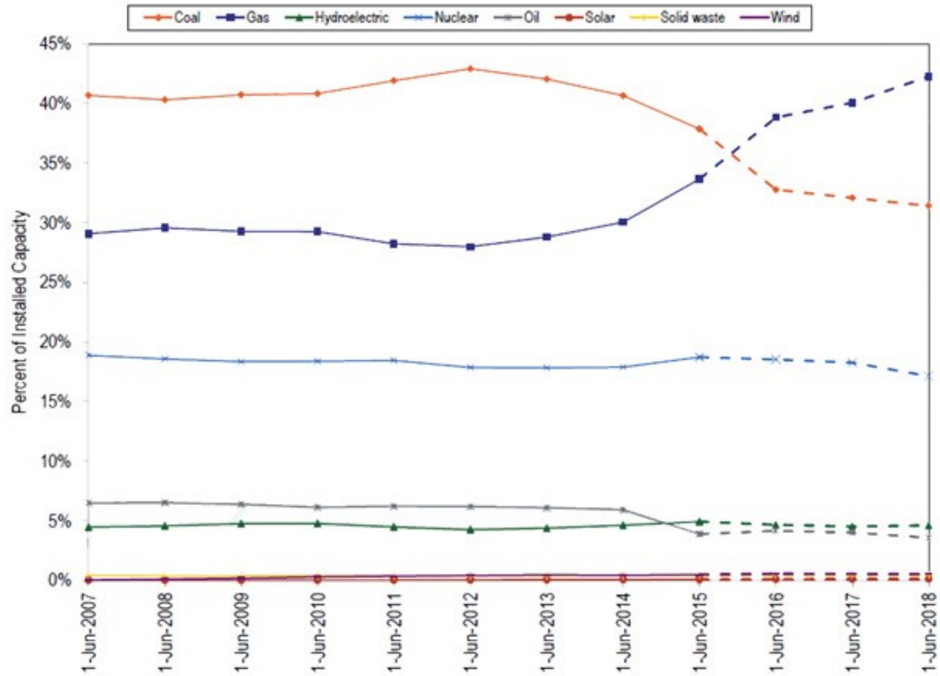
Bowring Urges Return to 'Fundamentals,' Warns Against Undermining Capacity Performance

Continued from page 13

of installed capacity on Jan. 1 to 66.7 GW on Dec. 31, making up 37.5% of total capacity. Gas, meanwhile, rose to 60.4 GW, or 34%, by the end of the year. The Monitor expects gas to overtake coal as the dominant resource in PJM this year, according to the report.

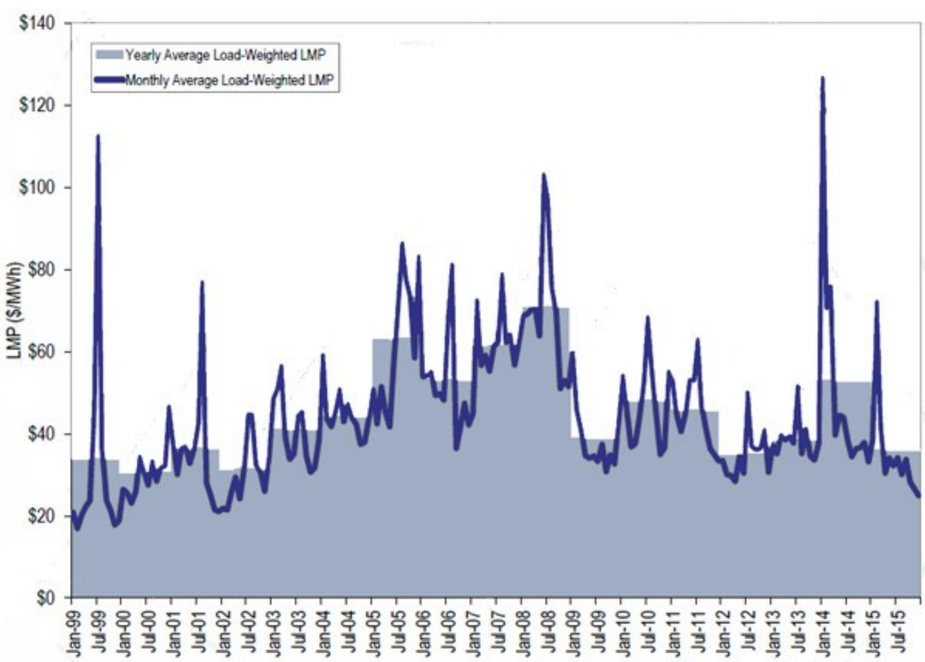
Net revenue for new entrant combustion turbines and combined cycle units was more than enough to recover CONE in most zones, while "if you built a new coal plant you would recover, at most, about a third of your total investment," Bowring said. Nuclear plants did not have it much better. "No rational investor would build either a coal unit or a nuclear unit now in PJM given the recovery of their costs."

Still, Bowring doesn't expect coal to disappear completely from PJM, even if EPA's Clean Power Plan survives legal challenges, because regional carbon trading will allow states to comply without huge coal retirements. The volatility in gas prices means that coal plants that have installed environmentally compliant technology can still make money. "I expect coal to be a very substantial part of PJM for the foreseeable future," he said.



PJM installed capacity by fuel source (2007-2018) *Source: 2015 State of the Market report, Monitoring Analytics*

Renewable resources are doing very well because of federal tax credits and state incentives, Bowring said, with solar recovering 175% of its 20-year costs in the PSEG zone.



Real-time average LMPs (1999-2015) *Source: 2015 State of the Market report, Monitoring Analytics*

Demand Response

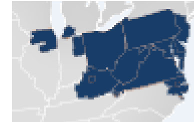
The Monitor repeated its recommendation, first made in 2014, that demand response be removed from the supply side of PJM markets. While DR is a key part of the wholesale power markets, it should be moved to the demand side and customers and curtailment service providers should have more granular data so that they can respond better to price signals, according to the report.

"The method of incorporating it in the PJM market design ... simply doesn't work and is very inefficient," Bowring said.

Bowring admitted that this was unlikely to happen — but not because of the U.S. Supreme Court's decision upholding FERC's jurisdiction over DR. "The Supreme Court decision was actually a good thing because it got rid of all the uncertainty," he said. "No one was doing anything about DR because they were so uncertain. Uncertainty's gone. FERC has authority. Fine, that's great.

"But the Supreme Court did not order them to pay LMP, and not LMP minus G" — the retail price of power — Bowring said, "because the Supreme Court doesn't know the difference between those two things."

PJM NEWS



Exelon-Pepco Merger Doubtful as DC Mayor, Advocate Reject Alternatives

Continued from page 1

In a short filing on behalf of the D.C. government, Attorney General Karl Racine said the only acceptable option would be to accept the settlement that the PSC already rejected.

