RTO Insider

Your Eyes and Ears on the Organized Electric Markets

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All Eyes on AEP, FirstEnergy as FERC Targets Ohio PPAs

Companies Seek 'Reregulation'; PUCO's Porter Resigns

By Ted Caddell and Michael Brooks

Ohio's electric industry, which has been roiled for months by American Electric Power's and FirstEnergy's requests for above-market power purchase agreements, shows no sign of calming down anytime soon.

On Friday, Andre T. Porter, the chairman of the Public Utilities Commission of Ohio, announced his resignation, little more than a year after taking the position and less than a month after shepherding through the controversial PPAs.

Porter's announcement came two days after FERC announced it would review the PPAs under the commission's affiliate abuse test,

Ohio Statehouse

a decision that many observers say dooms the agreements. (See related story, *FERC Rescinds AEP, FirstEnergy Affiliate-Sales Waivers; Will Review Ohio PPAs*, p.28.)

The commission's order prompted AEP CEO Nick Akins to threaten that the company may lobby Ohio legislators to reregulate the state's power market, a position that FirstEnergy also backs.

During an earnings call Thursday, Akins said that the company would rather sell all its generation or seek reregulation rather than submit its PPA for FERC review. The commission said that despite Ohio's retail choice law, the companies' ratepayers were essentially "captive" customers because the PPAs would impose on them non-bypassable distribution charges.

As a result, the commission said the PPAs would be reviewed under the *Edgar* test, which will require the companies to prove the lack of affiliate abuse by evidence of head-to-head competition or benchmarks such as prices that non-affiliated buyers are willing to pay. The PPAs were not subject to competition, and both Dynegy and Exelon

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EFH Files New Chapter 11 Plan; Oncor-Hunt Deal in Doubt

By Tom Kleckner

With its effort to convert its Oncor transmission and distribution utility into a real estate investment trust (REIT) foundering, Energy Future Holdings filed a new bankruptcy plan Sunday.

The Chapter 11 reorganization plan, filed with the U.S. Bankruptcy Court for the District of Delaware, is the latest attempt by EFH to emerge from a $42 billion bankruptcy now two years old (14-bk-10979). The company asked for a

Continued on page 26

SPP Awards First Order 1000 Project — but it may not be Needed

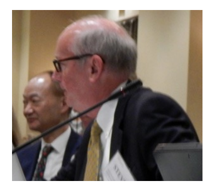
By Tom Kleckner

SANTA FE, N.M. — SPP awarded its first competitively bid transmission project under FERC Order 1000 on Tuesday, but it may not be built because of declining load forecasts.

The RTO's Board of Directors and Members Committee both voted to accept an industry expert panel's (IEP) recommendation to award the 22.6-mile, 115-kV line from Walkemeyer to North Liberal in southwest Kansas to Mid-Kansas Electric.

Oklahoma Gas & Electric was selected as the alternative "designated transmission owner" should Mid-Kansas be unable to construct the project. Mid-Kansas and OG&E received the panel's two highest scores among the 11 competitive proposals submitted to SPP.

Mid-Kansas CEO Stuart Lowry accepted congratulations from fellow members and gathered his employees in a group hug after the vote, before telling *RTO Insider* the company had proposed the project be re-evaluated. He later told members the Mid-Kansas and Sunflower Electric Power system has seen a 27% reduction in load forecasts within the project's region.



Norman Bay (left) and Steve Strickland © *RTO Insider*

Mid-Kansas is owned by five electric cooperatives members and a not-for-profit company, and managed and operated by Sunflower, a wholesale

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Editorial

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

Contributing Editor
Ted Caddell 434-882-5589

Production Editor
Michael Brooks 301-922-7687

MISO Correspondent
Amanda Durish Cook 810-288-1847

PJM Correspondent
Suzanne Herel 302-502-5793

SPP/ERCOT Correspondent
Tom Kleckner 501-590-4077

CAISO/West Correspondent
Robert Mullin 503-715-6901

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

Subscriptions and Advertising

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

Marketing Assistant
Ben Gardner

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

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CAISO News

Stakeholders Wary of CAISO Contingency Modeling Initiative

By Robert Mullin

CAISO stakeholders last week expressed misgivings and confusion about a new issue paper exploring how the ISO can resolve certain generator and transmission contingencies currently handled by out-of-market operations.

Questions about the generator contingency and remedial action scheme modeling enhancements paper largely stemmed from uncertainty about the potential scope of the effort. Market participants also sought to understand how such an effort would differ from CAISO's Contingency Modeling Enhancements (CME) initiative, which is nearing completion.

"I'm curious as to why this stakeholder process is arising at this point in time," Ellen Wolfe, a consultant representing the Western Power Trading Forum, said during an April 25 stakeholder conference call. "Especially in relation to CME and where that is."

"This just seemed like a good time to get a jump-start on this," responded Perry Servedio, CAISO senior market design and policy developer. "It was always the thought that these two [initiatives] would overlap."

CAISO kicked off the CME initiative three years ago to address a Western Electricity Coordinating Council reliability provision requiring grid operators to return a critical transmission path — such as Path 15 linking Northern and Southern California — to its system operating limit within 30 minutes of a destabilizing event, such as the loss of a generator or transmission line.

The ISO's present approach to managing those contingencies relies on out-of-market interventions coupled with day-ahead market measures that procure a "bucket" of responsive capacity resources based on a flat megawatt rating of the line in question, an approach that ISO staff considers to be inefficient.

The CME initiative would update CAISO market rules to instead procure those resources based on expected flows, with the process first run in the day-ahead market and then rerun in real-time. In addition, that process would be more closely integrated with the general procurement for locational ancillary services. That is expected to reduce the overall pool of reserves receiving compensation, reducing costs.

Last week's issue paper looks to zero in on a different, if related, aspect to an emergency response: the system's ability to gain access to contingency reserves while at the same time keeping all affected transmission paths below their emergency ratings. The ISO calls it the "transmission feasibility" of those reserves.

"We'd want to ensure that, given a generator loss, we don't overload any lines and we can rely on the reserves," Servedio said.

The newer initiative would also formulate a market-based response to transmission losses stemming from the triggering of remedial action schemes (RAS) — emergency plans designed to prevent one transmission outage from setting off a series of cascading outages.

Servedio noted that CAISO currently has more than 20 RAS modeled within its own system, a figure that does not include schemes elsewhere in the Western Interconnection. While the ISO currently factors RAS into its market operations through adjustments to its market software — including the use of nomograms to avoid exceeding transmission line limits — it thinks that approach comes up short.

"Even with all that modeling, you can end up with real-time exceptional dispatch [out-of-market intervention] because we don't have a way to model the RAS in the day-ahead market," he said.

That statement prompted one stakeholder to seek clarification about exactly what the current process entails.

"So you're saying there is some sort of ad hoc change in modeling that takes place in both day-ahead and real-time?" asked Bonnie Blair, speaking for the "Six Cities" — municipal utilities serving Anaheim, Azusa, Banning, Colton, Pasadena and Riverside.

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CAISO NEWS

Stakeholders Wary of CAISO Contingency Modeling Initiative

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"I'm not sure I follow, but I'll think about it."

Another stakeholder questioned whether the changes being contemplated by the ISO would be worth the investment.

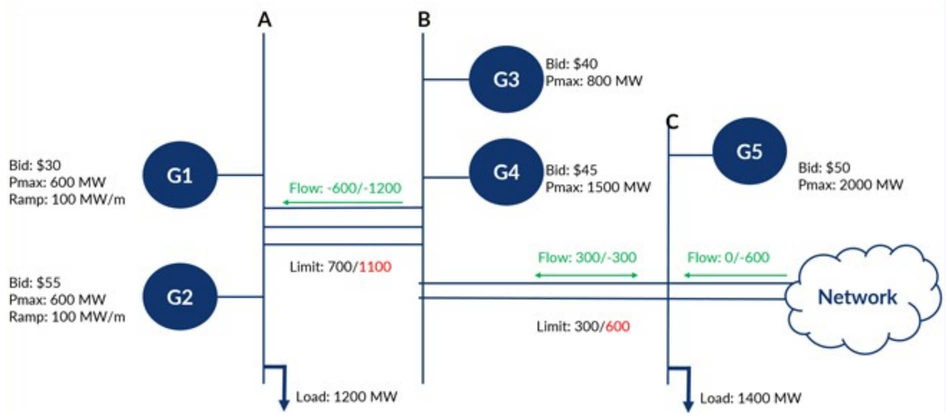
"When you look at this [initiative] from an economic perspective, would you say this is more economic than what you do today?" asked Wei Zhou, senior project manager with Southern California Edison.

