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Your Eyes and Ears on the Organized Electric Markets

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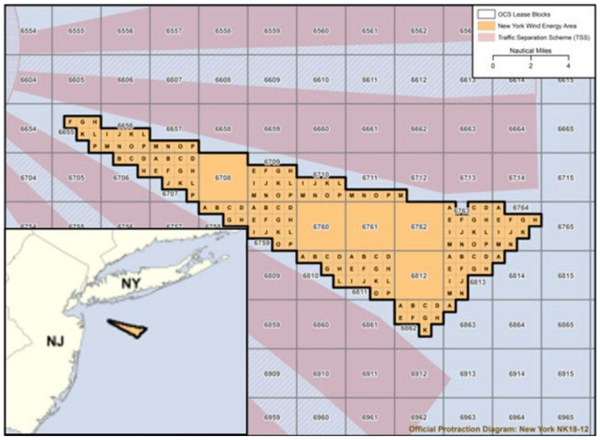
Feds Set Offshore Wind Site near New York

Strong Winds, Proximity to Load Excite Proponents

By William Opalka and Rich Heidorn Jr.



New York Wind Energy Area *Source: Bureau of Ocean Energy Management*

The federal government on Wednesday designated about 127 square miles off Long Island as a wind energy area that could produce as much as 900 MW of power for New York.

The area designated by the Interior Department's Bureau of Ocean Energy Management, about 11 miles south of Long Island, comprises 81,130 acres.

The announcement — which came a day after Interior withdrew plans to allow oil drilling off Virginia, North Carolina, South Carolina and Georgia — was cheered by environmentalists.

"The offshore wind industry is critical to the ultimate success of Gov. [Andrew] Cuomo's call for the generation of 50% of New York's energy from renewable sources by 2030," said Anne Reynolds, executive director of the Alliance for Clean Energy New York. (See *Cuomo: 50% Renewables by 2030, Keep Nukes Going*.)

Offshore wind also is crucial to the U.S.

Continued on page 2

FERC to Revisit Transmission Policies

Rejects ITC Petition, Sets June Conference on Order 1000 Rate Recovery

By Rich Heidorn Jr.

FERC will hold a two-day technical conference to review its transmission policies, an initiative that may result in refinements to its Order 1000 rules on competition and its 2006 order offering incentives to developers.

Chairman Norman Bay announced Thursday that the commissioners will lead a technical conference on competitive transmission development processes June 27-28. Bay said the conference will look at issues including the use of cost containment provisions and the relationship of FERC incentives to competitive development (AD16-18).

Bay made the announcement after a staff presentation on the results of a data-gathering initiative to measure the effectiveness of Order 1000 and other transmission initiatives. (See related story, *FERC Transmission Metrics Report IDs Potential Underinvestment*, p.17.)

The technical conference also makes good on a promise the commission made in an order Thursday rejecting ITC Grid Development's request that FERC bar transmission rate reductions in Order 1000 solicitations (EL15-86).

ITC's petition for a declaratory order asked that the commission rule that winning bids subject to binding revenue requirements be deemed just and reasonable and treated similar to a "black box settlement." It also

Continued on page 17

MISO Proposes Study to Measure Benefits of New North-South Tx

By Amanda Durish Cook

MISO planners are considering a study on the benefits of expanding flows on the constrained transmission interface linking the RTO's North/Central and South regions, including the option of building its own additional transmission.

Dubbed the Footprint Diversity Study, the proposed initiative would look beyond just the impact of increased energy flows at the interface to examine the "widespread" economic factors related to expanding the North-South tie, such as system-wide capacity benefits, settlement cost savings and savings in adjusted production costs when flows exceed settlement limits.

"There's going to be multi-value associated with such a line and it needs to be looked at from all aspects," MISO Director of Policy Studies J.T. Smith said at a March 16 Planning Advisory Committee meeting.

Smith said the study would also consider the economic implications of the flow limits in

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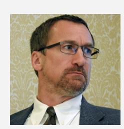
Also in this issue:



EUCI US/Canada Cross-Border Power Summit

Speakers discussed the challenges of natural gas's rapid rise and displacement of other resources. (p.3-4)

Constitution Pipeline Delayed Nearly a Year

Developers conceded that much of the 2016 construction season has been lost due to regulatory delays. (p.10)

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Feds Set Offshore Wind Site near New York

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Energy Department's "wind vision," which set a goal of capturing a 20% share of U.S. electricity production by 2030 (including 22 GW of offshore wind) and 35% by 2050 (with 86 GW of offshore wind).

BOEM has already issued 11 commercial wind energy leases off the Atlantic coast, but development of them has been slowed by high costs and local opposition.

The Cape Wind project off Massachusetts has withstood an onslaught of court challenges, but it was put on hold last year when it failed to meet financial benchmarks that led to the cancellation of its power purchase agreements. (See *Terminated PPA Imperils Cape Wind Offshore Project*.)

Projects off New Jersey also have stalled, although state legislators are trying to revive them.

Deepwater Wind began work last July on the first demonstration project in the country, a 30-MW project off Rhode Island's Block Island. The project, which had to withstand court and regulatory challenges to its above-market contracts with local distribution company National Grid, could go into service as soon as this year. (See *FERC Won't Investigate Offshore Wind Contract*.)

Shallow Waters

If the U.S. is to enter the offshore wind industry, it will likely happen first on the Atlantic. The coastline's shallow waters are similar to those in Europe, which has been building utility-scale offshore wind for more than a decade.

More than a quarter of the U.S. wind capacity in shallow water — depths of 30 meters or less — is along New Jersey, Delaware, Maryland, Virginia and North Carolina. The Mid-Atlantic region has almost 300 GW of potential wind capacity in shallow waters, more than enough to supply all of the region's power needs. (See *PJM States Seek 'First Mover' Status*.)

2011 Proposal

The creation of the New York Wind Energy Area was prompted by a 2011 proposal by the New York Power Authority on behalf of itself, the Long Island Power Authority and Consolidated Edison. The NYPA proposal estimated a cost of $2 billion to $4 billion for up to 200 turbines generating about 700 MW.

BOEM, which oversees development of the nation's energy resources on the Outer Continental Shelf, responded by issuing a notice in 2013 to determine if other developers were interested in the area. After issuing an environmental assessment, possibly by the end of this year, BOEM could move forward to offer leases under competitive bidding.

Five companies, Fishermen's Energy, Energy Management, Deepwater Wind, EDF Renewable Energy and Sea Breeze Energy, have expressed interest in developing the site. Deepwater Wind is reportedly considering a Brooklyn waterfront site as a staging ground for the project.

The New York site is attractive to prospective developers for several reasons. New York City Mayor Bill de Blasio issued a request for information last year to identify new renewable energy generation capacity, with a goal of powering 100% of city government operations with renewables.

"Given the site's proximity to load centers in New York and Long Island, it has the potential to be a very desirable location," Thomas Brostrom, of Denmark-based Dong Energy A/S, the world's largest offshore wind developer, told Bloomberg.

At the EUCI US/Canada Cross-Border Power Summit in Boston last week, Dennis Duffy, vice president of regulatory affairs for Cape Wind Associates, cited a New York study that showed onshore wind capacity factors in the state were only 10% during peak hours for electric use, while offshore wind reached 40%.

University of Delaware professor Willett Kempton has estimated the New York wind area is large enough to generate as much as 900 MW. His estimate is based on the use of 6- or 8-MW turbines, rather than the 3.6-MW turbines in the NYPA proposal.

Larger Turbines, Higher Costs

Offshore wind turbines are larger and thus generate more power than land-based turbines. But offshore turbines, which must be robust enough to withstand salt water and hurricane-force winds, are more expensive and also have higher operations and maintenance and financing costs.

The Energy Information Administration says the levelized cost of energy from offshore wind is $197/MWh (2013$), more than double the $74/MWh for onshore wind and the $73/MWh for natural gas

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ISO-NE News

EUCI US-Canada Cross-Border Power Summit

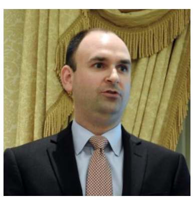
Market Policies, Emissions Goals on Collision Course in New England

By William Opalka

BOSTON — ISO-NE market rules favoring natural gas are on a collision course with state and federal environmental mandates, speakers at the EUCI US/Canada Cross-Border Power Summit said Tuesday.

Left to itself, renewable energy advocates said, the market would dictate a shift to natural gas, and only natural gas, ignoring the impact on greenhouse gas emissions.

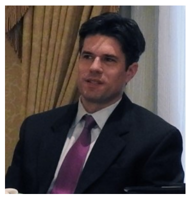
Backers of gas generation countered that renewables are benefiting from government-backed subsidies and long-term contracts that threaten to reintroduce government-mandated integrated resource planning.



Dan Dolan, president of the New England Power Generators Association, told the conference that state policies are giving renewables undue advantage and undermining conventional generators' investments in the market.

He cited state-backed long-term contracts that could introduce more than 2,000 MW of Canadian hydropower into the region. "You can't add that much stuff onto the plate without some of the soup getting spilled over the side," Dolan said.

In the last two Forward Capacity Auctions conducted by ISO-NE, about 3,200 MW of new gas-fired generation has successfully bid into the market, he said. "Of all those megawatts of cleared resources, not a single one of those has a state-backed long-term contract or other subsidy," Dolan said.



Francis Pullaro, executive director of RENEW Northeast, which represents renewable energy developers and environmental organizations, said current market rules skew toward natural gas and disadvantage clean energy resources. Natural gas "resources are going to be built over the next couple years with generous capacity payments" that make financing easier to obtain, he said.

Under the FCAs run by ISO-NE, resources are able to lock in prices for seven years. Renewables, Pullaro pointed out, have little capacity value and are only able to obtain financing through long-term contracts, which states have required from the electric distribution companies.

"We really can't add any more gas to the system than what is already expected to come onto the system over the next few years if we are going to meet our greenhouse gas reduction laws," he said.

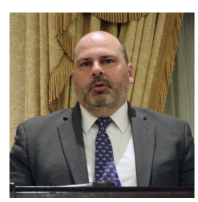
Primary among them is the Massachusetts Global Warming Solutions Act, which requires a 25% reduction in carbon emissions from 1990 levels by 2020. Several New England states have followed suit with similar emission-reduction goals.

To meet its target, Massachusetts Gov. Charlie Baker has proposed a bill, S. 1965, that would allow electric distribution companies to enter into long-term contracts for large hydropower resources and offshore wind.

Janet Besser, vice president of policy and government affairs for the Northeast Clean Energy Council, a trade group for clean energy businesses, said the legislation's support of offshore wind is "a critical component of the bill." Wind, combined with hydro resources, could provide firm capacity, especially with a transmission buildout to connect remotely sited resources, she said.

"It's an overarching policy goal and it is also a goal of customers. They want resources something other than gas … they are not resources being delivered by the market alone."

The battle for generation market share is unlikely to end any time soon, as the region also faces the prospect that almost 6,000 MW of coal and oil-fired generation that is at least 40 years old will retire in the next few years.



That, observed **Ned Bartlett**, undersecretary of energy and environmental affairs for Massachusetts, is "enough power to supply Maine, New Hampshire, Vermont and Rhode Island combined."

Paul Hibbard, vice president of The Analysis Group, expressed concern about New England's ability to meet its carbon-reduction goals if nuclear plants continue to leave the generation fleet and are only replaced by natural gas. Entergy's 680-MW Pilgrim plant may retire as early as next year.

"The scary part here is that Pilgrim is the smallest of the nuclear generation within New England [behind Seabrook and Millstone] and all of them continue to be economically stressed," he said. "How do we let this resource mix evolve in a way that's going to help meet the states' carbon reduction requirements?"

ISO-NE NEWS

EUCI US-Canada Cross-Border Power Summit

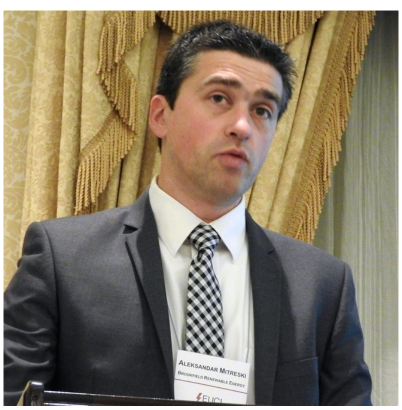
As gas plants race to replace retiring coal and nuclear generation, "The question we are being asked is 'are we in an overbuild situation?'" said **Paul Flemming**, director, power and gas services for ESAI Power. The question is "especially [relevant] in PJM, but also to some extent in New England."