"The district continues to support the [settlement] as proposed on Oct. 6, 2015, and believes that approval of the merger on those terms provides direct and tangible benefits to ratepayers, promotes sustainability and otherwise remains in the public interest," he wrote.

In a joint statement, Exelon and Pepco said, "Practically every party that filed comments today continues to believe the merger is in the public interest and supports its approval. The comments show differing opinions on how a portion of the more than $78 million in funds that Exelon has committed to the district should be used if the merger is approved. We hope the Public Service Commission will find a solution that secures all of the benefits for the district and Pepco's customers and urge it to consider the alternatives we have outlined to approve the merger."

Four other settling parties in the case also filed comments. The National Consumer Law Center, National Housing Trust and National Housing Trust-Enterprise Preservation Corp. rejected the revised settlement proffered by the commission but urged consideration of Exelon's third alternative.

"Should option three be rejected, the merger is likely to collapse," they said. "From the perspective of NCLC/NHT, this is contrary to the public interest, and particularly contrary to the interests of low-income households in the district."

The Apartment and Office Building Association of Metropolitan Washington filed its support of Fort's revised version of the settlement "as reasonable and in the public interest."

"The proposed [revised settlement] clarifies the responsibilities of Exelon and Pepco in a post-merger environment, permits all ratepayers to participate in the benefits of the merger, ensures that funds that are intended to benefit ratepayers and improve Pepco's electric system in the District of Columbia are not diverted to other purposes, and retains the commission's statutory authority to enforce the terms and conditions of the [agreement]," it said.

The D.C. Water and Sewer Authority was the only settling party that did not file comments with the PSC, but it publicly has come out against the commission's revised deal. The comment period is open through Thursday.

Critics of the merger were pleased.

"Today's filings are great news for D.C. residents and ratepayers," said Anya Schoolman on behalf of the PowerDC coalition. "There is no viable path forward for Exelon's attempt to take over Pepco. We agree with the Office of the People's Counsel's filing. D.C. is ready to move on."

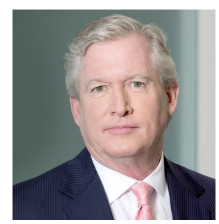
The merger began looking doubtful March 1, as Mattavous-Frye, Bowser and Racine said publicly they couldn't support the commission's alternative. (See Exelon-Pepco Deal in Doubt as Mayor, Consumer Advocate Balk at New Terms.)

Schoolman

All took issue with the PSC's requirement that $25.6 million earmarked for residential rate relief be held in escrow until the next Pepco rate case and then be considered for disbursement, including to nonresidential customers.

The PSC said it would approve the merger under its revised settlement with no further commission action if all settling parties agreed to it within 14 days. (See DC PSC: Will OK Exelon-Pepco Deal for Additional Concessions.)

Exelon has spent an estimated $259 million over the past two years trying to capture Pepco's $7 billion rate base.



Crane

CEO Chris Crane said in a Feb. 3 earnings call that the company was prepared to immediately begin buying back the 57.5 million shares it issued for the $6.8 billion deal if the merger fell through.

Friday's news further weakened Pepco's stock, which closed Monday at $22.22, down 8% from Friday's open and down 16% from the open on Feb. 26, before the PSC rejected the mayor's settlement. Exelon's share closed Monday at $34.63, down almost 1% from the Friday open but up almost 9% since Feb. 26.

SPP NEWS

MISO, SPP Considering Second Joint Tx Study

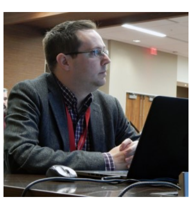
By Tom Kleckner

LITTLE ROCK, Ark. — SPP and MISO's Interregional Planning Stakeholder Advisory Committee met last week to discuss how to improve a process that failed to recommend any interregional projects during its first go-round in 2015.

As required by the RTOs' joint operating agreement, the IPSAC's March 9 annual issues review meeting was intended to determine whether a joint study should be performed this year and, if so, what should be in the study's scope.

Though stakeholders expressed an appetite for another study, they will first provide written feedback to the IPSAC. The committee will then provide a study recommendation to the RTOs' Joint Planning Committee, which will vote to determine whether a coordinated system plan (CSP) study should begin this year and which transmission issues should be studied.

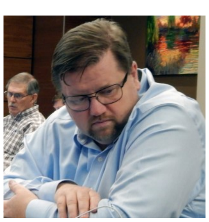
The JPC — comprising David Kelley, SPP's director of interregional relations, and MISO's Eric Thoms, manager of planning coordination and strategy — will be given 45 days to vote after receiving the recommendation.



"When we designed the process, we didn't want a joint-study process that drags on and on," said **Brett Hooton**, SPP's senior interregional coordinator, in explaining the 45-day timeframe.

'Triple Hurdle'

Stakeholders will provide comments on the CSP process' suggested improvements and issues, which included overburdened flowgates, market-to-market congestion, carbon-constrained futures, the MISO North-South flows and what American Electric Power's **Kip Fox** "affectionately" refers to as the "triple hurdle" approval process for



Left to right: Eric Thoms (MISO), Adam Bell (SPP) and Jeremiah Doner (MISO) © *RTO Insider*

interregional projects.

"To get through the regional process, a project has to get through three models, three different sets of criteria," said Fox, AEP's director of transmission strategy and grid development. "That makes it very difficult to build across the seam."

The JOA currently requires interregional projects to be agreed upon by both RTOs, improve congestion by at least 5% on either side of the seam and be approved through the respective regional reviews. SPP approval requires a 1.0 benefit-to-cost ratio, while MISO approval requires a 1.25 B/C ratio and limits projects to 345 kV or above.

The first joint study evaluated 67 potential transmission projects and identified three congestion-relieving upgrades, but it was unable to move forward with any of the three. (See *SPP, MISO Conclude Joint Study Empty-Handed*.)

Several stakeholders said they favored a more targeted study to analyze specific topics instead of another comprehensive process. "We don't want to see another comprehensive study. Great information, but not very helpful," said George Dawe, vice president for Duke American Transmission Co.

"We identified three projects and none of them had steel put in the ground," Fox said. He offered two options to eliminate the triple hurdle: 1) a new interregional project category to allow easier approval and cost allocation, including voltages as low as 100 kV; and 2) adding new benefit metrics following both interregional and regional studies.

"The [adjusted production cost] doesn't capture all the value of transmission along the seam," Fox said. His suggested new metrics would include avoided costs, net load payments, and reduced emission rates and operating reserves.

Fox also urged the two RTOs be more flexible with their interregional projects and negotiate solutions beneficial to both sides.

'Common Sense'

"Let's use a little common sense," Fox said. "We want to pay our fair share; you pay your fair share."