"We expect it to be the more economic solution — clearly," said George Angelidis, principal with CAISO's Power Systems Technology Development group.

"We currently don't have in the market the ability to model generator contingencies," Angelidis later added. "Without the capability to model the RAS, your market solution is a more conservative and costly solution."

However, CAISO staff could provide no figures for how often contingency reserves have been inaccessible in past, in part because the current manual intervention process requires system operators to rely on only those resources that are accessible in real time.

"I can't give you data on what megawatts weren't deliverable, because our operators are working to ensure that the megawatts are deliverable [through exceptional dispatch]," Servedio said.



The diagram above shows transmission path AB being overloaded when the loss of generator G1 is replaced by low-cost contingency reserves procured from the network – what CAISO calls "transmission infeasible" procurement. The diagram assumes that there are no contingency reserve eligible resources at buses A, B or C. *Source: CAISO*

Other stakeholder concerns focused on the proposal's technical details. Call participants asked questions about how many RAS would be incorporated into a possible proposal, the duration of emergency ratings and the workings of the complex flow models CAISO staff used to determine the transmission feasibility of contingency reserves.

"I'm just trying to figure out the scope of this effort," said Seth Cochran, manager of market affairs and origination at DC Energy.

CAISO staff took pains to assure stakeholders that the issue paper did not represent an actual proposal — despite an outlined schedule proposing a Fall 2017 implementation date for any measures resulting from the process.

"We're not really proposing anything yet, we're just trying to flesh out the issue," Servedio said.

ERCOT NEWS

TAC Briefs

DREAM Task Force's Work Now Ready for Stakeholder Process

ERCOT's Technical Advisory Committee voted last week to dissolve its Distributed Resource Energy Ancillaries Market (DREAM) task force, agreeing the group had brought issues to the forefront that could now be taken up in the ISO's stakeholder process.

The DREAM team was created last May to investigate the regulatory and market framework for distributed energy resource (DER) participation in ERCOT's wholesale markets.

Shell Energy's Greg Thurnher, the DREAM team's chair, said the goal was to establish a marketplace where price-taking and price-responsive distributed generation (DG) resources can efficiently coexist.

Expanding the scope of price-responsive loads and resources in security-constrained economic dispatch, he said, more accurately reflects the price elasticity of demand.

"In the eyes of TAC, I think we've achieved our charter," said Thurnher, who represents the Independent Power Marketer segment.

TAC Chair Randa Stephenson, with the Lower Colorado River Authority, agreed and thanked the team for its work. "We're now at a point where we can vet specific and technical issues through the stakeholder process," she said, before casting the only abstention in an otherwise unanimous vote.

Thurnher said Shell will sponsor a nodal protocol revision request (NPRR) following up on the DREAM team's recommendations. He has proposed five market rule changes for price-responsive DG, among them a proposal to exclude the resources from participating in ERCOT's congestion revenue rights markets.

He would also exclude DG from participating in regulation until distributed storage becomes larger and more cost competitive. DG "is a low-cost hedge, it's out there and it's growing. These assets are right-sized and can solve many of the smaller constraints we have on our system," Thurnher said. "When you have resources with no load responding to the system, they should be given the opportunity to bid into the market and contribute to price formation."

Kenan Ögelman, ERCOT's vice president of commercial operations, responded with a spreadsheet listing 15 short- and long-term issues identified by the ISO as needing revision requests or new market rules. "The idea was to put down ERCOT's perspective on what our needs are," he said.

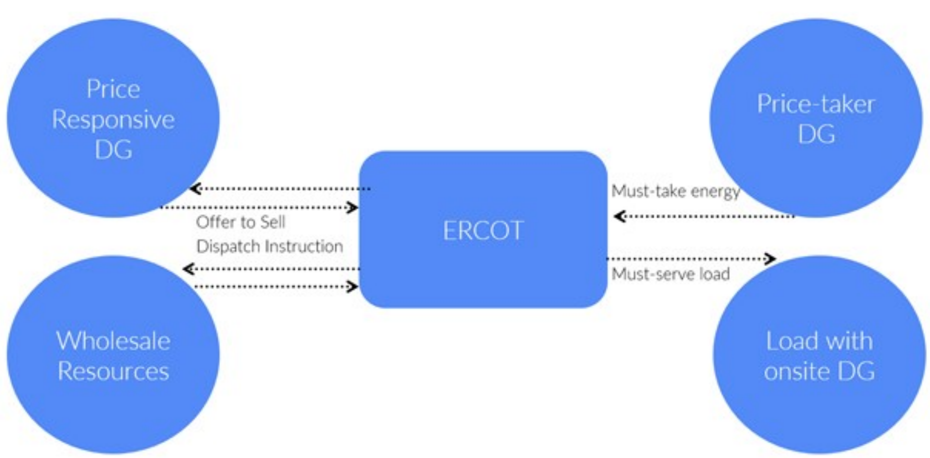
Ögelman said staff looked initially at accounting for larger resources and then tried to capture smaller resources. He said the focus was on "what's in the market, instead of getting these resources participating in the market."

"Some of these things are what Greg was talking about," Ögelman said. "We understand your priorities might be slightly different, and we're happy to work with you and move them up. This is not written in stone."

Ögelman said he would like to combine Thurnher's proposals with ERCOT's spreadsheet and hand the effort over to a working group. He said he would be "looking for input and timing from the market as to when these should come into play."

Several stakeholders expressed concern smaller market participants might lack the resources to ensure their voices are heard in stakeholder proceedings. Others cautioned about moving too quickly to allow stakeholders to provide input.

Stephenson said she will work with ERCOT "to ensure the right people," including distribution utilities, are involved in the discussions.



Shell Energy's recommended plan *Source: Shell Energy North America*

TAC Approves Addition of Responsive Reserves

The TAC approved staff's recommendation to add 200 MW of responsive reserve service (RRS) during the afternoon hours in July and August. The vote came after the TAC asked ERCOT to include in its 2017 ancillary service methodology review an analysis of how the elimination of the reserve discount factor (RDF) would affect operations.

The ISO's current minimum RRS requirement is 2,300 MW under normal conditions. The additional 200 MW will come into play during those four-hour blocks when average temperatures are most likely to exceed 95 degrees Fahrenheit. Effective this year, RDFs are reviewed and adjusted based on the generator's performance during an unannounced test.

"If the temperatures are over 95, we need to move this market away from the old zonal market rules and control area rules," Calpine's Randy Jones said. "You should not be doing testing around peaks."

Austin Energy's Barksdale English agreed with Jones, saying the RDF should be based on actual performance, not unannounced testing.

The recommendation has already been endorsed by the Wholesale Market and Reliability and Operations subcommittees. It will go to ERCOT's Board of Directors in June for final approval.

NOGGR Tabled, Other Revision Requests Approved

The TAC unanimously approved a previously tabled revision request and

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TAC Briefs

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several other change requests brought forward by its subcommittees. It also tabled a nodal operating guide revision request (NOGRR) that recommended a 25-MW annual-peak threshold to exempt distribution service providers from procuring designated transmission operator services from a third-party provider.

NOGRR 149 was developed last year to settle the noncompliant status of seven municipally owned utilities (MOUs), ranging in size from 9 to 21 MW. It was rejected by ROS and tabled by TAC, but the revision request's proponents appealed.

GDF Suez's Bob Helton, representing the Independent Generators segment, recommended tabling the NOGRR to allow ERCOT staff to answer several other questions. TAC Vice Chair Adrianne Brandt, of CPS Energy, asked that transmission service providers meet with the MOUs to further discuss the issue.

The committee approved:

- NOGRR 151, aligning operating guides with changes made in NPRR 748 and providing consistency, transparency and clarification related to communication protocols;
- NOGRR 153, creating a new process to maintain alignment of the energy emergency alert language between the protocols and nodal operating guides;
- Nodal protocol revision request (NPRR) 752, clarifying the revision-request process protocol language to reflect current ERCOT practices; and
- System change request (SCR) 788, updating the resource-limit calculator formula used to determine the generation-to-be-dispatched value.

Ögelman updated the TAC on NPRR 667, which he called an "odyssey" more than two years in the making. The revision request is designed to improve regulation-up and regulation-down service and replace RRS and non-spinning reserves with a combination of four new ancillary services.

ERCOT is hoping the Protocol Revisions Subcommittee (PRS) will endorse the NPRR in May, before bringing it back to the TAC.

"We believe 667 meets a lot of board objectives and market-design objectives," Ögelman said, "but ERCOT is willing to wait on TAC's final input on the issue."