Dan Allegretti, vice president of energy policy for Exelon, said that although expanding the Regional Greenhouse Gas Initiative would create more liquidity and increase efficiency, it also faces challenges. "There are legal problems, there are political problems ... so the discussion should really center around being trading-ready. So rather than join the compact, I think there's going to be a future for RGGI to expand … with the other states who have adopted a similar mass-based program for Clean Power Plan compliance."

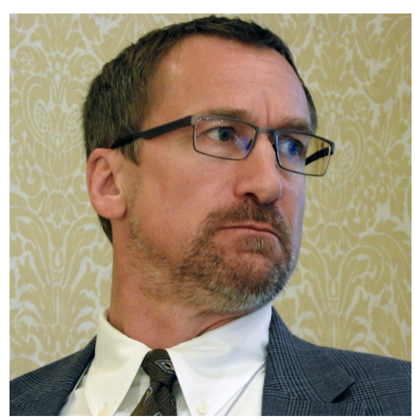
David Littell, a principal with the Regulatory Assistance Project, said states' conflicting rules on clean energy resources are hurting investment.

"Fixing this Balkanized [renewable portfolio standard] system would be beneficial to the whole region. It just makes no sense for everybody starting a [legislative] season going for changes in what qualifies in each state," he said. "That's not sending an investment signal that the commercial community can respond to."

David Alward, Canada's consul general to New England, addressed fears that large hydropower imports would crowd out smaller solar and wind projects. "In 2014, Canada supplied 13.2% of New England's electricity, mostly from hydro ... this is third behind natural gas and nuclear. It's hardly oversized."



Aleksandar Mitreski, a senior director of regulatory affairs for Brookfield Renewable Energy, warned that power imports into New England don't have firm contracts. "So … if Quebec or New York or New England has a reliability constraint, they may cut those transactions because they have no requirement to deliver," he said.



Greg Cunningham, vice president of clean energy and climate change for the Conservation Law Foundation, explained why his group opposes the Massachusetts Department of Public Utilities' decision to allow electric distribution companies to negotiate supply contracts with natural gas pipeline operators and pass costs to electric ratepayers.

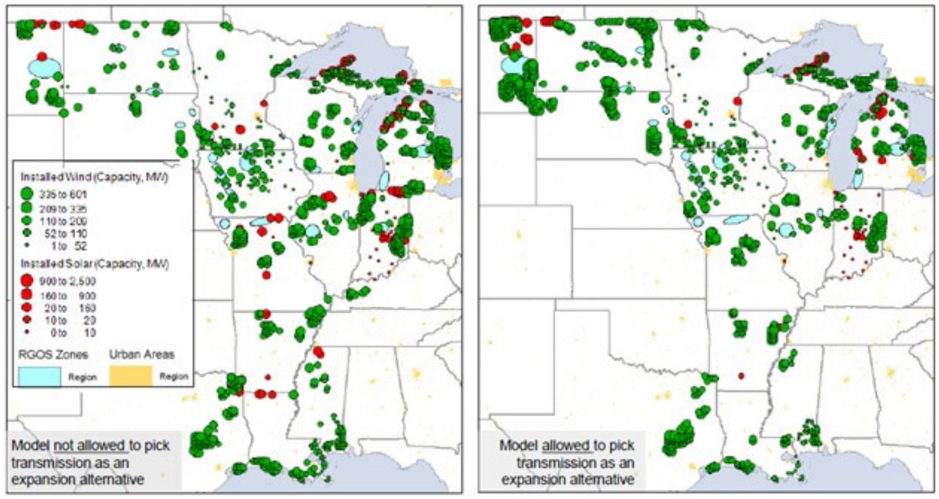
"There are concerns that we have, both from a public policy and legal approach ... if it's going to involve any cross-border interaction between Marcellus shale natural gas and Canada. This is unprecedented — literally never before been done in this country, let alone this region," he said. "This could result in an overbuild of natural gas that will undermine our public policy goals, the principal of which is our climate goals."

MISO NEWS

MISO CPP Modeling Shows Need for Higher Wind Assumptions

Optimal Level of Coal Retirements: 16-21 GW

By Amanda Durish Cook



CPP study predicts need for expanding MISO renewable zones *Source: MISO*

The increase in wind generation under the Clean Power Plan would likely exceed MISO's previous assumptions and require creation of new renewable generation zones, according to a new analysis from the RTO.

MISO's midterm CPP analysis, presented to the Planning Advisory Committee last week, also quantified the most economic levels of coal retirements under the EPA rule, showing that the cheapest path to full implementation would require the retirement of 16 to 21 GW.

The analysis showed that MISO's Regional Generation Outlet Study (RGOS) is in need of expansion, said MISO Senior Policy Studies Engineer Jordan Bakke. The 2009 study sought to help states meet their renewable portfolio standards by identifying regions with optimal combinations of wind conditions and distances to load as well as suggesting potential transmission projects to accomplish the goals.

Assumptions Overtaken

The study produced the RGOS zones MISO uses today, with assumptions initially meant to inform decisions until 2026. While actual and queued wind siting has been consistent with those assumptions since 2011, the RTO expects wind installations to begin exceeding projections because the CPP and falling prices mean renewable penetration will exceed levels needed to meet the state renewable mandates on which the earlier study was based.

MISO says the anticipated growth warrants adjustments to the MISO Transmission Expansion Plan renewable siting methodology, as well as adding solar zones into study assumptions.

Bakke said an uptick in renewables is imminent. "In light of the [Supreme Court] stay, the timeline for the CPP is unclear, but in general we're studying carbon reductions," he said. "The CPP is only one of many things that are driving carbon reductions."

To assist its analysis, MISO commissioned renewable planning firm Vibrant Clean Energy (VCE). The company modeled three scenarios: a 30% cut in carbon emissions from 2005 levels by 2030; a 50% emission reduction by 2036; and an 80% cut by 2050.

Among the study's findings:

- MISO's Zone 1 (Minnesota, western Wisconsin and MISO's stretch of the Dakotas) is ripe for large amounts of potential wind export capacity by 2050. Zone 1's wind-rich locations make economic sense for extensive wind build-out and transmission development, VCE concluded in the study, which used an assumed $700/MW-mile transmission cost.
- The Great Lakes region could experience a spike in wind production if more transmission was built in that region.
- With expanded transmission and the elimination of coal, the MISO grid could handle 217 GW of installed wind generation and 125 GW of solar and generate 861,000 GWh of renewable power by 2050. (MISO's all-time wind peak is 13.1 GW, set on Feb. 18.)

Wind has a higher capacity factor than solar in MISO's footprint, making it a more

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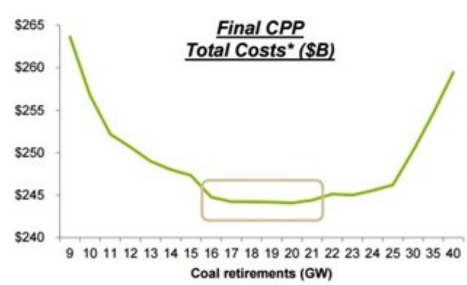
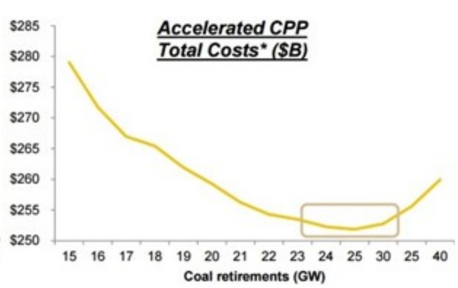
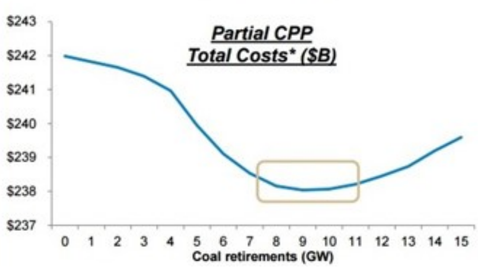




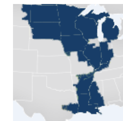


Retirement levels that produce a minimum range of system costs are identified for each scenario.

Final CPP	16 – 21 GW
Accelerated CPP	24 – 30 GW
Partial CPP	8 – 11 GW

Clean Power Plan scenario analysis *Source: MISO*

MISO NEWS



FERC: Entergy Can Exclude Above-Market PPAs from Bandwidth Calculation

By Amanda Durish Cook

Rain CII Carbon calcined petroleum coke facility in Sulphur, La. *Source: Rain CII*

FERC last week granted Entergy permission to exclude from its system-wide "bandwidth" calculation the above-market portion of the price paid for electricity under two power purchase agreements with generators certified under the Public Utility Regulatory Policies Act and Louisiana's Renewable Energy Pilot Program (ER14-1640).

The March 17 ruling came despite a protest from the Louisiana Public Service Commission, which contended it was excluded from the settlement agreement.

The decision does not alter the actual value of Entergy Gulf States Louisiana's PPAs with the Rain CII Carbon calcined petroleum coke facility in Sulphur and the Agrilectric rice hull-fueled power plant in Lake Charles. Rather, the commission is allowing Entergy to internally "re-price" the contracts to accommodate the "bandwidth" process the company uses to ensure that none of its subsidiaries have production costs 11% above or below the company average.

Supporters of Entergy's position said the company's re-pricing approach prevents the costs of local and state policy initiatives — such as renewable mandates — from being exported to other jurisdictions. However, the Louisiana PSC called the re-pricing practice "unduly discriminatory" to Entergy Gulf States Louisiana and its customers, which will incur increased costs to cover the entire above-market portion of the contract prices.

The PSC also called the settlement procedure an "abuse" because it only included parties that agreed with Entergy's original 2014 filing.

FERC disagreed.

"We note that the settlement, and the proposed revision it approves, establishes a policy that is applicable to all similar renewable energy PPAs entered into by any of the participating Entergy operating companies," FERC said. The commission added that Entergy entered into the PPAs "to meet the requirements of the [Renewable Energy Pilot] Program for the benefit of Entergy Gulf States Louisiana's customers, rather than for the benefit of the Entergy system as a whole."

MISO CPP Modeling Shows Need for Higher Wind Assumptions

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economic option. Bakke noted the VCE study did not include assumptions about distributed generation or energy storage. He said a more complete picture of the study would be presented at MTEP workshops on March 30 and April 28.

Bakke added that MISO's long-term CPP analysis would deal with the specifics of transmission overlay on a "bus to bus" level. He said MISO hopes to have a new siting methodology finalized with updated wind zones, new solar zones and ozone non-attainment areas by the July PAC meeting.

'Sweet Spot' for Coal Retirements

MISO's midterm analysis also showed that extensive coal retirements would need to accompany wind's expansion in order to cost-effectively meet CPP standards.

"We're not going to try to build our way into compliance by having a very high reserve margin," Bakke said. "What the system has to do to comply is shift away from coal."

The analysis set out three scenarios for retiring coal under the CPP through 2034, with the most economic levels of retirements varying based on carbon emissions reductions:

- Under the "final CPP" scenario unaltered by current legal challenges (a 34% reduction in CO_2 emissions from 2005 levels), 16 to 21 GW of coal retirements would be most economic.
- Accelerated CPP compliance (a 43% decrease in emissions) results in 24 to 30 GW of coal retirements.
- Partial CPP compliance (a 17% cut in emissions) results in retirement of 8 to 11 GW of coal.

'Bathtub Curve'

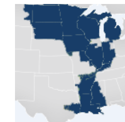
In every scenario, total costs of compliance over the 19-year period exceeded $237 billion. But costs could be considerably higher if too much, or too little, coal retires.

In a scenario with no coal retirements, Bakke explained, MISO would be forced to redispatch from coal to older, more expensive gas plants in order to comply with CPP mandates. Retirements of the least efficient coal units would lead to replacement with newer, more efficient gas plants, driving down production costs.

Still, system costs would amplify if coal retired beyond rates needed to comply with the CPP, as more expensive natural gas and renewables drive costs higher, resulting in what Bakke referred to as a "bathtub curve" on modeling graphs. Bakke pointed out that high costs from too many retirements were unlikely, as generators would not be inclined to over-comply with any final version of the CPP rule.

"The system naturally doesn't want to retire this much coal," Bakke said.

MISO NEWS



PAC Briefs

MISO Receives 1st Expedited Review Request

MISO received its first expedited project review request since replacing its former out-of-cycle review process, Senior Manager of Transmission Expansion Planning Thompson Adu told the Planning Advisory Committee on March 16.

Michigan Electric Transmission is seeking accelerated consideration to construct two 138-kV feeds to a new substation in Coldwater, Mich., with an in-service target of April 2017. The company said the upgrade is needed to serve 83 MW of load, including 33 MVA of new industrial and commercial load.