"I think that works when both parties are interested in projects," responded Jake Langthorn, Oklahoma Gas & Electric's RTO policy director. "I'm confident SPP wants to do some projects. I don't have same confidence MISO wants to do any projects."

MISO bore the brunt of stakeholders' dissatisfaction with the CSP process. **Adam McKinnie**, chief utility economist for the Missouri Public Service Commission, said he is "not always impressed" with MISO's regional studies. Marguerite Wagner, ITC Holdings' director of SPP RTO policy, said MISO's 345-kV threshold makes it difficult to fund interregional projects. She noted congested flowgates are constrained by lower-voltage projects.

Davey Lopez, MISO advisor of planning coordination and strategy, discussed a "quick hits" analysis recently conducted with PJM, suggesting a similar process with SPP. However, DATC's Dawe was skeptical.

"To me, quick hits equals sub-optimal projects," he said. "I remember quick hits. We got there because we couldn't do anything through the [PJM] IPSAC."

A stoic Thoms took much of the criticism in stride. He said MISO "left no stone unturned" in the last joint study, but the

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SPP NEWS

MISO, SPP Considering Second Joint Tx Study

Continued from page 16

cost benefits of the proposed projects "haven't been there yet." He said addressing the 345-kV threshold issue is one of MISO's top priorities.

"I agree finding interregional projects has been elusive," he said. "MISO sees value in doing coordinated studies and joint evaluation with SPP. We will take all the information here, meet internally, and make that determination as to whether to do another coordinated joint study and what that scope will look like."

CPP Impacts

DATC's Bob Burner focused his company's suggestions on the Clean Power Plan's impacts and the MISO North/Central-South constraint. Burner said an interregional analysis is needed to better understand the new PROMOD models MISO introduced last year in its Transmission Expansion Planning package.

Wagner likened the SPP-MISO north-south constraint to renting a car, and said transmission expansion could replace MISO's settlement payments for flows across the seam. "You have these payments, but nothing long-term … no increased flexibility, no increased robustness of the system," she said. "It's current money, and you're going to be paying that into perpetuity instead of for something that might be longer-lasting."

SPP's Adam Bell, representing its interregional relations department, reviewed with stakeholders initial feedback gathered by the IPSAC in December following the first study's conclusion. He said staff reviewed the suggestions it has already received, separating them into process-improvement options, scope-related suggestions and issues to be addressed later.

"We knew this being the first time through the process, we would have significant room for improvement, and that turned out to be true," Bell said.

Potential improvements include aligning the system plan's timing with SPP's Integrated Transmission Process and the MTEP process; aligning the CSP's models with the RTOs' regional models; using broader metrics; creating task teams to create more transparency for stakeholders into the process; and providing more information on why projects did not pass screens or were not recommended as interregional projects.

The Wind Coalition's Steve Gaw (left) and David Kelley (SPP) © *RTO Insider*

Bell also suggested creating a separate interregional evaluation process to replace SPP's and MISO's separate regional review processes and requiring the respective boards of directors to vote up or down on any project recommended by the JPC.

Kelley noted interregional projects have to come through the Order 1000 process. "In lieu of separate regional reviews, we would rely on the results of the interregional evaluations," he said. "We will still go through three [sets of] approvals but rely on only one review."

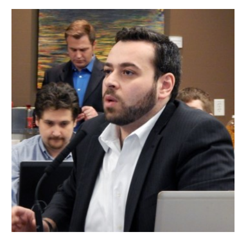
Added Complexity

With the addition of the Integrated System, staff pointed out, the MISO-SPP seam is now approximately 1,200 miles long, and includes more than 60 interconnections, adding to the complexity of determining interregional projects. The concentration of wind energy in the upper Midwest has only exacerbated the situation.

Dan Lenihan, manager of transmission and distribution planning for the Omaha Public Power District, said Nebraska has historically seen heavy north-to-south flows in the summer and a reversal during the winter. "With the large addition of variable energy," he said, "we've seen those north-and-south flows flip on almost a daily basis, depending on how the wind blows."

"I'm always surprised how this much wind can be added without the transmission to support it," said Paul Malone, transmission compliance and planning manager with the Nebraska Public Power District. "We're looking for mitigation on this, or MISO can build some more outlet transmission."

Xcel Energy asked the RTOs to examine the "very complex" seam along North Dakota. "We would like to determine if any efficiencies in interregional coordination can be found to increase system reliability and provide more cost-effective operational solutions," said Drew Siebenaler, a transmission and regional planning engineer with Xcel.



Arash Ghodsian, MISO manager of economic studies © *RTO Insider*

Several other stakeholders suggested future studies take into account the growing development of wind energy and other renewables, which are crowding out coal generation.

"Most people acknowledge we're seeing a shift to lower-carbon generation. I think we missed that in the last study with the [business-as-usual] case," said the Wind Coalition's Steve Gaw. "I think it makes sense to make that commitment in the studies going forward. I think it very important, especially considering the seams have increased in distance and we're involved in a lot more states now."

Kelley, while welcoming the feedback and asking for more from the stakeholders, pointed out such a study would be the time-consuming, 18-month analysis to which some were objecting.

"If we were to look at a carbon-constrained future, that would be a comprehensive, broad study," Kelley said. "We could do the exact study we just did, except the [business-as-usual case] would be a carbon-constrained future instead."

Amanda Durish Cook contributed to this article.

SPP NEWS

SPP, MISO Declare Year 1 of M2M a Success

MOU Sought to Address Problems

By Tom Kleckner

Top 10 M2M flowgates (MISO payments to SPP) *Source: SPP*

LITTLE ROCK, Ark. — SPP and MISO staff told stakeholders last week that the market-to-market process across their seam worked well in its first year and that a memorandum of understanding between the two RTOs will solve most remaining problems.

In a meeting at SPP's headquarters last Tuesday, staff said that the process has worked as intended since it began in March 2015. M2M is designed to improve price convergence on flowgates along the RTOs' 1,200-mile seam. They compensate each other for re-dispatching generation to reduce congestion in a way that reduces overall costs.

"For the most part, it has generally worked very well and as designed," SPP's Gerardo Ugalde said. "We had a few issues … and a few procedures were eliminated."

Through Feb. 15, the RTOs have had 1,075 M2M events (343 requiring settlements), which resulted in $9.5 million changing hands, according to a review of the first year. Two-thirds of the M2M payments came from three SPP flowgates in Nebraska. The RTOs' analysis showed the shadow prices are generally within $30 of each other.

"[Those] 1,200 miles are, by far, the largest seam of any RTO we're aware of," said SPP's David Kelley, director of interregional relations. "It has become a lot more complex with the integration of the Integrated System."