In March the PRS withdrew a similar revision request (NPRR 756) that would redesign the ancillary services market. Staff said at the time NPRR 667 was the better option.

Data Workshop Scheduled

The committee discussed ERCOT's upcoming workshop on data reports, tentatively scheduled for May 20. The workshop is a result of a discussion at the March TAC meeting about how the ISO and its market participants exchange data and handle changes to reports. (See "TAC to Schedule Data-Exchange Workshop," *ERCOT Technical Advisory Committee Briefs*.)

Ögelman said the workshop would focus first on changes to reports and how they impact market participants, and then the internal need for "some type of controls around [the reports] that give people comfort."

"We want to explore more stable, different ways to interact without scraping data," he said.

"I think this is an important step for us to take," Citigroup Energy's Eric Goff said. "It's so critical to ensure everyone has reliable and robust access to all ERCOT data. Over the long run, I think it will be a significant improvement to the transparency of data."

ERCOT staff said it is also working on an NPRR to improve the accuracy of its wind forecasts by synching them with the current operating plan for intermittent resources.

Stephenson noted market participants have seen "big swings" of about 175 MW during March and April, creating volatility in the market. She assigned the NPRR's work to the Wholesale Market Subcommittee.

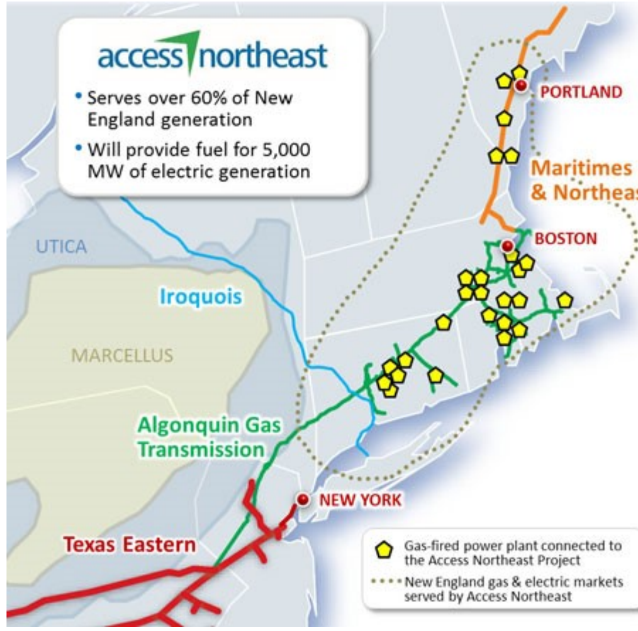
The WMS, Retail Market and Commercial Operations subcommittees all delivered their normal monthly status reports.

— Tom Kleckner

ISO-NE NEWS

FERC Planning Environmental Review of Access Northeast Pipeline

FERC announced Friday its staff will prepare an environmental impact statement for the Access Northeast pipeline project that would move natural gas from New Jersey to Massachusetts (PF16-1).



The commission said the EIS will determine the potential impacts of Algonquin Gas Transmission's project to determine if it is in the public interest.

The 925-dekatherm/day project includes pipelines and storage facilities along the route of an existing pipeline. Its developers say the project will be able to serve 5,000 MW of gas-fired power generation in New England.

Project sponsors Spectra Energy, Eversource Energy and National Grid say the pipeline will help alleviate supply constraints in New England as the region becomes more reliant on natural gas. (See *Algonquin Submits Pre-Filing Request for Access Northeast Pipeline*.) They expect to file a formal application later this year and hope to put the first phase of the project in service by November 2018.

The commission said comments should be filed by May 30. A series of public scoping meetings will be held at various locations in New York, Connecticut and Massachusetts from May 16-19.

The project would replace 45 miles of existing 26-inch-wide pipeline with 42-inch pipe; expand six existing compressor stations; and build new pipeline loops and laterals or expand the capacity of existing ones. The project also includes an 84.6 million-gallon LNG storage facility in Massachusetts.

— William Opalka

MISO NEWS

FERC OKs Entergy LBA Agreements

By Amanda Durish Cook

FERC last week approved 11 Entergy local balancing authority (LBA) agreements stemming from the utility's 2013 integration into MISO.

Entergy Services and Entergy Arkansas sought the agreements with entities embedded within the LBA areas to ensure accurate coordination and communication of operational and metering information. The agreements identify load and/or generation of counterparties located within each area as well as specifying operational responsibilities and meter specification and data sharing requirements.

The April 26 order (ER14-693, *et al.*) found that Entergy "demonstrated that the LBA agreements will assist in ensuring reliable operations" of the utility's electric system.

The commission required Entergy to submit a compliance filing showing that cost allocations for residual loads — the amount of over- or under-claimed energy in an LBA area — will rely on cost-causation principles where possible, replacing the company's proposed *pro rata* cost allocation.

Entergy's original 2013 LBA agreements included a provision that counterparties report their metering data to help the utility correct errors responsible for producing residual loads within the LBA areas.

A revised batch of agreements the next year proposed to instead allocate residual load costs and credits based on a *pro rata* methodology in order to "simplify the burden associated with meter corrections." Entergy contended that some embedded entities were too small and their contribution too insignificant to directly assign costs, leaving costs to be allocated according to overall energy injections and withdrawals within an LBA.

Entergy last year offered an additional update to that provision, proposing to work with counterparties to maintain adequate metering equipment to directly assign residual load cost responsibility to a specific company. That process would incentivize "embedded entities to maintain adequate metering and robust processes for reporting data," the utility said.

Last week's decision said Entergy's *pro rata* cost allocation provision suffered from the same flaws as a similar MISO plan rejected in 2006, which FERC said "failed to allocate unaccounted-for energy to the load that caused it." However, FERC said Entergy's efforts to directly assign residual load costs when possible was a sufficient improvement to align with cost-causation principles.

FERC also sided with Entergy in ruling that the utility should not bear the entire cost of residual loads within the LBA areas "because such costs are caused by the accumulated actions of all embedded entities within the LBA areas."

Counterparties Dow Chemical, Union Carbide, Occidental Chemical, Calpine, Tenaska and Sabine Cogen had questioned the residual load cost allocation proposal and objected to the creation of the LBAs, contending that the agreements do not accomplish anything not already covered by the MISO Tariff and required by the RTO.

FERC said the noncompulsory application of LBAs does not make them any less useful.

"We disagree that, because no commission or MISO rule or policy mandates agreements such as the LBA agreements, they are unnecessary and unjust and unreasonable," FERC wrote.

The commission also rejected arguments that the agreements too closely resembled generation interconnection agreements and said it was "unpersuaded by arguments that Entergy does not need the LBA agreements in order to carry out its responsibilities as an LBA area administrator."

Advisory Committee Briefs

AC to Finalize Priority-Setting for May Vote

2016 Advisory Committee priorities *Source: MISO*

MISO's Advisory Committee has narrowed down the list of topics it expects to include in the first version of its 2016 priorities document.

The committee's current draft lists five priorities, including seams optimization, infrastructure development, grid technology, the Clean Power Plan and gas-electric coordination. The document is intended to guide MISO parent entities in their decision-making.

"This document is not set in stone — it's a living, breathing document," Audrey Penner, Advisory Committee chair, told stakeholders during an April 27 meeting. "If we come out of this all a little bit unhappy … then we have achieved success, as far as I'm concerned."

In response to multiple requests for greater prioritization of market issues, Penner said the committee could either create separate priorities covering improved markets and price formation, or fold market considerations into an existing priority.

Kent Felix, with the Power Marketers sector, suggested giving each parent entity its own set of priorities. But Advisory Committee Vice Chair Tia Elliott said more than three to five priorities would create too many areas of focus.

DeWayne Todd, with the End-Use Customers sector, said he could support

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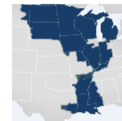
MISO NEWS



Steering Committee Briefs

Market Subcommittee Won't Undergo Name Change, will Modify Charter

While MISO's Market Subcommittee (MSC) will not be subject to a name change in light of the creation of the Resource Adequacy Subcommittee (RASC), it will have to revisit parts of its charter and management plan to reflect a division of market responsibilities, MISO's Steering Committee decided last week.

The Stakeholder Governance Working Group discussed the division of the RASC's and MSC's market responsibilities in a January meeting.
© RTO Insider

Some stakeholders had suggested changing the name of the MSC to explicitly denote its focus on energy and ancillary markets, compared with the RASC's emphasis on capacity markets. Most Steering Committee members shot down the suggestion in an April 27 meeting.

"In a selfish way, I would prefer not to add anymore words to the acronym," American Electric Power's Kent Feliks said.

"I don't see a need to change it," Manitoba Hydro's Audrey Penner said. "Everyone has come to understand exactly what it means."