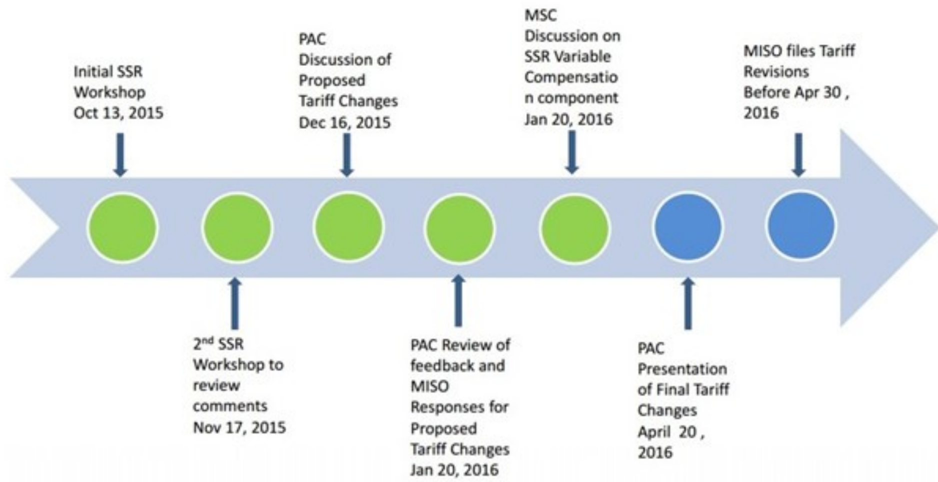
The company maintains that waiting until December for 2016 MISO Transmission Expansion Plan approval would not give the project enough time to meet the in-service date requested by its customers.

Transmission Planning BPM Advances to Full PAC

The Planning Subcommittee has approved MISO's Transmission Planning Business Practices Manual 020, moving the document to the PAC for consideration.

Matthew Tackett, a MISO principal adviser, said the BPM language was modified to include NERC transmission planning standards and Order 1000 cost-sharing provisions. Tackett said additional text also addressed the NERC MOD-032 standard, which establishes reliability planning modeling data requirements and reporting procedures.

Tackett said the edits do not represent policy changes.



Attachment Y timeline *Source: MISO*

"As the planning process evolves over time, it makes sense to incrementally make these changes," Tackett said.

MISO's second round of stakeholder input on the BPM yielded fewer comments, indicating consensus is near, Tackett said. The changes have been vetted through three PSC meetings, and MISO said it was not aware of unresolved issues or dissenting opinions from stakeholders. (See "Expedited Review Process Nears Approval with 'Good Consensus,'" *MISO Planning Subcommittee Briefs*.)

Tackett submitted the nearly finalized language for a third round of comments through April 11.

Attachment Y Tariff Filing Moved Back Again

A proposed MISO Tariff revision requiring generation resources to submit Attachment Y notices at least 26 weeks prior to a planned suspension or retirement has been delayed by another month.

Joe Reddoch of MISO's System Support Resource Planning Group said short intervals between meetings precluded a planned filing with FERC later this month, following another postponement in February. (See "Attachment Y Adjustments Put on Hold for a Month," *MISO Planning Advisory Committee Briefs*.)

The Tariff revisions also stipulate that generators provide written notification when canceling or changing notices, as well as requiring owners rescinding an approved Attachment Y to re-enter the generator interconnection process. Additionally, MISO wants to relax confidentiality provisions surrounding Attachment Y information after a retirement date has passed.

Reddoch said MISO was not attempting to "overhaul" the system support resource program with the changes. He asked stakeholders to provide feedback by April 16 to facilitate a FERC filing late next month.

— Amanda Durish Cook

FERC OKs Wisconsin Utilities' Asset Transfer

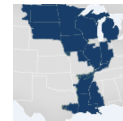
FERC last week gave the go-ahead for American Transmission Co. and Wisconsin Power & Light to swap a combined $830,000 worth of assets (EC16-61).

Under the agreement, WPL will acquire five ATC substations valued at $458,820 in exchange for $370,863 in transmission-related equipment, which include a power transformer, storage batteries, 138-kV line frames and foundations, poles and historical air brake switches. The Wisconsin-based companies said the move will better "align ownership of the relevant facilities by function," providing WPL new distribution facilities while handing ATC more transmission assets, which will be turned over to the operational control of MISO.

Both companies will pay current net book value for all facilities in cash without an acquisition adjustment. ATC said the transaction will have "virtually no effect on transmission rates," noting that the difference in value between the assets being exchanged is only a "tiny fraction" of the company's total net utility plant of $3.4 billion. WPL receives nearly all of its transmission services from ATC.

— Amanda Durish Cook

MISO NEWS



FERC Declines Rehearing in Decade-Old MISO Pricing Dispute

By Amanda Durish Cook

FERC last week declined MISO's request to reconsider a 2008 refund order stemming from transmission pricing complaints filed by the city of Holland, Mich., and DTE Energy Trading more than a decade ago (EL05-55-003, EL05-63-005).

Proceedings for the case go back to early 2005, when FERC found that MISO had violated its Tariff by charging the Holland Board of Public Works and DTE a higher hourly non-firm point-to-point transmission rate in instances when the utilities redirected the receipt point for their firm point-to-point service within the same transmission pricing zone — but on a non-firm basis. The commission ordered MISO to issue refunds with interest for the difference between the two hourly service rates. The RTO was also required to file accompanying refund reports for Holland, DTE and "other similarly situated customers," effectively extending refund eligibility to other market participants incurring similar charges.

In May 2008, after conditionally accepting MISO's 2005 and 2006 refund reports, FERC further ordered the grid operator to refund overcharges for ancillary services associated with customers' redirect service.

In its rehearing request, MISO contested the ancillary services refund along with aspects of FERC's earlier decisions. The RTO argued that FERC's rulings had violated the Federal Power Act on two counts.

First, by directing MISO to refund the charges related to ancillary services, the commission had corrected its order outside the timeframe permitted under the FPA, namely before an appeal had been filed or in advance of the deadline for petitioning for judicial review. MISO also said FERC sought to exploit ambiguities in its refund order by rewriting the methodology associated with the refunds.

Second, FERC's order directing MISO to issue refunds dating back to 2002 violated an FPA provision barring refunds for periods preceding a complaint filing, MISO said.

MISO further contended that any refunds should be limited to the original complainants, and that calculating and issuing refunds to all affected customers during the period in question will be "time-consuming and costly." FERC has stipulated a refund period of February 2002 to January 2009.

In denying the rehearing, FERC reiterated that the commission has "authority to go back to the date that the violation first occurred" and its seven-year refund period was "consistent with the refunds previously provided and accepted in these proceedings."

FERC also said that ancillary services are needed to maintain reliability for transmission service and should be priced accordingly.

"Because these ancillary services were necessary to accomplish transmission service, they are part of any transmission service, including redirect service, and should be priced consistent with the service being provided," FERC said. "The commission's general policy is to order refunds for overcharges and for violations of the filed rate."

Louisiana City Allowed RTO Tx Adder

The city of Alexandria, La., is entitled to collect a MISO-related adder of 50 basis points on top of its authorized rate of return on equity without having to make a request to federal regulators, FERC ruled last week (EL15-75).

The commission said Alexandria's petition to implement the RTO membership adder was unnecessary because the city was already eligible to do so under MISO's municipal generic template, a formula municipal transmission owners can use to derive their revenue requirements. FERC last June directed the RTO to include the adder, which became effective immediately (ER15-1067).

The commission also granted Alexandria's request to defer adder collection until after a decision on an ongoing complaint against MISO transmission owners (EL14-12). In that proceeding, MISO transmission customers argue that the current 12.38% base return on equity earned by owners should be decreased to 9.15%.

— Amanda Durish Cook

MISO News

MISO Posts 2nd Revision of Duff-Coleman Request for Proposals

By Amanda Durish Cook

MISO on Monday updated the competitive solicitation for the Duff-Coleman transmission project in response to stakeholder questions about the 345-kV line proposed for southwestern Indiana and western Kentucky.

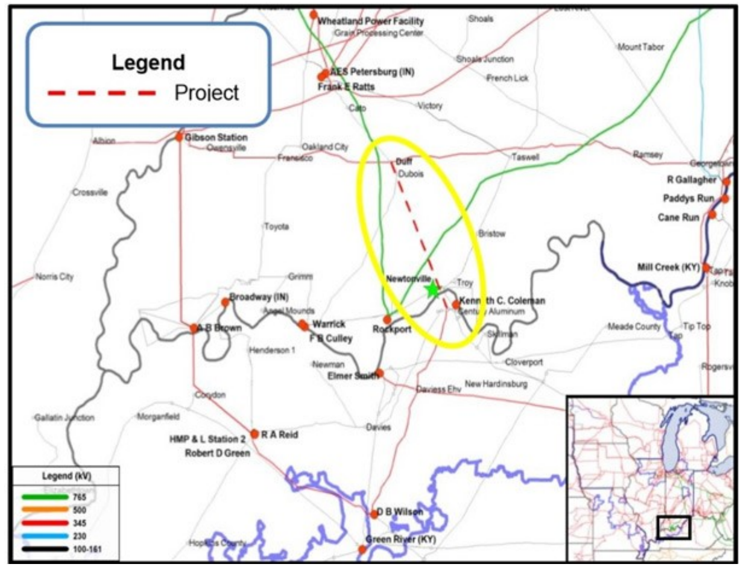
The changes address the binding cost cap, revenue requirements, planning participation and respondent liability. MISO also added a requirement that bidding developers disclose their project-specific common stock costs and debt-to-equity ratios.

The update — the second since MISO released the RFP in January — comes as MISO fine-tunes Business Practice Manual 027, which outlines transmission developer qualifications and the selection process for competitive projects.

The 30-mile, single-circuit line would connect Vectren Energy's Duff substation in Dubois County, Ind., with Big Rivers Electric's Coleman substation in Hancock County, Ky., crossing mostly farmland and a portion of the Ohio River. MISO says the $67 million project will alleviate congestion and strengthen transmission capabilities near a MISO-PJM seam. RTO staff last week told the Planning Advisory Committee that stakeholders have needed clarification that the Rockport segment of the line is not included in the competitive solicitation.

Vectren and Public Service Enterprise Group were the first to step into the ring last week, announcing that they intend to jointly bid on the project.

"Vectren has a proven track record to successfully complete such large-scale transmission projects, having completed a nearly 65-mile 345 kV line in southwestern Indiana and western Kentucky four years ago," Brad Ellsworth, president of Vectren South, said in a statement.



Duff-Coleman project *Source: MISO*

Bids on the project, MISO's first competitive solicitation under FERC Order 1000, are due July 6. MISO hopes to announce the winner in late December and put the line in service by 2021. (See *MISO Seeks Bids on Duff-Coleman Project*.)

MISO Proposes Study to Measure Benefits of New North-South Tx

Continued from page 1

the settlement agreement allowing MISO to use a portion of SPP's system to facilitate transfers with Entergy's former service territory. MISO estimates the system's actual transfer capability is greater than current market flow limits, which restrict southbound flows across SPP's network to 3,000 MW while capping northbound flows at 2,500 MW.

Depending on usage levels at the interface, use of SPP's network can cost MISO up to $38 million per year, according to the RTO.

Smith said MISO would specifically examine the feasibility of building its own transmission to handle increased transfers between the sub-regions.

If the study is greenlit, MISO will rely on its 2017 Transmission Expansion Plan to inform any proposals to develop a new line. Smith also noted that future changes to MISO's market efficiency project rules could influence a potential project.

"We also need to consider that the rules that exist today may not be the rules that exist tomorrow," he said.

Consultant Roberto Paliza of Indianapolis said he was concerned that MTEP 17 would come too late to address increasing North-South tie flows. MISO shouldn't assume SPP will provide the same amount of capacity after 2021, when the settlement agreement expires, he added.

"I wonder whether there's going to be enough time to build the transmission to handle the capacity contract path," Paliza said. "I wonder if we need to do something sooner than doing something at the overlay transmission stage of the MTEP 17."

Paliza said he views the SPP-MISO settlement as a temporary fix for a problem that requires a long-term solution.

Minnesota Public Utilities Commission staff member Hwikwon Ham said he "didn't necessarily disapprove of [the potential North-South] project" but noted it would involve a hefty price and wanted to know if MISO had explored possible cost allocations.

Smith said it was too early to identify such allocations, but that the issue would be taken up with the Regional Expansion Criteria and Benefits Task Force if a project is identified.

Smith did not provide a deadline for getting stakeholder approval for the study or a possible start date.

NYISO NEWS

Constitution Pipeline Delayed Nearly a Year

By William Opalka

Conceding that much of the 2016 construction season has been lost because of regulatory delays, the developers of the Constitution Pipeline say the project will be delayed by nearly a year (CP13-499).