Ugalde said shadow prices and price convergence remain the biggest issues along the seam. "The majority of the time, we're able to [keep prices] under $500" per megawatt-hour, he said. "For the most part, we tend to price converge."

MISO and SPP told stakeholders they are continuing their development of an MOU to "ensure cost-effective solutions for both markets." The MOU, they said, will address ineffective real-time coordination on some flowgates, correct calculation errors in settlements and improve some settlement rules.

Seven Principles

Staff has developed a list of seven principles for the MOU. Among them: excluding reciprocal coordinated flowgates from the M2M process based on a threshold test for generators that affect it; recalculating firm-flow entitlements (FFE) due to changes in facility ratings; and capping FFEs to the system operating limits (SOL) for M2M flowgates.

Another principle would give the non-monitoring RTO the ability to switch from controlling market flows to total flow control. MISO's Ron Arness said he hoped controlling all transmission on a flowgate rather than just market flows will help moderate some of the price and power swings he has seen on the SPP side. He said new processes on the PJM seam have addressed similar situations.

"What we've seen with the SPP flowgates is the [swings] are more severe [than PJM's]," Arness said. "We need to tweak that process."

Kelley said SPP's stakeholders are "not comfortable" with exchanging ownership of flowgates. "It's really who has the more efficient, effective generation to control the constraint," he said. "There's no way you can control the SOL when MISO has 900 MW of generation flowing."

In response to a question by American Electric Power's Kip Fox, Ugalde said the MOU will solve "60 to 70%" of the M2M problems.

Ugalde said some of the MOU's provisions will require JOA changes be filed at FERC, while others will necessitate software changes. The RTOs will continue to evaluate the day-ahead exchange of FFEs and settlements.

MISO's Beibei Li shared an analysis she and others at the RTO have conducted with PJM on interface pricing. Li said the results indicate a common interface method has "merit" in resolving pricing issues.

Adam McKinnie, chief utility economist for the Missouri Public Service Commission, questioned the analysis. "A lot of time and treasure has been spent between MISO and PJM discussing these various options, but you've never been able to say how much this

Continued on page 19

SPP NEWS

BRIEFS

FERC OKs Canadian Border Point-of-Sale Filing

FERC last week accepted SPP's proposed Tariff revisions to identify the U.S.-Canada border as the point-of-sale for potential transactions with Canadian transmission service providers (ER16-704).

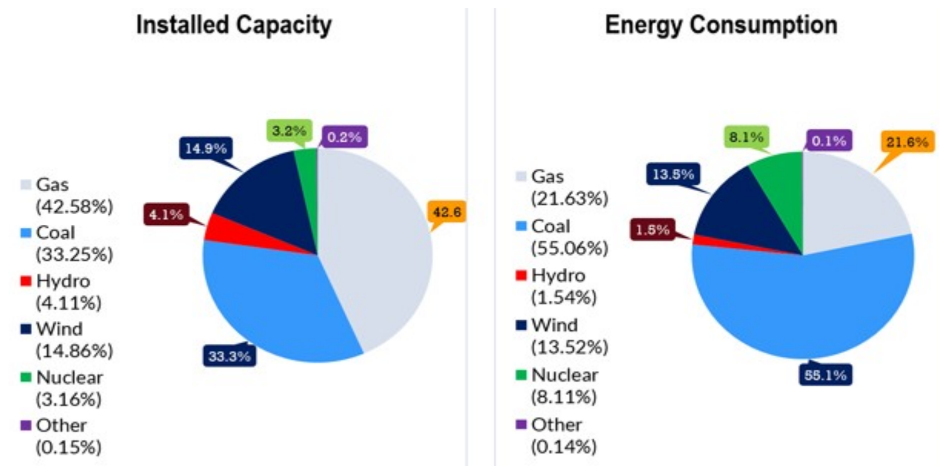
The commission's March 8 order found "establishing a point of demarcation for transactions between SPP and Canadian entities … will clarify the regulatory authorizations required by market participants on both sides of the border for international exports and imports between SPP and Canada." FERC said the demarcation clarifies that those transactions must be reported to the U.S. Department of Energy and Canada's National Energy Board.

The order is subject to an SPP compliance filing, due April 7. The RTO said it will modify its Tariff by using the term "source" instead of "resource," addressing Manitoba Hydro's assertion that the latter term creates two distinct classes of offers that would restrict transactions by non-resource offers.

SPP gained its interconnection with Canada when Basin Electric Power Cooperative joined the RTO as part of last year's addition of the Integrated System. (See *Integrated System to Join SPP Market Oct. 1*.)

SPP told FERC the interconnection allows Canadian utilities to participate in its Integrated Marketplace. It said the Tariff revisions are necessary "to allow Canadian entities to register resources and make them available under SPP's market rules."

The RTO completed its first international transaction late last year, importing power from Canadian electric utility SaskPower during a mid-December "emergency situation" in North Dakota. (See *SPP, SaskPower Make First International Trade*.)



SPP's 2015 capacity and energy mix *Source: SPP*

SPP Nears ERCOT's Wind Penetration Levels

SPP set new records for wind penetration last week, putting it within a whisker of ERCOT for the national record.

The RTO established a new record March 7, when its 9,450 MW of wind energy represented 45.08% of its total load (20,960 MW). That broke the record set the day before, when SPP reported a 44.77% penetration level (9,715 MW of 21,700 MW).

SPP's wind penetration record is within a tenth of a percentage point of ERCOT's. The Texas grid operator's 45.14% record was set Feb. 18, when wind energy produced 13,907 MW.

"We continue to see a lot of wind capacity added," SPP's engineering vice president, Lanny Nickell, told stakeholders March 9. He said the footprint's coal consumption has dropped by about 6% over the last three years, replaced by wind and natural gas.

Wind energy accounted for 13.5% of SPP's electric production last year, trailing coal (55.1%) and natural gas (21.6%), but surpassing nuclear (8.1%). The RTO had 12,397 MW of installed wind capacity in 2015, accounting for 14.9% of its total. It says it has an additional 33,819 MW under development.

ERCOT has 15,764 MW of installed wind capacity. Wind energy accounted for 18.4% of its electric production in 2015.

— Tom Kleckner

SPP, MISO Declare Year 1 of M2M a Success

Continued from page 18

will save," he said.

Li hedged her response by noting congestion varies from year to year. "Compared to the ideal — where we want to be and where we were — we have identified $2 million in improvement opportunities," she said.

"I wonder whether you've already spent the savings on analysis," McKinnie responded.

'Freeze Date'

Work is also continuing through the Congestion Management Process Council, which includes SPP, MISO and PJM, to update the 2004 "freeze date" used in determining CMP allocations and FFEs, based on pre-market firm flows. Arness said the council's members have agreed there is a need to work on freeze-date alternatives, with the goal of making a Tariff filing by year's end.