The Steering Committee also examined the MSC's charter and management plan to ensure the subcommittee's oversight responsibilities avoid overlap with that of the RASC, recommending the MSC remove any references related to capacity markets.

Six Working Group and Subcommittee Charters Greenlit

The Steering Committee approved by consent a bundle of largely unchanged charters for six working groups and subcommittees, which included the Finance and Planning subcommittees and the Seams Management and Emergency Preparedness/Power System Restoration working groups.

The charter for the Loss of Load Expectation Working Group was also approved with the minor change that it report to the newly formed RASC instead of the Planning Advisory Committee.

The committee also approved the charter for the System Operator Training Working Group (SOTWG) despite stakeholder questions about whether the responsibilities of that group should be transformed into a MISO function.

MISO Grants 2 Data Requests, Denies Another

MISO will soon begin posting final five-minute real-time market clearing prices and historical five-minute real-time *ex ante* LMPs and market-clearing prices, according to Tom Welch, former liaison to the now-retired Data Transparency Working Group.

However, MISO declined a request to post all definitions contained in its monthly voltage and local reliability make-whole payments reports.

Welch said MISO cannot break down the report any further because individual components would reveal revenue sufficiency guarantee payments and make-whole payments for specific units, violating Tariff confidentiality provisions.

Welch also said MISO is reviewing a new request for reports that break down wind output by region.

— Amanda Durish Cook

Advisory Committee Briefs

Continued from page 7

what was already laid out, but he thought some of the priorities were too narrowly defined. He said the Clean Power Plan and gas-electric coordination were "too tactical" to be overarching topics.

Paul Kelley, with the Transmission Owners sector, said gas-electric coordination deserved a spot on the list because of MISO's rapidly changing generation mix and the potential for additional FERC rulings to enhance alignment of the two industries. (See *FERC OKs MISO Use of Eastern Standard Time in Day-Ahead Market*.)

The Competitive Transmission Developers sector asked to include refinements to the competitive solicitation process, while the Independent Power Producers sector proposed removing gas-electric coordination in favor of a market performance and enhancement priority.

The Organization of MISO States asked for the inclusion of a sixth "Other" category to assess the criteria and costs of market efficiency projects, consider implementation of FERC market-related initiatives and evaluate the competitive transmission development process.

The Power Marketers sector proposed a complete overhaul of the priorities document, suggesting that a price formation priority replace grid enhancement, an "enhance operations" priority replace gas-electric coordination and removing the federal rule priority in favor of a "regulation implementation" priority, with a subcategory dedicated to developing new market products.

The Public Consumer Advocates and Coordinating Members sectors, on the other hand, said the current draft was acceptable as is.

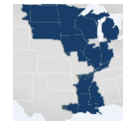
Penner asked for feedback by May 11 to inform a final document, which should be completed ahead of a vote at the May 25 committee meeting.

Economist Joins MISO Finance Subcommittee

The Advisory Committee elected Pradeep Sircar to represent consumer advocates in MISO's Finance Subcommittee. Sircar, an applied economist with the Indiana Office of Utility Consumer Counselor, currently analyzes the MISO and PJM markets and has previously worked at MISO and CAISO. In his 30-plus years of experience, Sircar also worked with the Nevada Public Utilities Commission, Iowa Utilities Board, Ohio Edison and Northern Indiana Public Service Co.

— Amanda Durish Cook

MISO NEWS



Informational Forum Briefs

March Energy Prices Hit 7-Year Low

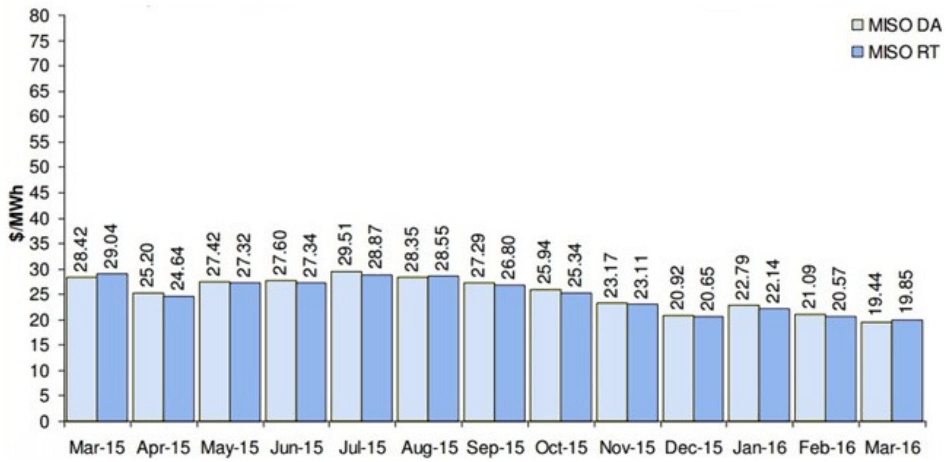
Decreased load, strong wind output and declining gas prices in March translated into MISO's lowest prices since 2009, according to the RTO.

Real-time and day-ahead energy prices averaged $19.85/MWh and $19.44/MWh, respectively, tumbling by more than 30% compared with last March.

"These are the lowest levels we've seen in about seven years," said Shawn McFarlane, MISO's executive director of strategy and enterprise risk management.

Load for the month peaked at 85 GW on March 1. Monthly average load declined by 9% from February and 5% from a year earlier.

Gas prices continued to fall, averaging $1.80/MMBtu for the month at Chicago Citygate and $1.67/MMBtu at Henry Hub. Gas-fired generation accounted for 31% of MISO generation, compared with 23% a year earlier.



Systemwide day-ahead & real-time LMPs *Source: MISO*

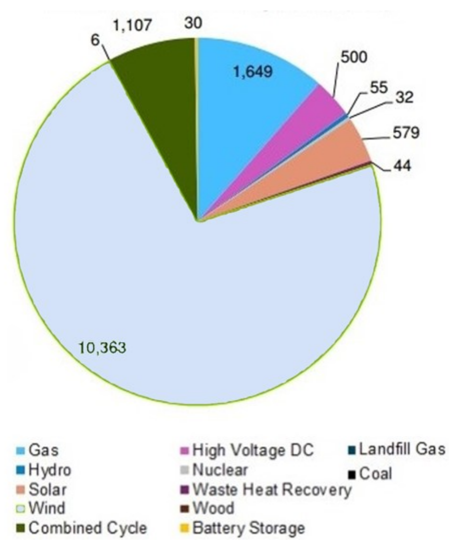
Renewable energy output reached 4,186 GWh, nearly doubling the monthly target and exceeding MISO's goals for the sixth straight month.

McFarlane said the "usual outbreak of severe weather in springtime" began as expected in March, with heavy rainfall in eastern Texas flooding some substations. The season also brought an expected increase in maintenance outages.

March's transmission interconnection queue status metric remained a point of concern due to restudies stemming from withdrawn projects.

"We're still obviously using our current [queue] process until a [new] plan can pass muster," McFarlane said. (See MISO Queue Changes on Hold Pending Technical Conference.)

MISO's unit commitment efficiency metric was also in "concern/monitor" status for the month because of a March 22 incident in which a unit failed to shut down in time based on its minimum run time and economic commitment period.



2016 definitive planning queue (in megawatts)
Source: MISO

MISO Could See Fewer Legal Filings in 2016

MISO's volume of FERC filings this year is so far trending downward, Deputy General Counsel Eric Stephens said.

The RTO has made 147 filings year-to-date, he said last Tuesday.

"We're thinking that may put us on pace to file 450 to 500 filings this year," representing a significant decrease from the 584 filings made in 2015, Stephens said.

Stephens reminded stakeholders to submit feedback to the RTO on its planned "continuous improvement" Tariff filing, which will seek to clean up provisions related to competitive transmission development and the RTO's selected developer agreement.

He said the filing contains mostly minor changes in wording, but it does include one substantive item: MISO is seeking FERC permission to extend from 30 days to 60 the time between board approval of the annual MISO Transmission Expansion Plan and requests for proposals for transmission projects. The RTO is targeting an early May filing date for the revisions.

— Amanda Durish Cook

NYISO NEWS

Underwater Cable to New York City Proposed

By William Opalka

A merchant transmission developer asked FERC last week for authority to negotiate transmission contracts for a mostly underwater cable to transport 1,000 MW of electricity underneath 260 miles of the Erie Canal and Hudson River to New York City (ER16-1495).

Empire State Connector filed an application for transmission service on a HVDC line that would deliver renewable energy from upstate New York.