The pipeline, which is intended to deliver shale gas from Pennsylvania into the New York and New England markets, is now projected to begin service in the second half of 2017. The developers had proposed operation of the 124-mile pipeline in the fourth quarter of this year.

FERC did not act on the developer's request to cut trees in New York before March 31, so that window has closed. (See *Constitution Again Seeks Tree-Felling Permission in NY*.) Constitution is required to cut trees between Nov. 1 and March 31 to comply with U.S. Fish and Wildlife Service recommendations to mitigate impacts on migratory birds and the northern long-eared bat. FERC did not grant permission in New York but did allow those operations in Pennsylvania, which have been completed.

"The March 2, 2016, target date for receipt of written authorization has passed and, as a consequence, Constitution will not be able to complete the required tree felling within the deadline established by the United States Fish and Wildlife Service," the company wrote in a letter to FERC. "The renewed request for written authorization to conduct tree felling set out in the Feb. 25 letter, accordingly, is now moot and no longer needed. Constitution will file a new request for the necessary authorization at the appropriate time."

New York Attorney General Eric Schneiderman had opposed the operation, saying FERC should not allow tree felling without a Section 401 permit under the federal Clean Water Act, to be issued by state environmental officials.

Constitution spokesman Chris Stockton said the New York Department of Environmental Conservation has until April 29 to render its decision. He added that construction in Pennsylvania will continue and some activities in New York away from stream crossings would proceed.

FERC OKs Settlement for NY TOTS Projects

By William Opalka

FERC on Thursday approved a settlement on financial terms for three transmission projects intended as contingencies for the potential closure of the Indian Point nuclear power plant in New York (ER15-572).

The letter order approved the cost allocation and return on equity for the Transmission Owner Transmission Solutions (TOTS) Projects proposed by New York Transco, an organization of the investor-owned utilities and transmission owners in the state. (See *Settlement Reached on New York TOTS Projects*.)

Joining in the partial settlement were the state Public Service Commission, the Department of State Utility Intervention Unit, the New York Power Authority, New York City, the New York Association of Public Power, the Municipal Electric Utilities Association of New York and about 60 industrial, commercial and institutional energy consumers.

The commission judged the settlement, which was uncontested, as "fair and reasonable and in the public interest."

It provides a total ROE of 10% for the TOTS projects, below the 10.6% base ROE the transmission owners originally sought. The agreement leaves intact the 50-basis-point adder granted by FERC, for costs up to $228 million.

Still pending in the docket are issues relating to the alternating current transmission projects that were first discussed in the state's plans to address transmission needs in the New York City area. Those AC projects were split off by the New York Public Service Commission and settlement negotiations for them will resume in the coming months. (See *NYPSC Directs NYISO to Seek Tx Bids*.)

FERC Denies Rehearing Request in LIPA Interconnection Dispute

By William Opalka

FERC on Thursday denied a rehearing request from the Long Island Power Authority in a dispute with a power plant developer over interconnection requirements (EL15-84).

The owner of Long Island's transmission system had requested rehearing of a September 2015 order that granted Caithness Long Island II's challenge to interconnection requirements that it said would cost "hundreds of millions" in unjust system upgrade costs. (See *FERC Sides with Developer in NYISO Dispute*.)

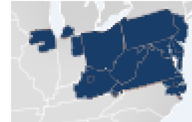
The developer of the 750-MW combined cycle plant in Brookhaven filed a complaint last July claiming that NYISO's application of the Long Island local reliability interface transfer capability test, known as the Long Island Guideline, violates its Tariff and FERC Order 2003. Caithness said its energy resource interconnection request obligated it to meet only NYISO's Minimum Interconnection Standard, which does not permit a deliverability test.

LIPA argued that the commission's order erred by not directing NYISO to include the Long Island Guideline in its 2015 Class Year Deliverability Test. LIPA said that Caithness has told the ISO that it intends to seek interconnection as a capacity resource but that without transmission upgrades, the new plant could threaten the deliverability of generation east of Holbrook, N.Y.

"We find that LIPA's request for rehearing is beyond the scope of the issues raised in Caithness' complaint," FERC wrote.

"The changes LIPA seeks are neither necessary to grant proper relief on Caithness' complaint, nor supported by LIPA's effort to establish — through a few sentences in its comments rather than a properly filed complaint — that NYISO's existing tariff is unjust and unreasonable without LIPA's requested revisions."

PJM News



FERC Rejects Tenaska Complaint on Synch Reserves; Upholds $1.9 Million Refund to PJM

By Suzanne Herel

FERC last week rejected a complaint by Tenaska that PJM inappropriately disqualified the company's combustion turbines as Tier 1 synchronized reserves (EL16-9).

Tenaska had sought to force PJM to restore $1.9 million the RTO deducted from the company for Tier 1 payments between October 2013 and July 2014.

Tenaska alleged that PJM did not have authority to deselect classes of generating sources, such as CTs, from providing Tier 1 synchronized reserves. The complaint said PJM violated its Tariff, the filed rate doctrine and the rule against retroactive ratemaking.

FERC backed PJM's position that its Tariff gives it discretion to deselect resources from Tier 1 reserves, which can be provided by partially loaded generators able to provide energy within 10 minutes.

It said the RTO made its decision in real-time and not retroactively and that it had experienced performance issues with CTs as a class. The billing adjustments were consistent with the Tariff, PJM said, and exercised because of an error made by PJM Market Settlements.

NRG Energy filed comments in support of Tenaska's complaint, while the Independent Market Monitor filed in support of PJM.

"We find that PJM reasonably interpreted [its Tariff] as vesting PJM with broad discretion to decide whether a generating resource is capable to reliably provide Tier 1 synchronized reserve," the commission wrote.

FERC said Tenaska's interpretation of the Tariff would require PJM to procure 4,000 MW to 9,000 MW of Tier 1 reserves, compared to the RTO's requirement of 2,100 MW.

FERC Rejects ATSI Bid for Cost Recovery on Switch from MISO to PJM

By Suzanne Herel

FERC last week again rebuffed American Transmission Systems Inc.'s bid to recover the costs of its switch from MISO to PJM.

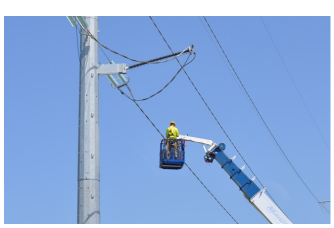
The commission denied ATSI's request to rehear two 2011 orders in which it ruled that the company was not entitled to recover exit fees and legacy transmission costs that it incurred because it had not shown that the benefits of its move justified the costs (ER11-2814, ER11-3279).

ATSI, which joined MISO in October 2003, won FERC approval to move to PJM in December 2009.

The commission said that a decision to join an RTO for the first time may involve different motivations than a decision to switch RTOs later.

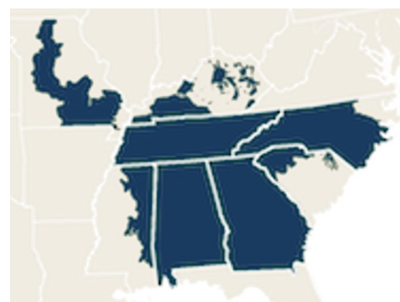
"The RTO realignment was a voluntary decision by ATSI to change from one RTO to another. While ATSI is correct that the commission has permitted transmission owners to recover the costs of joining an RTO, the commission has permitted such recovery because joining an RTO provides benefits to the transmission owner's customers through more efficient dispatch of generation as well as more efficient utilization of the larger transmission system," FERC said.

"The choice to change RTOs does not necessarily provide comparable benefits to the customers because they already enjoy these efficiency benefits in the RTO to which they belong. Moreover, transmission owners may choose to change RTOs based on factors unrelated to customer benefits, such as the benefits to their affiliated generation from differing market rules used by the RTOs," it added.



FERC OKs LG&E, Kentucky Utilities Filing on Regional Cost Recovery

FERC last week accepted a compliance filing from Louisville Gas & Electric and Kentucky Utilities committing them to hold joint meetings with neighboring transmission owners on regional transmission projects.



Southeast Regional Transmission Planning Region *Source: MISO*

Under the revised formula rate protocols approved by FERC, when the companies are recovering the costs of a regional or interregional project, they "will endeavor to hold a joint meeting with other transmission owners who have been allocated costs for the same project" to explain how the TOs are recovering the costs (ER 14-2866-003, ER14-2866-04).

FERC had rejected a compliance filing in October, saying that it didn't meet the directives of a March 2015 order requiring LG&E/KU to hold the joint meetings. The commission said the previous filing appeared to limit coordination to only other transmission owners that are members of the Southeast Regional Transmission Planning project.

The commission also clarified its October directive, acknowledging that it had inadvertently omitted the word "regional" in one sentence.

In a separate ruling last week, FERC closed a proceeding between Kentucky Utilities and Benham Power Board, accepting their agreement to terminate their contract as of June 1, 2015 (ER12-1574).

— Suzanne Herel

SPP News

Heartland Trades PURPA Duties with Customers

By Tom Kleckner

Twenty-two Heartland Consumers Power District customers will transfer their obligations to purchase energy and capacity from qualifying facilities while assuming Heartland's duty to sell power to the QFs under a FERC order last week (EL16-1).

The commission granted a requested waiver of Public Utilities Regulatory Policies Act (PURPA) obligations for 22 Heartland customers while denying relief to six other customers — Truman, Minn., and the South Dakota cities of Howard, Aurora, Sioux Falls, McLaughlin and Tyndall — that did not agree to adopt Heartland's QF-interconnection policy.

FERC found Heartland's request for the 22 customers appropriate because the "QFs will retain the same ability to sell power and receive backup power as is currently the case. … Thus strict adherence to … regulations, under these circumstances, is not necessary to encourage QFs."

Heartland Consumers Power District customers *Source: Heartland Consumers Power District*

The Truman Public Utilities Commission objected to Heartland's request, saying the utility has "no authority to require Truman to adopt the [QF-interconnection] policy or any other policy." It also pointed out Heartland does not yet have any QFs on its system.

Heartland said that because it acquires the bulk power resources to meet its customers' loads, it is better suited to purchase energy offered from QFs.

Conversely, the company said, it is more appropriate for its customers to provide interconnection service required by QFs because the customers provide retail electric services. Heartland said South Dakota law does not allow it to sell electricity at retail prices.

It said its waiver request was intended "to clearly define the responsibilities for purchases from QFs, and sales to QFs, in accordance with statutory and contractual obligations."

The commission also said one of the 22 customers, the city of Volga, S.D., must provide supplementary power, backup power, maintenance power and interruptible power to a South Dakota Soybean Processors cogeneration facility that is not yet operational.

SPP Wins OK for Late Billing Changes

FERC last week granted SPP's request to resettle past bills outside of the 365-day limit in its Tariff (ER16-636).

SPP asked to waive the time limit, citing software-design flaws and the commission's timing in accepting previous Tariff changes. FERC said it granted SPP's request because "the underlying error was made in good faith" and the fix caused no "undesirable consequences."

The problem dates back to the launch of the RTO's Integrated Marketplace in March 2014. SPP said between March 1 and May 2014, software and/or input errors forced it to recalculate LMPs and market clearing prices in the real-time balancing market. The RTO said a second software error affected settlements for 15 operating days in 2014, and a third error resulted in it undercharging market participants for reliability unit commitment make-whole payment distribution charges.

SPP said some of the errors were discovered more than a year after the operating day. The RTO said software developers could not correct the design flaws in time to adjust all the required market settlements within the 365-day window prescribed in Tariff Attachment AE.

All told, the resettlements represent more than $53,000 in underpayments or overpayments.

— Tom Kleckner

FERC Approves PNM Tx Rate Settlement

FERC last week approved an uncontested settlement agreement granting Public Service Company of New Mexico a 10% base return on equity on its transmission operations.

The settlement on PNM's cost-of-service transmission formula rate was signed by Navopache Electric Cooperative, El Paso Electric, the Navajo Tribal Utility Authority, the Tri-State Generation and Transmission Association and the Western Area Power Administration (ER13-685, ER13-687, ER13-690).

PNM filed the settlement agreement in March 2015.