"We would like to have an indication we can move forward by the end of the year," Arness said. "We've heard this will be tough, but we're still working on it."

Arness said the CMPC has approved guiding principles for firm-flow allocation calculations and a procedure to calculate market-flow impacts associated with external pseudo-tied resources.

However, the council has not been able to move forward with using long-term auction revenue rights to develop M2M FFEs. The RTOs have compared each other's ARR nomination process and discovered similarities and differences.

COMPANY BRIEFS

Duke Energy Appeals $6.8M Dan River Fine

Duke Energy has appealed a $6.8 million fine levied by North Carolina for the catastrophic Dan River coal ash spill, calling the penalty "entirely arbitrary and capricious."

The company said the state Department of Environmental Quality raised the fine "to a newsworthy amount" after the Dan River spill attracted media attention. The appeal alleged the state improperly used admissions the company made in a federal action that resulted in $102 million in fines. And it said the punishment violates precedents that established DEQ cannot penalize a party multiple times for a single violation.

Frank Holleman, an attorney with the Southern Environmental Law Center, scoffed at Duke's appeal. "Since Duke committed crimes that led to the Dan River spill and Duke caused such harm to the state and its citizens, you would think Duke would have the humility to pay a relatively modest fine and ask forgiveness from the people of the state," he said.

More: *Charlotte Business Journal*

Whole Foods Inks Solar Deal with NRG, SolarCity

Whole Foods Market Inc. has announced separate deals with NRG Energy and SolarCity to install solar systems on the roofs of many of its U.S. stores. The grocery store chain, known for selling natural foods and products, already has solar installations on 25 of its stores. With the new deals, 100 more stores will get solar panels installed.

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

Lack of NY Timbering Permits Forces Constitution Delay

The developers of the proposed Constitution Pipeline delayed the completion date of the 124-mile natural gas pipeline for six months after New York state regulators failed to approve permits in time for it to clear trees before the migratory bird season commences.

The pipeline developer, Williams Co., notified FERC that the New York Department of Environmental Conservation had not issued the permits in time for the project to comply with U.S. Fish and Wildlife Service recommendations to complete tree cutting by March 31 to mitigate impacts on migratory birds and the northern long-eared bat. Constitution said it is pushing back the completion date of the $750 million pipeline from the end of 2016 to the second half of 2017.

The pipeline, which received FERC approval in December, would deliver 650,000 dekatherms of Marcellus Shale natural gas to the Iroquois Gas Transmission and Tennessee Gas Pipeline systems, which serve New England.

More: *Times Union*

Michigan Speedway Wins $29K Incentive from Consumers Energy

Consumers Energy has given the Michigan International Speedway a $29,460 energy efficiency incentive check to use toward the racetrack's efforts to become the "greenest" NASCAR track in the country.

The utility's incentive comes after the racetrack transitioned to LED lighting in its pedestrian tunnel and outside its administration building last year. The racetrack also installed a system to automatically control the temperature in the air conditioning system of its infield suites based on occupancy settings. The speedway said it saves an annual $60,835 in natural gas, electricity and maintenance bills through energy efficiency efforts.

Garrick Rochow, Consumers Energy's vice president and chief customer officer, said the speedway's projects achieve the same carbon-reduction effect as planting 796 trees each year.

More: *Energy Manager Today*

Great River Energy Lobbyist Retires After 34 Years

Great River Energy lobbyist Bob Ambrose has announced his retirement after 34 years of service to the Minnesota company.

"Bob has always represented us effectively with grace and dignity, and we are grateful for his 34 years of service. We will miss him," said Great River Energy vice president and general counsel Eric Olsen.

Ambrose, a Brown University graduate, briefly pursued medical and social work degrees and taught at a public school before becoming involved in energy policy. More recently, Ambrose had been taking trips to Germany to study renewable energy, a topic he thinks should gain more traction stateside.

More: *Midwest Energy News*

ATC: Sales to Illinois Drive Need For New High-Voltage Line

Just two years after it opened a 345-kV transmission line in the same area, American Transmission Co. proposed a new line near the Illinois-Wisconsin border to serve higher-than-expected forecasted power demand.

ATC is trying to sell ratepayers and regulators on a $52 million to $63 million line that would run from a new substation in Wadsworth, Ill., to the nearby transmission system owned by Commonwealth Edison. ATC says it will file applications with Illinois and Wisconsin regulators this year.

The need for more transmission persists even after a $36 million line was put into service in late 2013. "Market conditions have continued to change in Wisconsin and Illinois, leading to unanticipated congestion in the Wisconsin-Illinois electrical interface," said Luella Dooley-Menet, an ATC spokeswoman. "This project is needed to resolve that."

More: *Milwaukee Journal Sentinel*

Developers Break Ground on Carbon-Sequestration Gas Plant

Construction has begun on a 25-MW natural gas-fired plant near Houston that will sequester its carbon dioxide emissions for use in industrial purposes or enhanced oil recovery.

The zero-emission pilot project is being developed by Net Power, a collaboration between Exelon, CB&I and 8 Rivers Capital. Exelon and CB&I are leading the funding for the $140 million project.

If successful, the developers plan to build larger, 295-MW power plants that would represent the next generation of cleaner-burning natural gas plants. The pilot project is expected to come online in 2017.

More: *FuelFix Blog*

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COMPANY BRIEFS

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Bloomberg Sources Say Westar Exploring Sale

Westar Energy is said to be in the early stages of exploring strategic options that could lead to a sale. According to Bloomberg News sources, the company is talking with potential financial advisers as it evaluates its options.

Several possible buyers have been contacted to gauge interest in Westar, one source said. Westar hasn't yet formally hired an adviser and may still decide to remain independent, according to the sources.

A Westar spokeswoman said the company doesn't comment on merger and acquisition activity. Westar CEO Mark Ruelle fanned takeover speculation in November when he indicated the company would be open to a sale.

More: Bloomberg News

Cleco Seeks LPSC Rehearing On Investors' Purchase Bid

Cleco has asked Louisiana state regulators to revisit their decision to reject a coalition of Australian and Canadian investors' purchase of the utility for $4.9 billion.

The five-member Public Service Commission said representatives of Cleco, Macquarie Infrastructure and Real Assets have contacted them about reconsidering the PSC's Feb. 24 decision rejecting the sale.

The $4.9 billion deal would have given Cleco shareholders a 15% premium. The new company would be privately held.

More: The Advocate

PNM Proposing $87M Program To Install Smart Meters

Public Service Company of New Mexico filed a request last month with the New Mexico Public Regulation Commission to install advanced meters for its 500,000 customers. The $87 million proposal could eventually lead to the layoffs of 125 employees and a customer charge of about $5 a year starting in 2020.