ESC is a joint venture of Toronto-based transmission developer oneGrid and investment firm Forum Equity Partners. The company says it is assuming the entire financial risk of the $1.5 billion project. It asked for FERC approval by June 26 to keep to its preferred permitting and open season schedule.

"Our strategic location and innovative, low-impact route will 'unlock' upstate renewable and zero-emission generators, helping New York state achieve its ambitious goal of 50% renewable generation by 2030," CEO John Douglas said in a statement.

The project would originate at a converter station located near Utica and terminate at a converter station located in either the Bronx or Brooklyn. Underground cables would be connected to a new converter station near the existing Marcy substation near Utica until it enters the canal. Cables would be buried under the locks and dams along the canal route.

Erie Canal *Source: New York State Canal Commission*

The company said a NYISO feasibility study concluded the project is viable and it has secured a spot in the ISO's interconnection queue.

ESC said it will file its Article VII application for major infrastructure review certification with the New York Public Service Commission by the end of the year. It will also conduct a solicitation later this year seeking subscribers for capacity on the line.

The project will create more than 500 construction jobs and 1,200 indirect jobs during the three-to-four-year construction period, the company said. Each converter station is estimated to cost more than $200 million. The target in-service date is for some time in 2021.

The NYPSC in December declared a public policy need for above-ground transmission to move upstate power from central New York to the New York City area through AC lines that are using existing corridors. (See *NYPSC Directs NYISO to Seek Tx Bids*.) Douglas told *RTO Insider* on Monday that he sees ESC and above-ground AC as "complementary."

"New York state certainly has ambitious goals to develop renewable energy," Douglas said. "It's going to need a lot of new transmission, especially if it succeeds in closing Indian Point. So we see … room for both [projects] for both energy and capacity."

NYISO Plans Change to Stakeholder Ranking of Projects

RENSSELAER, N.Y. — NYISO is proposing to change the way stakeholders prioritize internal projects, effective with the 2017 priority list.

The ISO reviewed its proposal at Wednesday's Management Committee meeting, nearing the end of a process that began in the Budget and Priorities Working Group last September. "This is based on stakeholder feedback," NYISO senior manager Ryan Smith said.

The projects include software and product development and NYISO capital expenditures.

NYISO scoring uses objective criteria that reflect strategic alignment, expected outcomes, risks and ability to execute. The stakeholders score projects based on their organizational priorities.

Among the proposed changes is the exclusion of mandatory and continuing projects from priority scoring. Stakeholders, who rank projects by assigning them shares of 100 voting points, would no longer have to "waste" their votes on projects that are already considered mandatory or are already under development, the ISO said.

NYISO also is proposing the use of sector-weighted scores in addition to raw scores. Affiliates and nonvoting entities would be excluded from weighted scoring but would be included in the raw scores.

Another change would provide cost and benefit information in advance of the stakeholder scoring deadline.

The timeline for drawing up the 2017 list includes identification of candidates through mid-June, followed by prioritization and evaluation by the end of July. That would be followed by recommendations in August, with final decisions made in the fall during NYISO's annual budget process.

Project expenditures have averaged about $25 million annually in recent years, Smith said.

The changes are expected to be brought to a vote at the June board meeting.

— William Opalka

NYISO NEWS

CPV New York Power Plant Ensnared in Federal Corruption Probe

By William Opalka

A former top aide to New York Gov. Andrew Cuomo is under federal investigation for his dealings with companies with business before state government, including power plant developer Competitive Power Ventures, according to the *New York Daily News*.

The report, citing unnamed sources, said CPV hired Joseph Percoco as a consultant. He and several other people are being investigated by Preet Bharara, U.S. attorney for the Southern District of New York, for improper lobbying and undisclosed conflicts of interest. Percoco made $169,000/year as Cuomo's executive deputy secretary, according to the paper.

Percoco received payments from the companies while he served as Cuomo's campaign manager in 2014, according to the *Daily News*. He returned to the state payroll for about a year after the election.

According to the paper's sources, those payments were legal; the investigation reportedly concerns whether the payments went unreported, and if Percoco was involved in state business that involved CPV and another company that hired him. Percoco left the Cuomo administration to take an executive position at Madison Square Garden in January.

CPV is building the 650-MW natural gas-fired Valley Energy Center in Orange County, north of New York City. The New York Public Service Commission granted a certificate of public convenience and necessity for the project two years ago (10-E-0501). The plant broke ground last year, and its addition to the state's power portfolio impacted transmission planning, as it will help relieve downstate constraints. (See *NYPSC Staff Narrows Transmission Alternatives*.)

A CPV spokesman did not return calls seeking comment.

In a recent filing with the PSC, the company said it sought to keep its structural drawings private because the plant site has been the focus of weekly protests.

Bharara served a subpoena on the governor's office on Friday. The Cuomo administration released a statement saying, "We take violations of the public trust seriously and we believe these issues must be resolved by further investigation by the U.S. attorney. In the meantime, and as the program operates on a daily basis, the governor has ordered an immediate full review of the program."

The governor also ordered state employees to suspend any discussions of regulatory or other matters with CPV, the *Daily News* reported.

The primary focus of the investigation is the so-called Buffalo Billion economic development program championed by Cuomo. Bharara's probe began last fall. A centerpiece of that program is $750 million in direct state aid and tax credits to SolarCity, which is building a 1-GW solar panel factory, the largest of its kind in the Western Hemisphere, according to the state.

Bharara has prosecuted and convicted several state legislators in recent years in corruption probes. Last December, he won convictions of the Democratic Speaker of the Assembly and the Republican Senate Majority Leader.

NYISO: FitzPatrick Closure will not Harm Reliability

By William Opalka

Contrary to an earlier analysis, the closure of Entergy's FitzPatrick nuclear plant will not leave New York short of generation in 2019, NYISO says.

In a report in February, the ISO had said the loss of the 882-MW plant on Lake Ontario would leave the state short at least 325 MW in three years. (See *Fitzpatrick Closure Could Leave NY Generation Short*.)

But an updated analysis, using a lower load forecast, found no cause for alarm. According to NYISO's 2016 Gold Book, the coincident peak load expected for 2020 is 34,019 MW, a decrease of 843 MW from the ISO's 2015 assessment.

"The most recent long-term forecast data shows a decline in both summer peak demand and annual energy usage," NYISO spokesman David Flanagan said. "There are several contributing factors, including slower peak load growth in the downstate region; slower economic growth after 2020, based on Moody's current outlook; and impacts of energy-efficiency initiatives, on-site generation and distributed resources."

Both studies assumed 1,995 MW of generation will leave the resource base by 2020, including FitzPatrick and Exelon's R.E. Ginna nuclear plant in 2017. (See *FERC Accepts Ginna Settlement*.)

Entergy announced late last year that it would close FitzPatrick because of low power prices. Based on the previous analysis, NYISO had initiated an expedited "gap solution" process in which the RTO solicits proposals from market participants outside of its usual two-year cycle to address an identified reliability need. Based on the new analysis, that process has been withdrawn.

Entergy has rebuffed New York's efforts to keep the plant operating, including a proposed financial mechanism to subsidize carbon-free generation, as insufficient and insisted FitzPatrick will close in January. (See *New Lifeline for FitzPatrick Nuclear Plant*.)

PJM NEWS

MRC/MC Briefs

Study of Pseudo-Tie Standards for External CP Deferred

WILMINGTON, Del. — The Markets and Reliability Committee last week deferred voting on a problem statement and issue charge to study the challenges of the pseudo-tie requirement for external Capacity Performance resources. Staff will narrow the scope of the proposal and return to the committee in May.

PJM has been working on temporary solutions to resolve operational and reliability issues, but it wants to decide on a long-term solution in time for the 2017 Base Residual Auction.

In order to participate in PJM's capacity market, external resources are subject to pseudo-tie requirements. PJM has encountered some issues with the construct, however, including compliance risks, congestion management challenges, transmission service evaluation issues and operational impacts on neighboring systems.

Stu Bresler, vice president for market operations, said that a study such as the one proposed by the problem statement and issue charge could lead to changing the qualifications for granting transmission service into PJM.

A number of stakeholders expressed concern that if the deliverability standards are altered, they might preclude units currently allowed to deliver capacity into PJM from being able to do so in the future.

Bresler assured members that any changes would be applied "prospectively" and would not affect capacity that already has cleared.

However, that did not assuage the concerns of members including Ed Tatum, of American Municipal Power, who worried that generators may invest in upgrades only to find they are no longer eligible to deliver capacity in future delivery years.

"You need to have certainty," he said. "We're talking about making investments in units."