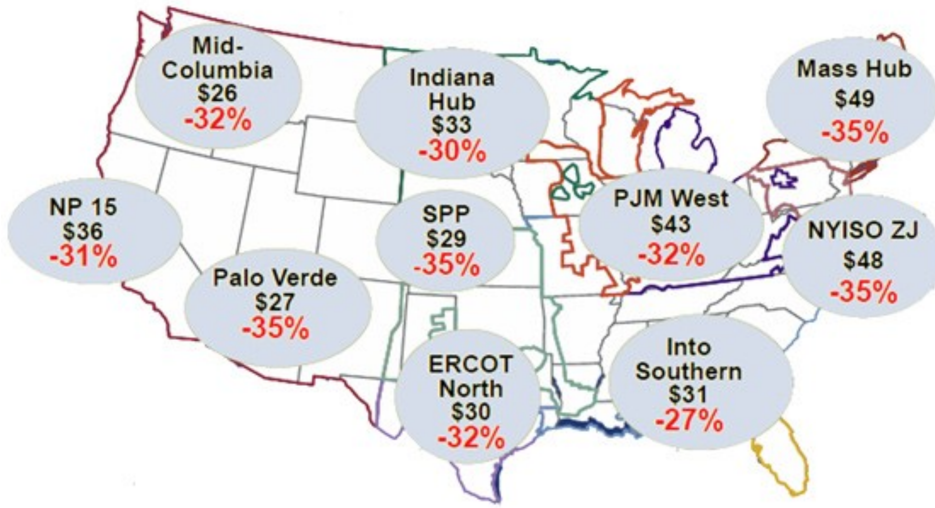
— Tom Kleckner

FERC NEWS

FERC: Cheap Gas Drove down Electricity Prices in 2015

By Michael Brooks

WASHINGTON — On-peak day-ahead electricity prices in the U.S. were down 27 to 35% in 2015 compared to 2014 largely because of cheap natural gas, FERC staff said in its State of the Markets presentation Thursday. LMPs in New York hit a 15-year low.



Average on-peak day-ahead 2015 electric spot prices ($/MWh) and percent decrease from 2014 *Source: NYMEX & CME Clearpoint Market Data via FERC*

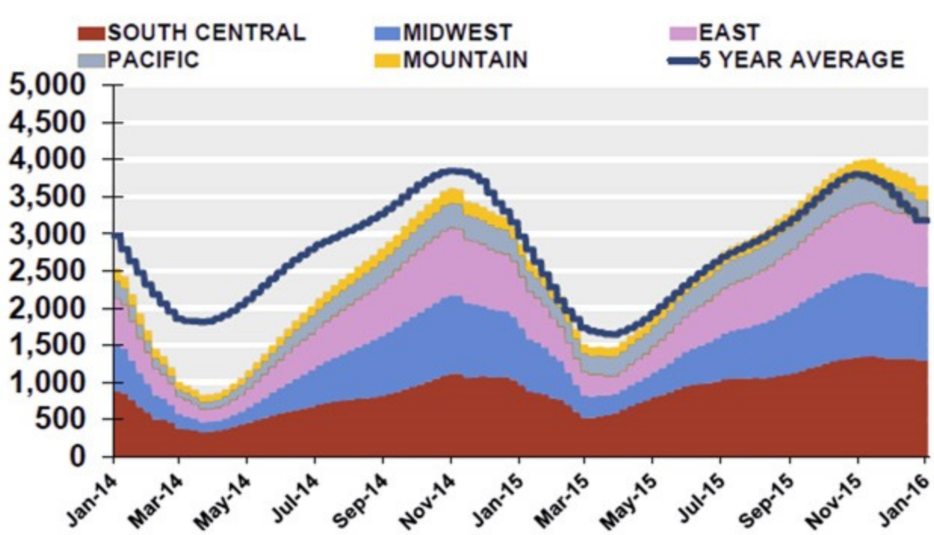
Gas prices fell sharply, selling as low as $1/MMBtu, as supply and storage surged to record levels last year, as they did in 2014, while demand only grew slightly. Natural gas production increased to 72.6 Bcf/d from an average of 68.4 Bcf/d in 2014. Storage reached a record high of 4 Tcf in November, almost 11% more than 2014's high. (See *FERC: 2014 a Record-Breaking Year for Natural Gas*.)

The increase in supply has led to the addition of 51 Bcf/d in new pipelines in the last five years, with an additional 49 Bcf/d planned or proposed to come online by 2018. Demand for gas, however, grew only 1.3% last year as a result of a mild winter.

As a result of the low prices, gas-fired generation surpassed coal-fired on a monthly basis for the first time in April 2015, and beat coal in six of 11 months through November, according to the Energy Information Administration. Each provided about one-third of all electricity generation.

EIA predicted last week that natural gas will provide 33% of generation in 2016 while coal's share falls to 32%. PJM's Independent Market Monitor similarly predicted that gas would surpass coal for the RTO in its 2015 State of the Market report. (See *Bowring Urges Return to 'Fundamentals'*.)

FERC staff said they expect the trend of lower gas prices to continue into 2016 but that production has likely plateaued and will decline in the long run, as the low prices begin to push higher-cost producers out of the market.



U.S. natural gas storage levels (Bcf) *Source: EIA data via FERC*

About one-sixth of U.S. natural gas is a byproduct of oil production, which suffered as prices fell 66% between June 2014 and December 2015. According to the U.S. Bureau of Labor Statistics, the oil and gas industry shed about 17,000 jobs last year, while the U.S. oil rig count dropped by 61%.

"Long-term demand growth for U.S. natural gas will likely come from increased gas-fired electric generation, particularly in the Southeast, growing industrial demand, LNG exports and pipeline exports to Mexico," staff said.

The price of LNG, which was exported for the first time from Cheniere Energy's Sabine Pass terminal on the Texas-Louisiana border to Mexico last month, is indexed to oil in most long-term contracts.

LMPs down, Capacity Prices up

The fall in electricity prices was in sharp contrast to 2014, when prices rose across the country, in part due to the severe winter in the Northeast and Midwest.

While LMPs fell, capacity prices rose in PJM and ISO-NE, as the lower gas prices drove out coal-fired and nuclear generators and forced other nuclear plants to rely on capacity auctions for revenue. FERC noted that the clearing price for the Rest of RTO

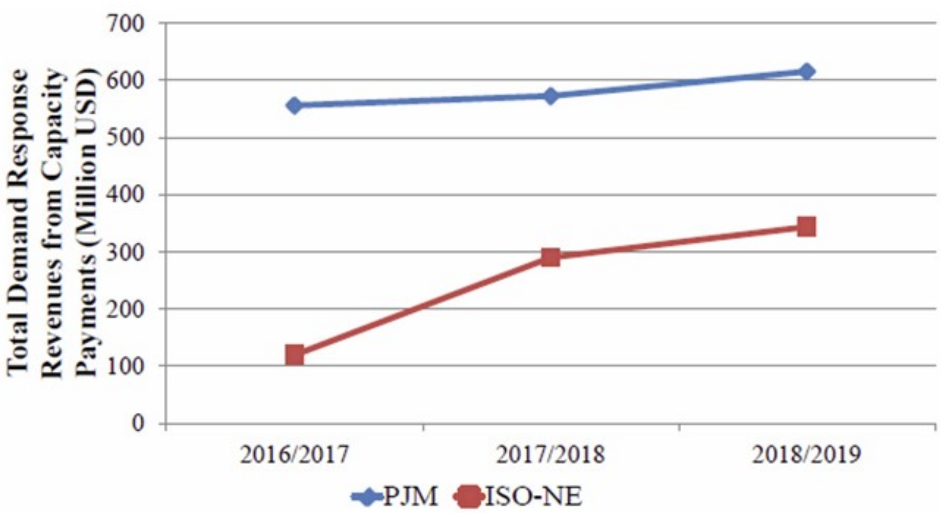
Continued on page 15

FERC News

FERC: Cheap Gas Drove down Electricity Prices in 2015

Continued from page 14

zone in PJM has risen 152.6% since 2013 and more than 200% in ISO-NE for the same period.



Demand response capacity revenues *Source: PJM and ISO-NE via FERC*

"These lower LMPs and higher capacity prices in PJM have resulted in the 'all-in' costs of energy, capacity, transmission and ancillary services to increase by 5% between 2013 and 2015," FERC staff said.

"As the markets are calling for new resources, we're seeing significant increases in the capacity markets, really stress testing the markets, and … I think ancillary services are going to get a lot more important in the future [to] balance all the interruptible resources," Commissioner Cheryl LaFleur said.

Electricity demand fell by 1.1% in 2015 as a result of low economic growth and increased efficiency in appliances. Electricity use fell in the industrial sector, while residential and commercial customers showed little or no growth.

DER and Renewable Growth Continues

While the net generation of power plants nationwide has increased 1.2% since 2011, the total electricity sold back by net metering customers has increased by nearly 500%, FERC staff said. Demand response revenues, meanwhile, have also increased through the capacity markets in PJM and ISO-NE for the past three years, a trend FERC expects to continue as a result of the Supreme Court's decision on Order 745, upholding FERC's jurisdiction over DR.

Wind continues to be the dominant renewable energy resource in the U.S., rising to 4.6% of total generation. While solar rose to only 1% of total generation in the country, it makes up 13% of installed capacity in California, home to half of the country's utility-scale solar.

A dozen protesters interrupted FERC's open meeting Thursday, the most since January 2015, when 15 members of Beyond Extreme Energy forced then-Chairman Cheryl LaFleur to call an unscheduled recess. The protesters last week, all from New York, were a part of a separate, but affiliated, group known as ResistAIM. They called on the commissioners to halt construction of Spectra Energy's Algonquin Incremental Market project, which expands an existing pipeline that runs from New Jersey, through New York, Connecticut and Rhode Island to Massachusetts. New York Gov. Andrew Cuomo has also publicly called on FERC to stay the project, which protesters cited before being removed by security. © *Erik McGregor*

FERC NEWS

FERC Issues Reliability Orders on Relays, Small Generators

Would Address Issue in 2003 Blackout, Solar Growth

By Rich Heidorn Jr.

FERC last week gave final approval to a NERC reliability standard on protective relays and a preliminary endorsement to rules that would ensure small generators are able to stay connected to the grid during abnormal frequency and voltage events.

NERC standard PRC-026-1 is intended to ensure the use of protective relay systems that can differentiate between faults and stable power swings. The standard applies to all planning coordinators and to generation and transmission owners that use certain load-responsive protective relays (RM15-8).

FERC ordered NERC to develop the standard in 2010, citing findings that the cascading 2003 Northeast blackout was accelerated by relays that tripped facilities because they could not differentiate between dynamic, but stable, power swings and actual faults.

The order told NERC to consider requiring the retirement of such relays. But NERC declined to include a prohibition, saying such a rule "may have unintended negative outcomes for bulk power system reliability."

"It is generally preferable to emphasize dependability over security when it is not possible to ensure both for all possible system conditions," NERC said.

FERC agreed with NERC's argument, saying that two existing reliability standards require covered entities to develop corrective action plans to address relays not covered by the new standard.

Small Generators

The commission also issued a Notice of Proposed Rulemaking that would revise the *pro forma* small generator interconnection agreement (SGIA) to require generators smaller than 20 MW to "ride through" abnormal frequency and voltage events and not disconnect (RM16-8).

FERC said its action was warranted by the increase in grid-connected solar PV generation and generator interconnection requests driven by state renewable portfolio standards.

"The commission already requires generators interconnecting under the large generator interconnection agreement to have this capability, and it would be unduly discriminatory not to also impose these requirements on small generating facilities," the commission said.

The commission cited NERC reports warning that the increasing penetration of distributed energy resources could harm reliability without corrective action. Without the new rule, FERC said, "small generating facilities, in the aggregate or in significant combination, could exacerbate an initial disturbance by tripping offline instead of riding through a disturbance."

It said small generators now have more ability to ride through disturbances because of smart inverters and a new standard from the Institute of Electrical and Electronics Engineers (IEEE) that allows wider trip settings.

The commission said it was not seeking to adopt specific frequency and voltage ride through parameters. "Instead, we propose to allow for the development of appropriate system-specific standards, which we expect will be based on work by recognized standards setting bodies, such as IEEE."

FERC also said the NOPR is not intended to interfere with state interconnection procedures and would apply only to interconnections made subject to a jurisdictional open access transmission tariff (OATT).

The new rule would apply to any new small generating facility that executes an SGIA after the effective date of the rule. Comments on the rule change will be due 60 days after publication of the NOPR in the *Federal Register*.

FERC: CAISO Market Flaws Irrelevant to Market Manipulation Case

By Rich Heidorn Jr.

FERC Office of Enforcement staff said last week that the presence of flaws in the CAISO market is irrelevant to their market manipulation case against ETRACOM and principal trader Michael Rosenberg.

FERC accused the company of submitting uneconomic virtual supply transactions at the New Melones intertie at the CAISO border to affect power prices and benefit its congestion revenue rights in a scheme that allegedly generated $315,000 in profits in 2011.

In their reply to the allegations last month, the company said "staff has no basis for claiming that ETRACOM defeated or obstructed a well-functioning market," because of market design flaws and software pricing and modeling errors that scrambled trading at the intertie. (See "Traders to Seek *De Novo* Review in CAISO Manipulation Case," *Federal Briefs*.)