The wireless advanced meters would be cost-effective and provide significant benefits for customers, including eventual savings on electric bills, PNM said. The utility contends the smart meters will save customers nearly $81 million over 20 years.

PNM asked the commission to approve the proposal in nine months so it can begin testing.

More: Albuquerque Journal

Arch Coal Abandons Plans For Controversial Montana Mine

Arch Coal, which filed for bankruptcy protection two months ago, has announced it has halted plans to open a new surface coal mine in the grasslands of southeastern Montana, blaming "capital constraints, near-term weakness in coal markets and an extended and uncertain permitting outlook."

The proposed Otter Creek mine would have been in the Powder River Basin, home to some of the most productive coal mines in the country. Although many people in the region supported the proposal, the plans have also drawn strong opposition from environmental groups, ranchers and some Native American tribes, including the Northern Cheyenne, whose reservation is nearby.

More: Los Angeles Times

FirstEnergy Coal Plant Idled For First Time in 17 Years

FirstEnergy disclosed it idled the 2,500-MW Bruce Mansfield coal plant in Shippingport, Pa., last month because of sustained low energy prices. The last time all three units at the site were shut off was in 1999.

No restart date is planned, and no FirstEnergy workers have been laid off.

More: Pittsburgh Post-Gazette

Dominion Forges Ahead with Plans to Close Ash Ponds

Dominion Virginia Power is preparing to close its 11 coal ash ponds and discharge the treated wastewater into state rivers, despite pressure from environmental activists.

The millions of gallons of water set to flow into the James River will be even cleaner than the state requires, the company said.

The wastewater will be tested three times a week, with the results posted on the utility's website. Any failed test will require Dominion to stop releasing water.

More: Richmond Times-Dispatch

Dan Eggers Moves to Exelon As SVP of Investor Relations

Former Credit Suisse managing director Daniel L. Eggers has joined Exelon as senior vice president of investor relations. Eggers also will be part of the company's executive committee.

Eggers spent 18 years at Credit Suisse, where he was in the equity research department, and also served as co-head of U.S. Energy Research. He also had positions with the bank covering oilfield service and equipment sectors, and as an associate on the integrated oils and independent refiners group.

"Dan brings a distinguished track record of covering the power sector for a top investment bank," said Jack Thayer, Exelon's senior executive vice president and CFO. "His expertise in the electric utilities industry, as well as his long-standing relationships in the financial arena, will strengthen Exelon's investor relations program and provide valuable insights for our senior management team."

More: Exelon

Wisconsin Wind Tower Firm Gets $28 Million Order

Wisconsin-based Broadwind Energy announced it closed an order from an unnamed domestic turbine manufacturer to build $28 million worth of steel wind turbine towers.

Broadwind has built more than 2,000 turbine towers since 2008. The latest order should fill out its 2016 manufacturing capacity. The company's interim CEO, Stephanie Kushner, said the extension of the federal production tax credit would bring stability to an industry that has seen fitful starts and stops.

"It caused developers to start and stop commercial activities based not on underlying project economics, but based on legislation toggling back and forth from full speed ahead to a dead stop," she said. "And those of us in the supply chain were whipsawed even more, with capacity demand shifting from maximum to idle and back again and with little good planning certainty."

More: Milwaukee Journal Sentinel

FEDERAL BRIEFS

Coal Plants Make up 80% of Retired Generation in 2015

Coal-fired plants represented more than 80% of the 18 GW in generation retired in 2015, according to the U.S. Energy Information Administration.

The plants that retired were mostly built between 1950 and 1970, and the average capacity was 133 MW, compared to an average 278 MW of capacity for the coal-fired fleet still in operation. Nearly half of the retired coal capacity was in Ohio, Georgia and Kentucky.

About 30% of the plants that shut down in 2015 went cold in April, when EPA's Mercury and Air Toxics Standards went into effect. A number of plants received a one-year extension, and they are expected to retire next month.

More: *Energy Information Administration*

EPA Expanding Methane Crackdown to Existing Wells

EPA announced it will require existing oil and natural gas wells to abide by tougher methane-emission regulations already covering new wells.

The announcement came during President Obama's meeting with Canadian Prime Minister Justin Trudeau. EPA Administrator Gina McCarthy said the expansion of the rules was necessary if the U.S. was to reach its goal of cutting emissions by 40% by 2025. "Based on this growing body of science, it's become clear it's come time for EPA to take additional action," she said.

The oil and natural gas industry reacted negatively. "The administration is catering to environmental extremists at the expense of American consumers," said Kyle Isakower of the American Petroleum Institute.

More: *Houston Chronicle*

Solar Market Set to Grow 119% This Year

The U.S. solar generation market is set to increase 119% this year, mostly from utility-scale projects in the pipeline, according to GTM Research in its U.S. Solar Market Insight Year in Review, published in conjunction with the Solar Energy Industries Association.

The forecasted surge of 16 GW of solar that will be installed in 2016 was caused by the expected expiration of federal tax credits in 2016. The tax credit was extended, but not before investors committed their 2016 budgets to some big projects. Utility-scale installations are expected to decline in 2017.

The report said new community solar projects are also growing, and rooftop solar continues to drive solar demand.

More: *Greentech Media*

Jury Taps Shale Driller for $4.2M in Tainted Water Suit

A U.S. District Court jury in Scranton, Pa., hit Cabot Oil & Gas with a $4.2 million verdict, saying the company's gas-drilling operations contaminated the well water of two Pennsylvania families.

The families in the Susquehanna County town of Dimock alleged that their water was contaminated by methane after Cabot began drilling in the area. Cabot argued that the methane occurred naturally and was not caused by the company's action. It vowed to appeal the verdict.

More: *Reuters*

NRC Annual Assessment Shows 96 of 99 Plants in Top 2 Categories

The Nuclear Regulatory Commission released its annual assessment of nuclear power plant operations for 2015, and all but three units were graded in the two highest categories. Of the 96 highest-performing reactors, 85 fully met all safety and security objectives, the commission said.

Arkansas Nuclear One Units 1 and 2 and the Pilgrim plant in Massachusetts were ranked in the fourth category and will receive increased oversight. The Arkansas units landed in the category because of two significant safety findings during inspections, and Pilgrim because of "long-standing issues of low to moderate safety significance," according to an NRC news release.

Entergy owns both the Arkansas and Pilgrim plants.

More: *Nuclear Regulatory Commission*

US Nuclear Fleet Safer After Fukushima, NRC Says


Burns

Nuclear Regulatory Commission Chairman Stephen Burns said that changes the agency instituted after the earthquake-induced meltdown of Japan's Fukushima Daiichi plant have made the U.S. fleet safer.