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FERC Sets LS Power's Artificial Island Base ROE for Hearing, Settlement

By Suzanne Herel

FERC last week granted Northeast Transmission Development some incentives for its Artificial Island project but denied one adder and set its requested base return on equity for hearing and settlement procedures.

NTD is a subsidiary of LS Power, which PJM chose to build a stability fix for the Salem and Hope Creek nuclear reactors in New Jersey. Its proposed formula rates were challenged by the Delaware Public Service Commission, the Delaware Municipal Electric Corp. (DMEC) and American Municipal Power (AMP). (See *LS Power's Artificial Island Rate Filing Challenged*.)

Artificial Island project map *Source: PJM*

FERC denied in part NTD's request for rate incentives, saying it had not provided adequate support for its proposed 50-basis-point "risks and challenges" adder (ER16-453).

But the commission accepted NTD's request for a 50-basis-point adder for its participation in PJM. The commission also approved NTD's hypothetical capital structure, recovery of deferred pre-commercial and corporation formation costs and abandoned plant recovery.

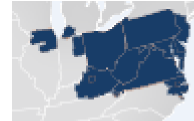
"The project will require a number of siting and permitting processes at multiple jurisdictional levels and may be canceled or modified through the PJM [Regional Transmission Expansion Plan] process," FERC said. "The project also faces significant construction challenges regardless of whether NTD ultimately decides to construct an overhead or submarine line."

FERC set for hearing NTD's proposed base ROE of 10.5% in the face of protests from DMEC, which asked FERC to set a base ROE of 8.91%, and AMP, which called for a base of 8.88%. If a settlement is not reached, a trial-type evidentiary hearing will be held.

The formula rate and protocols will be accepted effective Feb. 16, subject to refund.

PJM planners are considering reconfiguring the project as a result of Public Service Electric and Gas' $272 million cost estimate for its portion of the project — nearly double what PJM had estimated. That could alter the project's scope enough to require it be rebid under FERC Order 1000. (See *FERC Upholds Cost Allocation for Artificial Island, Bergen-Linden Projects*.)

PJM News



MRC/MC Briefs

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PJM Prepares for FERC Directive on MOPR

Bresler told the MRC that PJM wants to schedule meetings so that members are prepared if FERC directs the RTO to change its minimum offer price rule (MOPR) as a result of Ohio regulators' controversial approval of power purchase agreements for FirstEnergy and American Electric Power generating units. (See PJM: MOPR Could be Improved, but not by BRA.)

Eleven generating companies had asked FERC to expand the MOPR, which currently applies only to certain new resources, saying they feared that the Ohio PPAs could lead to below-cost offers from existing resources.

PJM agreed that the MOPR should be changed to counter subsidized offers from existing generators, but it asked FERC not to order changes before next month's BRA.

"Putting rules of this magnitude in place in such a short timeframe could lead to significant unintended consequences. The best course of action is to kick it to the stakeholder process, allow us to thoroughly vet the issue and allow us to come back in time for the next auction," Bresler said, paraphrasing PJM's filing.

"Having suggested that, we came to the realization that if we waited for a response from FERC before we started the ball rolling, it would put us even further behind the eight ball," he said. "We thought it would be prudent to get some meetings on the calendar."

Assuming FERC respects PJM's wishes and does not order changes for the upcoming auction, the first educational meeting would be scheduled for late May or early June.

In two other dockets, FERC on Wednesday rescinded the affiliate-sales waivers held by AEP and FirstEnergy, requiring federal review of the PPAs. (See FERC Rescinds AEP, FirstEnergy Affiliate Sales Waivers; Will Review Ohio PPAs.)

Changes to Manuals 12, 19 Approved

Members endorsed the following manual changes:

- Manual 19: Load Forecasting and Analysis. Revisions remove outdated rules for legacy air conditioner and water heater cycling programs and correct formulas for end-use weather variables.
- Manual 12: Balancing Operations and Tariff changes incorporate business rules of dynamic transfers.

Settlement Method for Demand Response Adopted

The committee endorsed a new method for measuring emergency demand response. It changes the emergency energy default customer baseline (CBL) from the hour before to the current default economic CBL. (See "Members Endorse New Way to Measure Emergency DR," PJM Market Implementation Briefs.)

GDECS Definitions and Clarifications Endorsed

The MRC and the Members Committee approved the nonsubstantive reorganization and relocation of definitions recommended by the Governing Documents Enhancement and Clarification Subcommittee (GDECS).

As part of its consent agenda, the MC also approved an additional 11 items recommended by the GDECS.

Over 16 objections, the MC also endorsed the definition of capacity import limit. Members had expected to vote on a friendly amendment to the definition, but that was withdrawn before the meeting.

"Putting rules of this magnitude in place in such a short timeframe could lead to significant unintended consequences. The best course of action is to kick it to the stakeholder process, allow us to thoroughly vet the issue and allow us to come back in time for the next auction."

Stu Bresler, PJM

MRC First Readings

- The MRC heard the proposed charter for the End of Life Senior Task Force, created in March to develop ways to provide more transparency and consistency in the communication and review of end-of-life projects in the Regional Transmission Expansion Plan.
- Members were informed of a proposed revision to the charter of the Energy Market Uplift Senior Task Force to include the review of virtual transaction rules.
- PJM's Dave Egan presented the recommendations of the Earlier Queue Submittal Task Force. The changes would require interconnection customers to provide more documentation earlier to ensure consideration of their projects. (See "Stricter Rules Proposed for Queue Submittal Process," PJM Planning Committee and TEAC Briefs.)
- Barry Trayers of CitiGroup Energy proposed adding the phrase "Any transactions that PJM staff determine would not benefit from delaying until the [equivalent forced outage rates] are published" to the "Replacement Resources" section of Manual 18.
- A proposed charter was presented for the Seasonal Capacity Resources Senior Task Force, which will study how such resources may participate in the Capacity Performance model in the 2020/21 delivery year and beyond.
- Dave Anders presented some minor word changes to a previously approved problem statement and issue charge to study distributed energy resources' path to PJM markets. (See "Faster Path to Market for Distributed Resources to be Studied," PJM MRC & Members Committee Briefs.)

— Suzanne Herel

Advertisement

SPP News

Board of Directors Briefs

Lowered Reserve Margin Promises $86M in Annual Savings

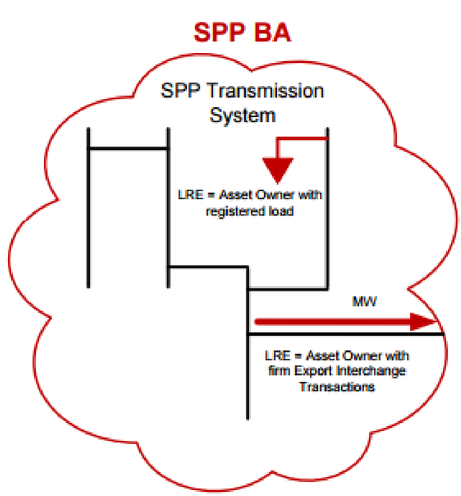
SANTA FE, N.M. — The SPP Board of Directors' approval last week of the RTO's first reduction in its planning reserve margin since 1998 almost left members wanting more.

The board accepted the Capacity Margin Task Force's recommendation to reduce the margin from 13.6% to 12% April 26 following a unanimous vote by members. SPP said the smaller margin, amounting to a 900-MW capacity reduction, would save its load-serving members about $86 million a year in capacity costs, or about $1.35 billion over 40 years.

Lanny Nickell, SPP's vice president of engineering, said the reduction was made possible by the RTO's expanding footprint, its ability to dispatch more than 700 resources as a single balancing authority and $6 billion in transmission expansion during the last decade. He said another $5 billion of approved projects have yet to be built.

"Looking ahead, we need a longer-term vision," said David Hudson, president of Xcel Energy's Southwestern Public Service subsidiary. "If all this transmission we're building creates benefits for our consumers, we have to see if we can achieve further savings."

Board Chair Jim Eckelberger agreed, saying, "This is one more step in getting savings out of our transmission investment."



Source: SPP

Nickell said stakeholders have told him the task force's work included "the most robust study" they have seen. Staff conducted more than 300,000 simulations and three different analyses of three test years to determine loss-of-load expectations (LOLE) at various reserve-margin levels. The so-called "limbo study" indicated SPP could go as low as 8.7% before exceeding its LOLE criteria. (See *SPP Capacity Margin Task Force Shares 'How Low' Reserve Margin Can Go*.)

The task force's recommendation included approving a package of policies defining a load-responsible entity and its obligations, planning reserve assurance and deliverability. The package had previously been approved by the Regional State Committee, the Markets and Operations Policy Committee, the Strategic Planning Committee and the Cost Allocation Working Group.