Staff rejected ETRACOM's "market flaw defenses," saying the commission's definition of fraud as including actions "for the purpose of impairing, obstructing or defeating a well-functioning market" does not absolve the company (IN16-2).

"Staff construes the use of 'well-functioning market' to refer to any commission jurisdictional market operating under a tariff that the commission has found to be just and reasonable and not, as respondents suggest, a qualitative limit on the reach of the Anti-Manipulation Rule to only those commission jurisdictional markets without flaws," staff said.

"Indeed, not only is there no perfect market, but even a well-functioning market can have flaws and be susceptible to manipulation. Otherwise, no claim for manipulation could exist because any market susceptible to manipulation could, by implication, be considered not 'well-functioning.'"

In a press release, ETRACOM attorneys Robert Fleishman and Paul Varnado challenged what they called staff's "cursory dismissal" of the design flaws. "The alleged harms would not have occurred but for the phantom congestion caused by these flaws," they said.

FERC NEWS

FERC to Revisit Transmission Policies

Continued from page 1

sought a FERC ruling that such bids are entitled to *Mobile-Sierra* protection, meaning they cannot be changed as a result of a complaint unless it harms the public interest.

ITC said it plans to compete for transmission projects in SPP, MISO and other areas with bids that include a projected annual transmission revenue requirement. It said the protection it sought would function similar to an abandoned plant incentive, which ensures developers recover their costs when projects are canceled due to events beyond their control.

'Asymmetrical Risk'

Absent such protection, ITC said, developers will face an "asymmetrical risk." The company said both MISO and SPP are requiring binding cost caps that leave developers liable for cost overruns. But if the developer is able to reduce costs, its savings could be negated as a result of a Federal Power Act Section 206 complaint.

The company's petition attracted dozens of interventions from incumbent transmission owners, regulators, trade groups and industrial electric customers.

FERC sided with commenters who said ITC's request should be considered as part of a broader rulemaking.

"ITC's petition highlights important policy issues related to the potential benefits of cost containment proposals in the context of competitive transmission development. However, a petition for declaratory order is not the appropriate means for addressing these issues," the commission ruled.

4/24/1996	Order 888: Requires transmission owners to provide open, non-discriminatory access to their systems.
7/20/2006	Order 679: Establishes incentive-based rate treatments for transmission as directed by Energy Policy Act of 2005.
7/21/2011	Order 1000: Sets rules on transmission planning and cost allocation and eliminates federal right of first refusal for incumbent transmission owners.
11/15/2012	Policy statement refines incentive policies under Order 679.
6/19/2014	FERC orders use of two-step discounted cash flow methodology in calculations of transmission return on equity.

Evolution of FERC transmission policies *Source: FERC*

NextEra Request

The commission said the technical conference will be the forum for discussing the issues raised by ITC and by NextEra Energy Transmission West in a request it filed last year seeking transmission rate incentives for projects in CAISO. The commission responded to NextEra's request in a January order that granted its request in part and set the company's base return on equity request for settlement judge procedures (ER15-2239).

That order also promised a technical conference, which it said would consider how risks associated with cost containment proposals relate to the "first expectation" set forth in its 2012 policy statement, Promoting Transmission Investment Through Pricing Reform (RM11-26).

"The commission explained in the policy statement that an applicant seeking an incentive ROE would need to demonstrate that the proposed project faces risks and challenges that are not either already accounted for in the applicant's base ROE or addressed through risk-reducing incentives."

The order also said the conference would look at how risks assumed by developers submitting cost-capped bids relate to the policy statement's expectation that an applicant seeking an ROE incentive based on a project's risks and challenges "demonstrate that it is taking appropriate steps and using appropriate mechanisms to minimize its risks during project development."

Anecdotal Evidence, Rising Rates

Commissioner Tony Clark said he has heard stakeholders' comments on what is and isn't working. "So it's just time to do an analysis of that in less an anecdotal way and more of a systematic way to see if there's lessons that have been learned."

Commissioner Colette Honorable said she also has been hearing from stakeholders about ways to improve transmission planning and cost allocation processes. "Goodness knows we have work to do there," she said, citing interregional planning as "the tougher [nut] to crack."

The failure of grid operators to agree on any interregional transmission projects has been a disappointment to developers and wind power advocates.

Honorable also called for the commission to balance the need for additional transmission against costs. "When I first began as [an Arkansas Public Service] commissioner in '07, I think transmission costs were on average no more than 10% of a consumer's bill," she said. "I'm hearing now it's as much as 20% in some areas."

Transmission Metrics Report IDs Potential Underinvestment

By Rich Heidorn Jr.

All but one of the organized markets under FERC jurisdiction have regions that show signs of transmission underinvestment, according to the commission's first transmission metrics report.

FERC's Office of Energy Policy and Innovation (OEPI) was tasked last year with collecting data to evaluate the impact of Order 1000 and other commission policies intended to encourage competition and infrastructure growth. The research also sought to determine whether regions have "appropriate levels" of transmission infrastructure. (See "Transmission Investment Metrics," *FERC Briefs*.)

The staff report identified 13 areas — including every ISO and RTO under FERC jurisdiction except ISO-NE — in which there were persistent high or low prices, suggesting a lack of transmission was preventing load pockets from accessing cheaper generation. Some of the areas — including the Baltimore area and Delmarva Peninsula in PJM, North-Central MISO, the Chicago area, the Upper Peninsula of Michigan and Northern New York — have

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FERC NEWS

Transmission Metrics Report IDs Potential Underinvestment

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shown price separations for nine or 10 years.

The report also confirmed that Order 1000 has unleashed competition, with nonincumbent transmission developers submitting almost half of the proposals received by CAISO and PJM from 2013 through 2015. (Data was not available from other regions such as MISO and SPP, which are just beginning to open competitive windows.)

"One hope in issuing this report is that people will look at the assumptions we've made and provide feedback and perhaps ideas for additional metrics," OEPI staffer Rahim Amerkhail said at the conclusion of a presentation to the commissioners at Thursday's open meeting.

Below are the metrics and key conclusions:

Percentage of Nonincumbent Transmission Project Bids

Nonincumbents submitted 48% of all competitive transmission project proposals in CAISO and PJM's regional planning processes from 2013 to 2015 (excluding a PJM window that closed last September, for which the RTO had not posted proposals). Nonincumbent proposals accounted for the majority of proposals in all three years in CAISO. In PJM, nonincumbents submitted the majority of proposals in 2013 and 2015, but less than 40% of proposals in 2014.

Staff identified incumbents as those making proposals in their own retail distribution service territory.

Load-Weighted Curtailment Frequency

Staff assumed that persistent congestion in an area suggests there is not enough available transfer capability to deliver power from the cheapest resources.

For RTO and ISO markets, staff looked at LMPs. For non-RTO/ISO market regions in the Eastern Interconnection, staff used NERC transmission loading relief (TLR) data. (Such data was not available for the Western Interconnection, which manages unscheduled flows with schedule curtailments and controllable devices, such as phase shifting transformers.) Staff normalized the TLR data based on the region's retail load.

The data found that SPP, MISO and the Tennessee Valley Authority had the highest levels of load-weighted TLRs.

Although MISO's and SPP's markets optimize dispatch based on congestion, reducing their internal use of TLRs, they use the procedure to manage unscheduled loop flows originating outside their footprints. "Both MISO and SPP have extensive borders with non-organized market areas, which may help explain their continuing use of TLRs," staff said.

The data showed SPP's TLR rate dropped after the RTO launched its day-ahead market in March 2014.

RTO/ISO Price Differential

This metric shows how long RTO/ISO market nodal price differentials have occurred persistently.

Staff looked at real-time prices at each load and generator point — focusing on the 95th and fifth percentiles of prices rather than maximum or minimum prices — then calculated market-wide average highs and lows to identify locations whose high or low prices were at least one standard deviation from the averages.

Staff found relatively high or low real-time LMPs occurred at 1,986 generator or load points from 2012 through 2014. Thirteen areas had differentials spanning at least three years.

Load-Weighted Transmission Investment

A third set of metrics, which compared transmission investment to load and project sizes, was designed to provide a longitudinal analysis comparing values before and after FERC policy changes took place.

Load-weighted transmission investment averaged more than $2/MWh of retail load over all regions from 2008 to 2014. The highest average investment was in the Texas Regional Entity, at more than $4/MWh across all years, reflecting the $5.7 billion spent in the state's Competitive Renewable Energy Zone (CREZ), an initiative to alleviate congestion and integrate wind generation.

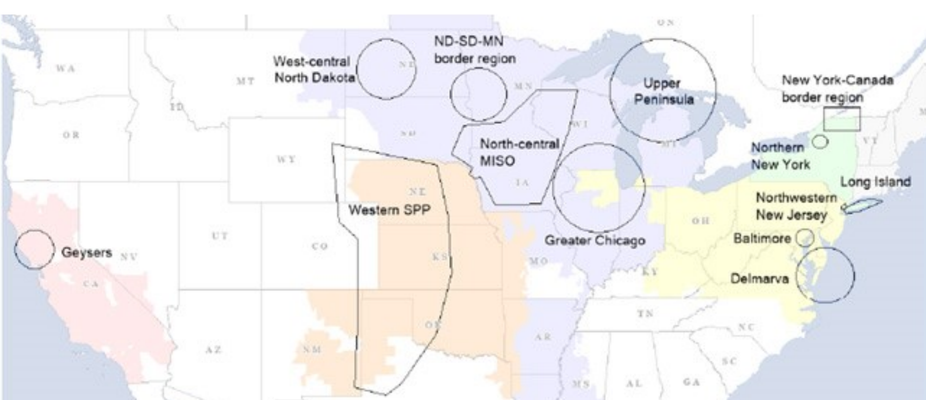
The smallest load-weighted investments were in the SERC Reliability Corp. and Florida Reliability Coordinating Council regions in the Southeast.

A related metric, load-weighted circuit-miles added, produced similar results.

Circuit-Miles per Million Dollars of Investment

The Midwest Reliability Organization added 1.7 circuit-miles of transmission per million dollars invested, the highest of any region, according to the report. PJM's reliability region, Reliability First Corp., had the most expensive transmission, with less than one circuit mile per $1 million spent. The average was 1.1 miles per $1 million.

The differences "may be due to a range of factors, including terrain, population density, and state policy choices, among others," staff said.



Regions with persistent price separations *Source: FERC*

COMPANY BRIEFS

TransCanada to Buy Columbia Pipeline for $13B

TransCanada, spurned in its attempts to push through the Keystone XL Pipeline last year, announced it will buy Columbia Pipeline Group for $13 billion, including the assumption of $2.8 billion in debt. The deal will give it access to the Appalachian shale plays.

"The acquisition represents a rare opportunity to invest in an extensive, competitively positioned, growing network of regulated natural gas pipeline and storage assets in the Marcellus and Utica shale gas regions," TransCanada CEO Russ Girling said. Columbia Pipeline has 15,000 miles of pipelines, as well as underground storage and processing facilities.

TransCanada, which just last month bought the 778-MW Ironwood natural gas-fired generating station in Lebanon, Pa., said it will sell off some of its other generating assets in the Northeast to finance the Columbia deal, including Ironwood. Among its plants are the 2,480-MW Ravenswood Generating Facility in Queens, N.Y., and the 560-MW Ocean State Power station in Rhode Island.

More: TransCanada; Bloomberg Business

AEP's Pablo Vegas Leaving for Columbia Gas

Vegas

AEP Ohio President Pablo Vegas, who has been the face of the company during its ongoing battle to secure guaranteed rates for some of its aging generating plants, is leaving the company to run Columbia Gas.

Columbia Gas oversees natural gas transmission and distribution in Ohio, Kentucky, Maryland, Massachusetts, Pennsylvania and Virginia. Vegas, 42, was also named executive vice president of Columbia parent NiSource.

Vegas has been with American Electric Power since 2005. He will join Columbia Gas in May, by which time Ohio regulators are expected to decide on AEP's proposed power purchase agreements.

More: Columbus Business First

Duke's Gates Going to Calpine, Repko Assuming His Position

Repko

Duke Energy's Charlie Gates is leaving the company to become executive vice president of power operations for Calpine. Gates had overseen all non-nuclear generation assets at Duke, a fleet of about 42 GW. Gates is to oversee Calpine's fleet of 84 power plants with a capacity of about 27 GW.

Gates will be replaced at Duke by Regis Repko, currently senior vice president of nuclear governance, projects and engineering. Repko will assume the title of chief fossil and hydro officer, in charge of the company's coal, natural gas and hydro units in six states.