"I think the plants are safer than they were five years ago," Burns told Bloomberg BNA. "A lot of the things we've done, I believe, have made a safe situation safer."

The changes, such as second sets of backup generation, batteries and pumps, addressed failures exposed at Fukushima, said Tony Pietrangelo, senior vice president and chief nuclear officer of the Nuclear Energy Institute. "When you boil it down to its basic, root causes, they lost electricity and they lost the ability to cool the [reactor] core, to maintain the containment integrity and to cool the spent fuel," he said.

More: *Bloomberg BNA*

Fire Prompts 'Unusual Event' at Watts Bar 2

A pump motor serving the reactor at the Watts Bar 2 nuclear station caught fire, forcing a declared "unusual event" before the Tennessee Valley Authority's newest station produced any power.

The small fire Wednesday in one of three hot-well pump motors was extinguished within 19 minutes, but the incident required TVA to declare a "Notice of an Unusual Event."

"Plant personnel extinguished the motor fire, and there was no danger to the public," TVA spokesman Jim Hopson said. "Other Watts Bar Unit 2 systems were unaffected.

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FEDERAL BRIEFS

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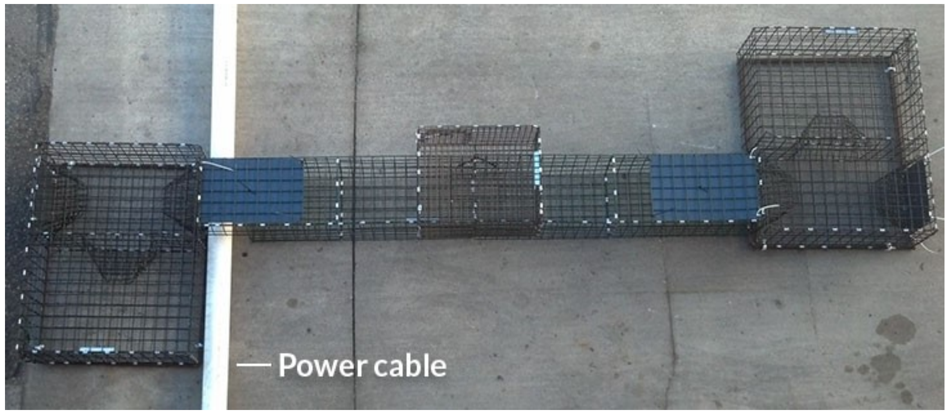
Watts Bar Unit 1 was also unaffected and remained safely online throughout the event."

More: *Chattanooga Times Free Press*

Studies Show Undersea Cables Don't Repel Marine Creatures



Researchers built a cage with a bait trap at the end and laid it across an undersea cable in order to test the cable's effects on crabs. *Source: Bureau of Ocean Energy Management*

A trio of recent studies show that magnetic fields emitted by undersea transmission cables don't seem to harm marine wildlife, a finding that could boost the development of offshore wind energy.

Earlier generations of cables, including undersea telecommunication cables, attracted wildlife such as sharks, which sometimes bit into the cables. Insulating the cables caused the sharks to lose interest, but magnetic radiation prompted some researchers to wonder if the cables served as "electric fences."

The recent research suggests the magnetic fields don't affect marine life. "There's much less concern now," said Ann Bull, a marine biologist at the Bureau of Ocean Energy Management, who presented two of the studies at the American Geophysical Union's Ocean Sciences Meeting. Her experiments showed that even where magnetic fields were strongest, creatures such as crabs did not seem bothered.

More: *Science News*

STATE BRIEFS

ARKANSAS

Agencies Suspend Work on State CPP Compliance

The Department of Environmental Quality and the Public Service Commission announced they are halting an effort to draft a compliance plan for EPA's Clean Power Plan as a result of last month's U.S. Supreme Court decision to stay its implementation.

The PSC's executive director, John Bethel, said discussions surrounding the rule's potential implementation should carry on, however. "The stakeholder process will continue to evaluate what steps will be necessary to comply with the plan should it be upheld. Those activities might proceed on a modified timeline once we understand more what that might be."

The state agencies said they will "continue to follow modeling efforts by the private sector of potential future energy and environmental policy scenarios." They plan to have a technical session on energy sector modeling later this year.

More: *KUAR*

ILLINOIS

It Isn't Easy Being Green, Commission Says

The Commerce Commission has proposed tightening the rules for retail electric suppliers to market their power as "green."

Unless a customer's residence is directly connected to a wind farm or solar panels, the electricity flowing to it cannot be said to be generated by renewable resources, Attorney General Lisa Madigan, who supports the changes, told the commission.

The claim of green energy generally comes from the purchase of renewable energy credits, as all the electricity on the grid is intermingled, regardless of its source, Madigan said.

More: *Chicago Tribune*

MICHIGAN

Legislators Begin Overhaul of Energy Law

Legislators are considering a number of bills to update the state's 2008 energy law. Among the provisions under debate is expanding customer choice, which is currently capped at 10% of the market.

Meanwhile, the state has halted work on its plan to comply with EPA's Clean Power Plan until its fate is resolved in court.

More: *Crain's Detroit Business*

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State Briefs

Continued from page 23

MONTANA

Judge Upholds PSC Decision Denying Renewables Request

A Judicial District Court judge has affirmed a 2015 Public Service Commission order denying NorthWestern Energy's request to decrease the amount paid to small wind and solar projects for their electricity.

In a March 3 ruling, Judge Mike Menahan upheld the PSC's decision to maintain existing "standard rates" for certain wind and solar projects no larger than 3 MW. The Public Utility Regulatory Policies Act requires NorthWestern to purchase power from these qualifying facilities based on the utility's avoided cost, PSC officials said.

More: *Great Falls Tribune*

NEBRASKA

Bill Removing Restriction on Wind Development Stalled


Hughes

Legislation that would make it easier for wind developers to advance projects in the state appears to be stalled in committee, although an effort is underway to advance the bill to a floor debate through extraordinary measures.

LB824 would remove all restrictions on developing wind energy, according to state Sen. Dan Hughes, who worries that a proliferation of wind energy would ultimately increase power rates. The legislation received the Natural Resources Committee priority designation in February but is now stuck in committee on a 4-4 vote, according to Hughes.

Hughes said it was important to realize that utilities need to also provide backup power for when the wind isn't blowing, adding to the projects' cost. "If we currently have excess power generation, I see no reason to build," he said.

More: *McCook Gazette*

NEW MEXICO

Environmental Group Asks Energy Contracts Be Kept Public

An environmental group is asking the Public Regulation Commission not to impose confidentiality rules that would restrict public access to a coal supply contract, financial information for an Arizona nuclear power plant and other documents that are part of Public Service Company of New Mexico's request to raise electricity rates.