"From my perspective, this proposal is a great platform to move forward and make improvements," Dogwood Energy's Rob Janssen said.

"We learned a lot from this," Nickell said. "We debated a lot, but at the end of the day, there was a high degree of consensus. Our entire region will now benefit from improved reliability and capacity savings."

Board Approves 2016 ITPNT

Transmission buildout will continue with the board's approval of the 2016 Integrated Transmission Planning Near-Term (ITPNT) assessment, which recommended 86 upgrades representing $362.6 million in new engineering and construction costs. The approval is pending further evaluation of seven projects, five projects totaling $74.7 million resulting from a scenario assuming summer wind generation of almost 10 GW that some stakeholders said was unrealistic.

(A sixth project in the high-wind summer scenario, a full rebuild of a 115-kV line in a West Texas load pocket that came in at $17.7 million, was excluded from the re-evaluations.)

"Pulling these off to re-evaluate is the prudent thing to do," said Jason Atwood, the Northeast Texas Electric Cooperative's vice president of engineering and operations. "I just think [the] scenario pushes these projects up to the near term."

"Those projects may be fine, but I'd like to take a second look at those projects before we issue [notices-to-construct]," Eckelberger said. "I'd like to make sure we're not being driven by the way the model is set up. Rather than spend 92 million bucks with some questions, I'd rather get some answers."

The board also approved requests by Basin Electric Power Cooperative and American Electric Power to conduct "accelerated reviews" of their proposed projects in North Dakota and northwest Louisiana, respectively. Staff said it could complete the further evaluations of the seven projects by the July board meeting.

The annual near-term reliability assessment included the re-evaluation of 15 projects at the transmission owners' request. Seven of the NTCs were modified and eight withdrawn, resulting in $133.4 million in costs being pulled out of the study.

The planned development includes a $20.5 million project to address needs in the Tulsa, Okla., area; a $30.5 million project to address needs near Woodward, Okla. through the construction of a new substation and a 138-kV line; and a $145.7 million project to construct new substations and 115-kV lines to address "substantial load increases" in North Dakota's Bakken shale formation.

Nickell said that by using a winter-peak case to reflect the Integrated System's addition, the staff models solved many constraints before considering the effects of contingencies. He said most zones experienced a load reduction, but certain pockets — North Dakota, western Kansas and the Golden Spread Electric Cooperative and SPS' Panhandle area — saw increases. The bulk of the ITPNT's new investment ($261.5 million) is targeted for New Mexico, North Dakota, Oklahoma and Texas.

Staff said it would continue to consolidate planning efforts with "real" operations when determining whether projects can solve operational issues. "I would hate to ignore assumptions that go into these projects," Nickell said. "If we can find a project that solves some of these issues, I would hate to not pursue it."

MOPC Chair Noman Williams, COO for South Central MCN, recommended the Transmission Working Group take a second look at the high-wind summer scenario and bring it back to the board. His motion

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passed.

At the MOPC's recommendation, the board also endorsed the 2017 ITPNT's score, which will evaluate as potential violations NERC TPL-001-4 planning events that do not allow for nonconsequential load loss or curtailment of firm transmission service. (See "MOPC Approves TWG, ESWG Recommendations," *ITP Work Continues as Transmission Planning Improvements Loom for SPP*.)

Eckelberger asked members to opine on how TPL events should be handled in future planning studies. The MOPC removed consideration of TPL events from the 2017 ITP 10-Year assessment during its meeting two weeks earlier.

"Essentially, this takes future requirements NERC has placed on us … out of the ITP10," he said. "The real question: Is that something we can wait on, or do we need to incorporate it now?"

NextEra Energy Transmission's Brian Gedrich, chair of the Transmission Planning Improvement Task Force (TPITF), said his team has included the TPL standards in its work.

"It should be incorporated in the TPITF work, and let them sort it out," said Phil Crissup, vice president of utility technical support for Oklahoma Gas & Electric.

The task force is scheduled to present its final set of recommendations to the board, MOPC and SPC for their approval in July.

Board Approves Z2 Level Payment Plan

The board approved the Z2 Payment Plan Task Force's recommendation to use a level-payment plan resolving years of incorrect credits for transmission upgrades, despite continued stakeholder angst over the size of payments due.

Under the level-payment plan, each entity with a net payable will be given the option to pay the entire amount at once or in equal installments every three months, beginning in November, with the final installment due in August 2017. FERC's interest rate for refunds will apply to the outstanding balances. (See "MOPC Accepts Z2 Task Force's Level-Payment Plan," *SPP Markets and Operations Policy Committee Briefs*.)

"Our general philosophy is we're putting the cart before the horse on this issue," Hudson said. "A lot of this is recovered through a rate case; that's why we think a longer payback period is more appropriate. We don't know the potential liability for our customers … it's hard to agree to a payment plan when [you] don't know what the payment is."

Asked whether it would be wise to wait until July to make final decisions, OG&E's David Kays, chair of the task force, said the financial information will not be available for stakeholder review until July anyway, and that postponing a vote until July would slide FERC responses into October or later.

Kays said software systems would be production-ready by June 1 and historical data will be available for MOPC review in October. SPP has promised stakeholders will be able to review their data and the software calculations at SPP headquarters in late May.

"Two pieces you won't know" in May, SPP COO Carl Monroe said. "How many waivers get approved to go in ... the amount of credits due on point-to-point reservations to pay for usage and, as the TO, how much we have to claw back from revenue paid previously to pay for credits."

Monroe said much of that information won't be available until September. "We have to get through that puzzle, before we can determine the rest of it."

Board Pays Tribute to Ex-RE Chair Meyer


Meyer

SPP CEO Nick Brown and Eckelberger led the board in paying tribute to John Meyer, the first chairman of the Regional Entity's Board of Trustees. Meyer resigned his position earlier this year because of a conflict with the bylaws of Western Interconnection reliability coordinator Peak Reliability, where he is vice chair. (See *SPP Briefs: New Trustee Chairman, Wind Record*.)

Meyer remembered his early years with the RE, which began in 2007 after his retirement from Reliant Resources, with just four employees and facing a FERC audit.

"One of the strengths I see with SPP is its willingness to solve problems together," Meyer said. "I'm really sad to be leaving, but I'll be back to visit on occasion."

The RE doesn't expect to fill Meyer's position until July, at the earliest.

FERC's Bay Takes in Order 1000 Discussion

FERC Chairman Norman Bay was a special guest at the board meeting, attending the morning session for about 90 minutes. Given his tight schedule, the board rearranged its agenda to ensure Bay could listen to the discussion surrounding SPP's first competitively bid transmission project under the commission's Order 1000.

"I look forward to hearing your experiences with Order 1000," Bay said.

Bay took note of SPP's recent achievements, including the Integrated Marketplace's implementation and the addition of the Integrated System, and called them a "national leader" in integrating renewable energy.

"You're helping make the case markets drive reliability and efficiency, driving benefits for consumers," he said. "Fifty percent wind penetration … that's pretty amazing. Just a few years ago, people were wondering whether you could get 20%, and now you're almost at 50%."

Bay, a former New Mexico resident, also complimented SPP on holding its board meeting in Santa Fe. "Obviously, it shows they have good taste and judgment."

RE Report Shows 40% Drop in Violations

New RE Trustees Chairman Dave Christiano noted that SPP's registered entities saw a nearly 40% drop in violations of NERC standards during a rolling 12-month period that ended March 31. The RE recorded 48 violations in the current period, compared to 78 in the previous 12 months.

The systems security management, electronic security parameters and personnel and training categories showed some of the greatest improvements.

"The registered entities have this figured out," Christiano said. "We'll take some credit, but most of the credit goes to them."

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SPP NEWS

RSC Briefs

Integrated Marketplace Adds Participants, Wind Energy

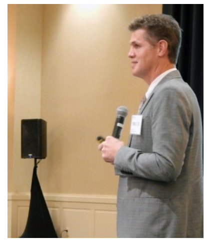
SANTA FE, N.M. — SPP's Integrated Marketplace continues to show growth and member benefits in its second year of business, SPP Vice President of Operations Bruce Rew told the Regional State Committee (RSC) last week.

Rew said 172 market participants — 110 classified as financial-only, 62 as asset-owning — are now registered for the Integrated Marketplace, comprising the day-ahead and real-time markets, a price-based operating-reserve market and a central balancing authority. He also said the markets delivered $380 million in net savings in the 12 months after they went live in March 2014 and $422 million in savings in 2015.

"We're still providing a lot of benefits with optimized dispatch, even with natural gas prices under $2," Rew said.