Repko has been with Duke since 1985.

More: Charlotte Business Journal

Coal, Alternative Energy Deal with Money Troubles

Two energy companies from opposite ends of the spectrum — coal producer Peabody Energy and alternative energy developer SunEdison — are reporting financial woes.

Peabody reported to the U.S. Securities and Exchange Commission that it probably won't be in compliance with its financial requirements by the end of the month, and it might have to file for Chapter 11 bankruptcy protection.

SunEdison said problems in its accounting processes led to a delay in its annual stockholders report. It was also dealt a blow this month when it could not secure the financing necessary to acquire rooftop solar company Vivint.

More: USA TODAY

Alevo Sites Energy Storage System in Del.

Energy storage company Alevo is locating an 8-MW battery storage system in a retired oil-fired generator building in Lewes, Del. The grid-linked system, which is capable of delivering 4 MWh, will be the largest of its kind in the state.

The project, called GridBank, is the first for the Concord, N.C.-based company. The company said it plans to deploy more GridBanks in PJM this year under an agreement with Customized Energy Solutions.

Alevo will be able to sell ancillary power into the PJM regulation market while also providing the Lewes Public Works Department with the ability to shave peak demand for its customers, the company said.

More: Alevo; Charlotte Business Journal

Investors Sweeten the Pot In Cleco Acquisition Bid

Louisiana utility Cleco would give a credit of $370 for the average residential and small-business customer, amounting to a free month of electricity this summer, under a proposal to sell the company for $4.9 billion to a consortium of foreign investors. Cleco President Darren J. Olagues said the credit would be paid within 30 days of the closing of the sale.

The state Public Service Commission last month refused to allow investors to purchase the 80-year-old utility that serves about 286,000 customers in southern Louisiana. The investors have requested a rehearing, which the commission will consider this week.

The Cleco coalition, led by Macquarie Infrastructure and Real Assets, and which includes British Columbia Investment Management Corp., has committed to paying $101 million in upfront rate credits.

More: The Advocate

Sharyland Proposes Tx Upgrade To Meet Wind Energy Demand

Sharyland Utilities has filed a request with the Public Utility Commission of Texas for a $77.4 million transmission line upgrade in the Texas Panhandle to accommodate the growth of wind energy in the region.

The project would add a second set of high-voltage lines on 166 miles of transmission infrastructure that Sharyland completed about three years ago. A study by ERCOT, which runs 90% of the Texas grid but not

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Company Briefs

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the Panhandle, estimates the area's wind capacity is 4,300 MW and is growing.

"Given the dramatic and continued expansion of wind generation in the region, Sharyland should proceed with installation of the second circuit," PUCT Commissioner Kenneth Anderson wrote in a September memo supporting the move.

More: Amarillo Globe-News

Nebraska's Largest Solar Farm Opens for Business

Nebraska's largest solar array is now in business following a March 14 ribbon cutting near Callaway in Custer County. Innovative Solar developed the 600-kW project.

The project was partially funded by a U.S. Department of Agriculture renewable energy grant. Custer Public Power District has agreed to buy the solar farm's power output.

More: North Platte Telegraph

Peabody Energy Selling Share Of Prairie State Energy Campus

Peabody Energy, fighting to stay out of bankruptcy, is selling its 5.06% share of the Prairie State Energy Campus in Illinois to Wabash Valley Power Association for $57 million. Its original investment in the troubled power plant was $247 million.

The coal-fired plant endured cost overruns and construction delays and is struggling to compete on the open wholesale energy market. The remaining shareholders, mostly Illinois cities such as Batavia and Geneva that own shares through their membership with the Northern Illinois Municipal Power Agency, should not be affected by Peabody's sale of its shares, a Peabody spokesperson said.

An industry observer, Sandy Buchanan, executive director of the Institute for Energy Economics and Financial Analysis, said municipal shareholders will be left with a large amount of debt that will be a burden on their ratepayers. "All these communities were promised that the cost of power from Prairie State was less than market [price], and the reverse has happened," Buchanan said.

More: Kane County Chronicle

Report: Aqua America Made Abortive $11B Bid for ITC

Water utility Aqua America apparently made an unsuccessful bid for transmission owner ITC Holdings before the company agreed to be acquired last month by Fortis, according to *The Philadelphia Inquirer*. The *Inquirer* quoted from a Fortis merger statement that said "a director of ITC affiliated with Party G, a U.S. publicly traded company, informed [ITC] that Party G might be interested in exploring a potential merger" at a price of about $11 billion.

The only two directors of ITC "affiliated" with public companies, according to the *Inquirer*, are Aqua CEO Christopher Franklin and Lee Stewart, who is also on the board of a New Jersey plastics maker called AEP Inc. (no connection to American Electric Power). A Wall Street analyst identified Aqua America and Warren Buffett's Berkshire Hathaway as potential buyers of ITC in a report to investors.

If successful, the Bryn Mawr, Pa.-based company, which runs water and sewer companies in eight states, would have been offering almost twice its own $6.4 billion stock market value. ITC chose instead to be acquired by Fortis, which offered $11.3 billion. Aqua America declined to comment on the report.

More: The Philadelphia Inquirer

Federal Briefs

NRC to Question TVA On Ops Staff Concerns

The Nuclear Regulatory Commission said it wants Tennessee Valley Authority managers to outline how they would respond to safety concerns voiced by the operations staff at the Watts Bar nuclear generating station after inspectors found some employees "did not feel free to raise safety concerns."

"It is extremely important that all nuclear plant employees feel free to raise safety issues with their managers and with the NRC without fear of retaliation," NRC Region II Administrator Cathy Haney said in a statement.

Inspectors at Watts Bar, where the TVA is about to bring Unit 2 into commercial service, said "there were indications that license operators may have received undue influence and direction from TVA staff outside the control room."

More: Chattanooga Times Free Press

Obama Administration Blocks Offshore Atlantic Drilling

Reversing its earlier position, the Obama administration is not going to allow drilling for oil and natural gas in the Atlantic Ocean off several southern states. The Department of the Interior had earlier defined a lease area on the continental shelf about 50 miles offshore, stretching from Virginia to Georgia.

While many governors of the impacted states supported drilling, environmentalists were opposed. More than 1 million comments flooded the Interior Department during the public comment session.

Jacqueline Savitz, vice president of advocacy group Oceana's U.S. Oceans Executive Committee, said that "with this decision, coastal communities have won a 'David vs. Goliath' fight against the richest companies on the planet, and that is a cause for tremendous optimism for the well-being of future generations."

More: NPR

Study Shows Solar to Cost Generators $2B

The rise of rooftop solar among residential customers will cost power generators $2 billion in revenue by 2019, according to a recent study by industry consultant ICF International.

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Federal Briefs

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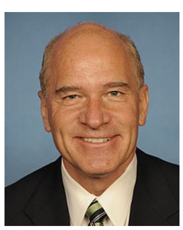
ICF said that grid operators in the eastern U.S. plan on cutting the amount of electricity they purchase from conventional generators by about 1,400 MW beginning in 2019. A similar trend is happening in Germany, where E.ON SE and other companies are scrapping fossil-fueled plants and dropping plans for new ones in response to a renewable-energy building boom.

PJM and ISO-NE have included solar generation growth in their system estimates for 2019, the first year they have done so. The loss by traditional generators to solar is estimated to be about $716 million in 2019 in ISO-NE, $754 million in PJM and $523 million in NYISO.

More: *Bloomberg Business*

Mass. Officials Ask NRC for Local Voice in Pilgrim Decomm



Keating

The Massachusetts congressional delegation has asked the Nuclear Regulatory Commission to provide an opportunity for state and local officials to comment on the decommissioning procedures at nuclear generating stations, especially Entergy's Pilgrim station.

Entergy announced in the fall that it would be closing the plant by June 2019. Decommissioning plans need to be filed with and approved by the NRC. But the delegation, led by Rep. William Keating, said local officials should have a say in the plans.

"The decommissioning of a nuclear power plant has an enormous impact on the state and communities hosting the plant," the elected officials wrote in a letter to NRC Chairman Stephen Burns.

More: *Wicked Local*

Obama Administration Send Relief for Coal Areas

The federal government and the Appalachian Regional Commission announced they will spend $65.8 million in areas hit hardest by the decline of the coal industry.

The funds will be disbursed in grants of $500,000 to $1.5 million and are earmarked for creating jobs, workforce training and economic partnerships. About $45 million is expected to be handed out in fiscal year 2016.

The initiative is being funded by the Partnerships for Opportunity and Workforce and Economic Revitalization (POWER), created by the Obama administration.

More: *Pittsburgh Business Times*

Feds to Boost Pipeline Safety in Wake of Accidents

The Department of Transportation is proposing regulations designed to further improve natural gas pipeline safety in the wake of a number of accidents, including a 2010 California explosion that killed eight and injured more than 50. The rules would increase the number of mandatory inspections for rural lines and for new lines in gas-drilling fields.

While the rules would also expand pressure testing requirements for older gas lines that had been exempt, the department stopped short of requiring automatic emergency cut-off valves. While such valves could prevent some catastrophic events, such as the San Bruno, Calif., break that destroyed 38 homes, the natural gas industry argued that it would be too expensive to outfit lines with such valves. The cost would be between $100,000 to $1 million per valve.

The rules would expand federal regulation to cover "gathering lines," or lines that collect oil or gas from wells and delivers them to storage facilities or transmission systems. Nearly 70,000 miles of gathering lines are currently exempt from federal oversight.

More: *The Associated Press*

States Again Asking SCOTUS To Overturn EPA's MATS

Twenty states have joined in a brief that asks the U.S. Supreme Court to strike down EPA's Mercury and Air Toxics Standards. The court has already found that the rules were improperly implemented but let them stand while it ordered the Obama administration to find a way to fix them.

States, led by Michigan, say EPA is illegally and prematurely enforcing the rules before a final decision has been made on them. "What happens when a federal agency promulgates a rule without first receiving authority from Congress?" the states ask in their brief.

Some coal-fired plants have already shut down in anticipation of being unable to meet the stringent standards.

More: *The Hill*

Poll Finds Americans Turning Against Nuclear Power

A Gallup survey released Friday shows that 54% of American's dislike nuclear energy, the first time a majority has weighed in against atomic power. Anti-nuclear sentiment is up 11 points compared to last year, when 43% were opposed.

The Gallup poll has tracked American views on nuclear energy since 1994. The high point was in 2010, when 62% favored it.

More: *The Hill*

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STATE BRIEFS

DISTRICT OF COLUMBIA

GSA: Reject Exelon Path to Merger

The General Services Administration, Pepco Holdings Inc.'s biggest customer in the district, joined the chorus opposing Exelon's revised merger proposal last week while the two companies continued their advertising campaign seeking approval.

In a filing Thursday, the GSA urged the Public Service Commission to reject the companies' March 7 petition proposing three potential paths to approving the deal, saying none complies with the PSC's requirement that all settling parties agree. Also making a filing was the Water and Sewer Authority, which told the PSC it would accept only the original settlement agreed to by Mayor Muriel Bowser. The Mid-Atlantic Renewable Energy Coalition reiterated its opposition to the deal, as did DC Solar United Neighborhoods. WGL Energy said it would support the terms proposed by Commissioner Joanne Doddy Fort or Exelon's proposal to redirect $20 million earmarked for smart grid and environmental programs in the Bowser settlement to rate relief.

Exelon has asked the commission to act by April 7.

More: *Exelon-Pepco Doubtful as DC Officials Reject Alternatives*

INDIANA

IPL Gets less than Half Of Requested Rate Increase

The Utility Regulatory Commission approved a rate increase that will give Indianapolis Power & Light about $30 million in annual revenue, less than half of the $68 million the company requested.

IPL said it is still calculating how the decision will shake out on rates for different customer classes. The final rates must be submitted and approved by the IURC.

The commission also closed an investigation into IPL's underground transmission and distribution network. A series of underground explosions spurred the investigation. The commission ruled that the company's network is "basically sound at this time."

More: *Inside Indiana Business*

IOWA

Huser Admits Withholding Funding From Center 'Not Brightest Decision'


Huser

Utilities Board Chairwoman Geri Huser said her choice to hold up funding to an energy research center last year was not "the brightest decision" but said she only did it to gain time to gather more information about the project.

Huser said she didn't think withholding the $4.4 million from the Iowa Energy Center at Iowa State University was illegal, just ill-advised. When criticism of her decision arose, the board released the funding.

She told the state Senate Commerce Committee last week that she was unaware that the center, which promotes renewable energy, might have to close down without the funding.

More: *KCCI*; *The Gazette*

KANSAS

KCC Delays Decision on Westar Rate Increase Request

The Corporation Commission has delayed a decision on Westar Energy's request to raise its transmission delivery charge, which allows recovery of the costs of providing transmission. The proposal will add about $4/month to the average residential bill on April 1.