Western Resource Advocates says information that affects rates charged by the utility should be open to the public. PNM is asking the commission for approval to raise residential rates by 15.8%, increasing annual revenue by about $123.5 million.

The utility said disclosing pricing information would hurt its ability to negotiate the best prices for goods and services. PNM used the same argument last year to maintain confidentiality over a coal supply agreement for the San Juan Generating Station. The PRC accidentally broke the confidentiality agreement when it disclosed the coal supply agreement and other confidential documents in response to a newspaper's public records request.

More: *Santa Fe New Mexican*

Farmington-Bloomfield Utility Case Dates Back to 1960s

Farmington and Bloomfield officials have until March 17 to decide how they will proceed with a legal dispute between them after a judge said a 1960s electric utility municipalization case could be reopened.

Bloomfield argues that under the 1960 agreement in which Farmington acquired its electric system from a private owner, Bloomfield also had the rights to municipalize the power system within its city limits. Farmington had argued that Bloomfield's rights to infrastructure within its boundaries expired in 1974 under the statute of limitations.

More: *Farmington Daily Times*

NEW YORK

Direct Energy Solar Leaving Market

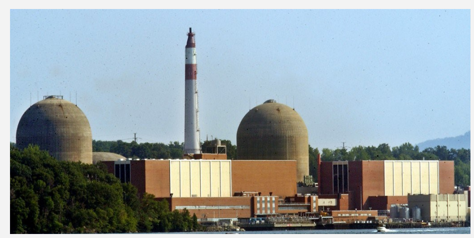
Residential installer Direct Energy Solar will close a Rochester-area location by the end of May, saying it is no longer profitable for it to operate in the state because of low electricity prices.

"Our offer has been challenged due to the low electricity cost," said Monica Yadav, a manager of external relations for the company. "We are going to focus on other markets in the Northeast where we have a really strong offer and a strong presence."

The company will lay off about 50 employees, according to a filing with the state Department of Labor.

More: *Democrat and Chronicle*

Indian Point Unit Begins Refueling



Entergy's Indian Point nuclear power plant Unit 2 began a planned refueling outage on March 7. Unit 2 was online 99.6% of the time since returning to service from its prior refueling outage in March 2014, according to the company. It also set a record for continuous days of operation, at 626, and a record for the amount of electricity generated, at 17.8 million MWh.

Entergy is investing more than $60 million at Unit 2, in addition to the refueling costs, to complete its installation of post-Fukushima safety enhancements. Equipment additions include portable electrical generators, pumps, cables and other equipment.

More: *Entergy*

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STATE BRIEFS

Continued from page 24

NORTH DAKOTA

Xcel Customers to Receive More Refunds

Xcel Energy ratepayers will receive a one-time credit — $3 for residential customers — in a $702,656 refund granted because of a settlement over the federal government's failure to acquire a long-term storage site for spent nuclear fuel.

The Public Service Commission approved Xcel's request last week to distribute the customer refunds on behalf of its Monticello and Prairie Island nuclear power plants. Commission Chair Julie Fedorchak said 30% of the electricity used by Xcel's 90,000 customers in the state comes from nuclear sources.

Under the Nuclear Waste Policy Act of 1982, utilities executed contracts with the U.S. Department of Energy for the storage of spent nuclear fuel, but the department never secured a site. Xcel and other utilities sued the department, and the parties settled in 2011.

More: *The Bismarck Tribune*

Proposed NextEra Wind Farm Hits Court Snag

NextEra Energy is facing challenges to get approval for its proposed 87-turbine wind farm in Stark County. A first proposal was rejected last year, while a new version of the project with adjusted siting is currently stalled in a court dispute.

An opposition group, Concerned Citizens of Stark County, claims in a lawsuit that the county zoning board and county commission circumvented proper public notice when it held meetings within a day of each other in December to approve the proposal. Because the suit is unresolved, the Public Service Commission announced that it would delay its public hearing until March 30, giving the citizens' group more time to review submittals from NextEra.

Some residents are urging NextEra to construct the turbines 2,000 feet from property lines instead of the proposed 2,000 feet from residences.

More: *The Bismarck Tribune*

OHIO

Operators of New Gas Plant Against AEP, FirstEnergy PPAs

The operators of the newest power plant in the state have said they may take legal action if the Public Utilities Commission approves a guaranteed income plan for power producers FirstEnergy and AEP Ohio.

Oregon Clean Energy, which has nearly completed construction of an 860-MW natural gas plant in the town of Oregon, says the eight-year power purchase agreements proposed by FirstEnergy and AEP would give them an unfair advantage. FirstEnergy and AEP say they need the PPAs to keep their coal-fired and nuclear plants operating and to preserve system diversity and reliability.

Merchant power producers say they will continue to fight if PUCO rules against them. "We could very easily see a scenario where utilities go to the General Assembly to look for a solution," said Dylan Borchers, an attorney for Oregon Clean Energy, which is owned by Ares Management LP and I Squared Capital.

More: *Columbus Business First*

OKLAHOMA

AEP Ready to Begin Building 60-mile, 345-kV Project

AEP Oklahoma Transmission said it will begin building a 60-mile, 345-kV transmission line later this year. The $120 million Western Oklahoma Transmission Reinforcement Project is expected to be complete by summer 2018.

The SPP-approved project was announced in 2014. Pre-construction activities are expected to begin in March with staking of the rights of way and clearing vegetation and other obstacles.

AEP's announcement came two weeks after Oklahoma Gas & Electric announced plans to go ahead with its Windspeed II transmission line, a 126-mile line from Woodward to OG&E's Cimarron substation northwest of Oklahoma City. The $190 million Windspeed II project is expected to be in service by mid-2018.

More: *The Oklahoman*

PENNSYLVANIA

PUC Explores Alternative Utility Ratemaking Methods

The Public Utility Commission is accepting public comment about alternative utility ratemaking methods through Wednesday.

The PUC on March 3 hosted a hearing to gather information from experts about how to maintain a reliable energy grid while at the same time encouraging energy efficiency and conservation programs.

Among other issues, the hearing considered whether revenue decoupling could encourage utilities to implement energy saving programs and whether such rate mechanisms would be in the public interest.

More: *Pennsylvania Public Utility Commission*

TEXAS

PUCT Declines to Reconsider Hill Country Tx Case

The Public Utility Commission declined to reconsider its approval of a transmission line route across Hershey Ranch, a major piece of preserved land in the Texas Hill Country west of Austin.

The 13-mile line, proposed by the Lower Colorado River Authority, is part of a plan to bolster electrical infrastructure east of Fredericksburg. Such transmission lines, which involve support structures 10 stories tall or higher, are becoming more common in Central Texas as the population grows.

The PUCT's decision can be appealed to district court.

From: *Austin American-Statesman*