The commission also said staff is currently conducting an independent investigation of the proposal and intends to file a report and recommendation by May 30. If staff demonstrates that all or part of Westar's request is excessive, the commission said, it may then order Westar to refund its customers.

The annual rate review is receiving additional attention this year because the allocation of costs among different classes of customers has changed, a Westar spokesperson said.

More: *The Topeka Capital-Journal*

KENTUCKY

PSC: No Jurisdiction in Duke's Piedmont Purchase

The Public Service Commission has concluded it does not have the authority under state law to approve or deny Duke Energy's proposed $4.9 billion purchase of Piedmont Natural Gas.

Duke asked for the declaratory ruling in order to reaffirm that no state approval or hearing was needed to complete the Piedmont acquisition. In February, Duke said the purchase would not change its basic corporate structure or how it handles its electricity and natural gas operations.

More: *Charlotte Business Journal*

MAINE

Republicans now Want Net Metering Before PUC


Wadsworth

Republican legislative leaders now want the Public Utilities Commission to decide the fate of net metering, not the state Legislature.

Rep. Nathan Wadsworth, the ranking House Republican on a committee considering a solar bill, released a statement calling for the PUC to "stay the course on net metering, protect existing solar customers, installers and the 400 jobs tied to the solar industry."

House Republican Leader Ken Fredette told the *Portland Press Herald* that a "bill this complex" should have been considered earlier in the session and may not achieve its goals of preserving solar jobs.

Advocates say the proposed law could create 800 or so new jobs over five years. The bill aims to grow solar capacity in the state from about 18 MW to 250 MW in five years, or 2% of the state's power needs.

More: *Portland Press Herald*

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State Briefs

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MARYLAND

Controversial New Incinerator Loses Permit for South Baltimore

A permit allowing a controversial waste incinerator to be built in South Baltimore has been declared invalid because construction activity has stopped, developer Energy Answers International was told last week.

The Department of the Environment said the permit expired because there had been no construction activity at the Fairfield site since October 2013. Energy Answers, a New York company that secured the permit in 2010, planned to build a $1 billion power plant that would have burned a fuel derived from solid waste.

The Environmental Integrity Project, an environmental advocacy group, had alerted state and federal environmental regulators last month that it intended to file a lawsuit demanding enforcement of the permit's terms, which prohibit a pause in construction for 18 months or more.

More: *The Baltimore Sun*

MINNESOTA

Gov. Dayton Vows to Veto Attempts to Slow CPP Work

Dayton

Gov. Mark Dayton told a group of students that he would press forward on plans to comply with the federal Clean Power Plan, notwithstanding calls from some legislators to bring efforts to a halt. He said he would veto any attempt to block compliance.

"I'd like to see Minnesota's dependence on coal eliminated, and I won't even set a date because I want it as soon as possible," Dayton said. He noted that the state still gets 44% of its electricity from coal-fired plants, so he said efforts should concentrate on encouraging the development of renewable sources.

The governor received applause from the audience for these statements. But he also said fossil fuels will continue to have a place in the state's energy portfolio, much to the displeasure of the students listening. "You know, there's no free lunch on energy," he said. "Until we create the kind of world that you envision, and more power to you, we're going to be using fossil fuels, we're going to be using oil."

More: *MPR News*

MISSISSIPPI

Mississippi Power's Kemper Project 'Fleeced' the Public, Suit Charges

A customer lawsuit accuses Mississippi Power of "fleecing the public" to build the problematic Kemper County coal gasification power plant.

Seafood processing firm Biloxi Freezing & Processing, Island View Casino and Gulfport resident John Carolton Dean allege that Mississippi Power has tried to dodge liability for "fraud and mismanagement."

The Kemper County plant was intended to be among the first coal-fired facilities to employ state-of-the-art carbon capture technology. Cost overruns have tripled the initial project budget to $6.5 billion and put the plant two years behind schedule. The Public Service Commission recently ordered the utility to issue credits to its 186,000 customers related to the plant's costs.

More: *Energy Manager Today*

MISSOURI

New Bill Would Allow Annual Utility Increases

A state Senate bill would allow utilities to raise rates annually without going through a protracted rate hearing with the Public Service Commission.

The proposal would allow utilities to submit expenses for the previous year and get immediate reimbursement through rate approval if the expenses were deemed "prudent."

Opponents of the measure say it strips too much power from the commission. "There's nothing in this bill to keep rates from going up every year," said James Owen, acting public counsel. The bill caps annual rate increase to 2% for the first two years and no more than 4.75% for any single subsequent year.

More: *The Kansas City Star*

MONTANA

Environmental Groups File Lawsuit Against PRB Energy Development

Environmental groups have filed suit in U.S. District Court in Great Falls, alleging that the U.S. Bureau of Land Management's plans to allow extensive fossil-fuel extraction in the Powder River Basin are illegal.

The lawsuit says the agency's plans to allow the extraction of oil, gas and coal would make climate change worse and go against efforts to protect the greater sage-grouse species of bird. The lawsuit is backed by the Western Organization of Resource Councils, the Sierra Club and other groups.

More: *Billings Gazette*

NEW MEXICO

PRC Judge Sides with Environmentalists in PNM Case

A Public Regulation Commission hearing officer sided with an environmentalist group that wants the state's largest utility to publicly disclose its fuel-supply contract with Navajo Mine Coal Co. for the Four Corners Power Plant.

The issue arose last year when Public Service Company of New Mexico filed for a $123.5 million rate increase, which would boost residential rates by 15.8%. Western Resource Advocates argued that information affecting rates should be open to the public.

PNM has the right to appeal the hearing officer's order to the five-member commission.

More: *Santa Fe New Mexican*

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State Briefs

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NEW YORK

PSC Approves Smart Meters For ComEd in NYC, Westchester

The Public Service Commission approved Consolidated Edison's plan to spend $1.5 billion over five years to install 4.8 million smart meters in New York City and Westchester County.

Con Ed estimates a net benefit of more than $1 billion from the wireless meters, which it says will also give it the ability to better manage outages and service connections during storms.

The utility will install 3.6 million electric smart meters and 1.2 million gas smart meters starting in 2017.

More: New York Public Service Commission; POLITICO New York

NORTH CAROLINA

Governor Abruptly Disbands Coal Ash Management Committee

Gov. Pat McCrory's office has disbanded the state Coal Ash Management Commission after the state Supreme Court ruled in January that the commission's appointments were unconstitutional.

The nine-member commission was created to oversee the closure of Duke Energy's 32 ash ponds in the state following a catastrophic spill of ash-laden water into the Dan River. McCrory, a former Duke Energy executive, last year challenged appointments to the commission.

The commission's executive director, Natalie Birdwell, resigned after sending an email to legislative leaders on Monday saying she "had just been informed by the governor's office that the commission was no longer a legal entity." Days later the commission's website went dark. The state Department of Environmental Quality said it is fully prepared to implement all ash remediation efforts.

More: The News & Observer

OHIO

PUCO Asked to Stay AEP Request for PPA

The Office of the Ohio Consumers' Counsel, the Appalachian Peace and Justice Network and the Ohio Manufacturers' Association Energy Group on Monday asked the Public Utilities Commission to stay AEP Ohio's request for a power purchase agreement pending a FERC decision on the matter.

"To protect 1.3 million Ohio consumers from paying non-refundable rates for a power purchase agreement, these proceedings should be stayed while the Federal Energy Regulatory Commission considers a complaint that would require a review of the PPA between affiliated companies," the groups said in the filing.

The parties pointed to an incident in 2014 in which AEP was allowed to keep $463 million of state residents' money after the state Supreme Court overturned a PUCO decision approving an unlawful fee collected from consumers while an appeal was pending.

The filing comes as PUCO is reportedly close to ruling on the PPAs. A decision could come by the end of the month, the Associated Press reported Monday.

More: The Associated Press

Oregon Clean Energy Files To Boost Plant by 161 MW

Oregon Clean Energy, which is developing a combined cycle gas-fired power plant in northern Ohio, asked the Public Utilities Commission to increase the capacity from 799 MW to 960 MW.

The original capacity was set after consultation with PJM to take into account the available transmission capacity in the region. But a subsequent study showed that the grid could handle the increased capacity.

The plant is already under construction. It was not immediately apparent how the requested capacity increase would be obtained.

More: The Blade

TEXAS

Fitch Likes LP&L's ERCOT Move, Assigns Bonds A+ Rating

Fitch Ratings has assigned an A+ rating for bonds issued by the City of Lubbock on behalf of its municipally owned electric utility system, Lubbock Power & Light.

Fitch based part of its rating on LP&L's plan to transition about 70% of its load into the ERCOT market in 2019 and secure medium-term power supply contracts to meet its power needs. A smaller portion of the utility's system, largely consisting of assets it acquired in 2010 from Southwestern Public Service, will be isolated from the portion connected with ERCOT and will remain connected to SPP.

Fitch said it views the plan as reasonable, given the utility's other options were more expensive and included building significant additional generation. Fitch cautioned, however, that the power-supply transition involves changes in the utility's business strategy, requires significant capital investment and has a relatively short implementation timeframe.

More: Fitch Ratings

VIRGINIA

State, Dominion and Microsoft Partnering on 20-MW Solar Plant

McAuliffe

The state has agreed to buy power generated by Dominion Virginia Power's 20-MW Remington solar project, and Microsoft will buy and retire the project's renewable energy credits.

The agreement helps both the state and Microsoft attain renewable energy goals and provides a steady customer for Dominion. Gov. Terry McAuliffe has announced a goal of getting at least 8% of the energy needed for state facilities from renewable energy in the next three years.

More: The Daily Progress

Feds Set Offshore Wind Site near New York

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advanced combined cycle plants. (EIA's figures exclude any savings from government incentives.)

In Europe, which has about 90% of the 8.8 GW of offshore wind installed worldwide through 2014, the resource has benefited from government subsidies.

Patrick Woodcock, director of the Maine Governor's Energy Office, told the EUCI conference that the New England states made a mistake by each trying to establish a foothold for the nascent offshore wind industry.

"What we really should have been doing is collaborating from the start. It never really made a lot of sense that one project, one group of utility ratepayers, would be the only class of ratepayers to bear the … huge burden for a demonstration project, when the dividends for bringing a new technology to the region is [shared] across the entire Northeast."

Cape Wind Prospects Revived?

Cape Wind, a 130-turbine, 468-MW project planned for Nantucket Sound, is still trying to obtain financing after losing its PPAs with National Grid and NSTAR in January 2015. The utilities said the developers failed to meet deadlines to secure financing and begin construction by the end of 2014.

Duffy said Cape Wind's hopes have been revived unexpectedly by a Massachusetts proposal to import Canadian hydropower under long-term contracts. Prospects for offshore wind and hydropower, he said, are "joined at the hip."

"Sometimes politics makes strange bedfellows, but the future of both large imports of Canadian hydropower and offshore wind in New England depend largely upon Massachusetts legislation," he said. An omnibus energy bill in the legislature is likely to include both.

A report released last week by the University of Delaware predicted that a commitment by Massachusetts to develop 2,000 MW, and anticipated technological advances, will lower previously projected costs by as much as 55% by 2029.

Newer wind farms would rely on larger, more efficient turbines than the older turbines for which Cape Wind is permitted.

The study says costs for the first installations in a 2,000-MW commitment would be about 16.2 cents/kWh and that costs could drop to a "very competitive" 10.8 cents/kWh by the project's completion. By comparison, the Block Island project has a PPA with National Grid that includes a fixed price of 24.4 cents/kWh with an annual 3.5% escalator.

"The key is making a firm commitment to scale so the market can do its work," said Kempton, the study's lead author. "By providing market visibility — the state's commitment to a pipeline of projects over a set period — the offshore wind industry in the U.S. can deliver energy costs on the kind of downward trajectory seen in Europe."

Renewed Hopes for NJ Project

Legislators in New Jersey, meanwhile, may have improved the prospects of a demonstration project near Atlantic City that has been blocked by the state Board of Public Utilities.

The New Jersey General Assembly last week voted 53-21 to approve legislation that would require the BPU to reopen a 30-day period for Fishermen's Energy to resubmit an application for the five-turbine, 25-MW project. The bill cleared the state Senate on Feb. 11 by a 23-11 vote.

Gov. Chris Christie vetoed a similar bill in January by not taking action.

Fishermen's Energy CEO Chris Wissemann said the legislation "cannot be ignored" by the governor this time around. He said Fishermen's has secured federal funding from the Energy Department and switched to Siemens turbines, rather than the previously proposed Chinese windmills.

Suzanne Herel contributed to this article.