Part of the marketplace's success stems from SPP's growing wind capacity, currently 12,400 MW, with another 574 MW in the pipeline. The RTO, which previously had 50 MW of solar capacity, had an additional 140 MW register April 1, its first addition of solar in years, Rew said. The facilities will go online later this year.

Rew strayed from his presentation to note SPP had set two more wind energy records over the weekend, extending its wind peak to 10,989 MW on April 23 and its wind penetration level to 49.17% on April 24.



Rew

SPP has seen its generation profile change and become more diverse with the October addition of the Integrated System and its hydro and wind resources. The RTO set a new winter peak load of 37,412 MW on Jan. 18, 417 MW more than last winter's peak.

Rew also noted that the day-ahead market was only delayed from posting once in the first quarter of 2016. The real-time balancing market has successfully solved 99.9% of all intervals, he added.

More market improvements are coming. Rew said the gas-electric harmonization project is still on schedule for a fall implementation, and the enhanced combined cycle project is expected to meet its March 2017 target. (See "Enhanced Combined Cycle Project Moves Forward," *SPP Board of Directors/Members Committee Briefs*.)

CAWG Updates

The Cost Allocation Working Group (CAWG) updated the RSC on its work, including several issues which will come up for RSC and/or board votes in July.

Nebraska Power Review Board consultant John Krajewski said he hopes a new member cost-allocation review process will be ready for approval in July. He said the process should add consistency to the process used when new members are being considered or ask for changes to the Tariff.

"When we integrated Nebraska and the IS, there wasn't a firm process to follow," Krajewski said. "My impression was we flailed around as an RSC."

Adam McKinnie, chief regulatory economist with the Missouri Public Service Commission, said the working group's review of aggregate study waiver criteria will help the committee determine which transmission project costs are paid by companies purchasing transmission service and which are allocated to the SPP footprint. SPP's aggregate study assesses which projects are necessary to sell transmission-service requests (TSR) to move energy around the SPP system, as well as who pays for those projects.

McKinnie pointed out that costs are initially assigned to the different purchasers once

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He stressed the importance of CIP 5 compliance, sharing a presentation the RE viewed on the recent cyberattack against three Ukranian distribution companies. (See *How a 'Phantom Mouse' and Weaponized Excel Files Brought Down Ukraine's Grid*.)

"This wasn't a bunch of 15-, 16-year-old hackers in their basements," Christiano said. "This was a very well planned-out attack over a number of months. It's pretty scary stuff." The RE has scheduled a CIP workshop in Little Rock, Ark., May 24-25.

Tx Project Pulled from Consent Agenda

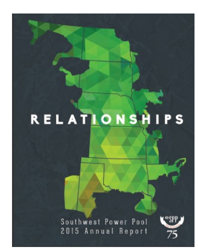
The board approved its consent agenda following a unanimous members' vote, but only after pulling the Project Cost Working Group's recommendation to reset the baseline value for a 110-mile, 345-kV transmission line in Nebraska and Missouri. It was valued at one time at more than $403 million, but received MOPC approval to reset its baseline value to $336.4 million.

"I thought we had a policy against resetting the baseline, unless it's a different project," Eckelberger said.

Staff was unable to recall any discussion of the project during the MOPC meeting, where it was part of the consent agenda. They promised to return the issue to the board with additional information.

The consent agenda included the addition of Basin Electric's Mike Risan and the Missouri River Energy Services' Ray Wahle to the SPC, reflecting the Integrated System's addition. It also approved six revision requests from the Market and Operating Reliability working groups.

Annual Report Focuses on Relationships



As is the custom, SPP staff handed out the organization's 2015 annual report before the board meeting began.

This year's report focuses on SPP's relationships, both internal and external. "We choose to highlight our relationships as a critical component of all we do and a binding agent, drawing together our staff, stakeholders and customers we serve to add value to our region," the introduction says.

— Tom Kleckner

SPP NEWS

RSC Briefs

Continued from page 17

the study is complete, but if those purchasers meet certain criteria, a portion of those costs will be paid for by the region. The amount approved for base plan funding is the "safe harbor," he said, but TSR purchasers who don't meet the safe harbor's three criteria can ask for a waiver.

The CAWG is considering criteria that would limit a utility's designated resource to no more than 125% of its forecasted load if it's granted a TSR, ensuring base-plan funding is not used for "resources which are unnecessary or uneconomic."

"The goal is to make sure only designated resources that are needed or close to forecasted load receive the waivers," McKinnie said.

Stephen Stoll, a commissioner with the Missouri PSC and chair of the Regional Allocation Review Task Force, told the RSC his group had finalized the language for a new business practice implementing each of the remedies recommended in the 2012 RARTF report. The task force intends to bring the revision request for MOPC and board approval in July.

The business practice is designed to "lay the foundation for documenting the potential [regional-cost allocation review] remedies and clarify the process … implementing [an RCAR] remedy." The task force is responsible for defining the analytical methods used to review the "reasonableness" of the regional-allocation and zonal-allocation methodologies.

The committee also received a status report from the Transmission Planning Improvement Task Force and an update on the 2016 Integrated Transmission Plan's 10-Year Assessment and report (See related story, *Board of Directors Briefs*, p.15).

MISO Settlement Funds Held Up

COO Carl Monroe told the committee that SPP has received funds from the recent $9.6 million settlement with MISO, but that protests have delayed distribution of the money.

MISO agreed to the payment to reimburse SPP and impacted members for its use of their transmission systems since 2014. (See *FERC OKs MISO-SPP Transmission Settlement*.)

On Jan. 27, SPP proposed a new Tariff Attachment AU to govern the distribution of the settlement revenues. The City of Lincoln, Neb., and four wind farms protested in February.

From left to right: RSC Vice Chair Steve Stoll, Chair Patrick Lyons and Kansas Corporation Commissioner Shari Feist Albrecht © *RTO Insider*

Lincoln said that SPP's proposal to create a new revenue allocation methodology is unnecessary, and that the RTO should allocate the revenues under the rules in Tariff Attachment L.

In its answer, SPP said that Attachment L is not applicable to the settlement revenues. Contrary to Lincoln's protest, SPP said it is not providing point-to-point (PTP) transmission service but available system capacity (ASC) usage.

PTP service is charged based on the amount reserved, regardless of actual scheduled usage, and includes a point of receipt and a point of delivery on the SPP system. ASC usage is charged based on actual usage of the SPP and joint parties' transmission systems as determined by the flow impact of MISO market dispatches between its North and South regions. (The joint parties are Associated Electric Cooperative Inc., PowerSouth Energy Cooperative, Southern Company Services, Tennessee Valley Authority, Louisiana Gas and Electric and Kentucky Utilities.)

SPP also rejected the wind farms' complaint that its proposal would circumvent the Z2 revenue crediting process, which gives upgrade sponsors a share of revenues received by SPP when the transmission upgrades they funded are used by others. "Attachment Z2 of the SPP Tariff is simply not applicable to the [joint operating agreement] settlement revenues," SPP said.

On March 25, the commission accepted SPP's proposal in part and set the docket for hearing and settlement procedures, saying there were factual issues in dispute that could not be resolved based on the record before it (ER16-791).

The commission rejected SPP's proposal to reimburse $456,000 spent by some transmission owners on legal expenses in the SPP-MISO dispute. "SPP has not provided any commission precedent permitting a regional transmission organization to reimburse certain stakeholders for legal expenses, nor has SPP shown that the transmission owners that incurred the legal expenses represented the interests of SPP and its transmission customers rather than their own interests," FERC said.

The first settlement conference was held April 21, with a second scheduled June 16.

In the meantime, Monroe said, SPP has asked FERC for permission to distribute the funds to members who signed on to the settlement agreement. "We will be distributing those funds based on our proposed distribution," he said, but he noted the distribution would be to entities that can make refunds to SPP "if the settlement is different than … proposed."

'Where Policy Issues Go to Die'

Denise Buffington, director of energy policy and corporate counsel with Kansas City Power and Light, asked Monroe whether the MOPC's recent decision to develop a business practice to address non-Order 1000 seams projects was the right mechanism to resolve FERC's rejected Tariff revision. (See "SPP Pondering 'One-Offs' as Potential Seams Projects," *SPP Markets and Operations Policy Committee Briefs*.)

"It feels like a business practice is a place where policy issues go to die," Buffington said.

"We'll debate that as we go through the business practice," Monroe assured her. "No one wanted to go through a FERC refiling. The question we're still trying to address is whether there's a gap … the business practice is going to have to deal with where the gap is."

— Tom Kleckner

SPP NEWS

SPP Awards First Order 1000 Project — but it may not be Needed

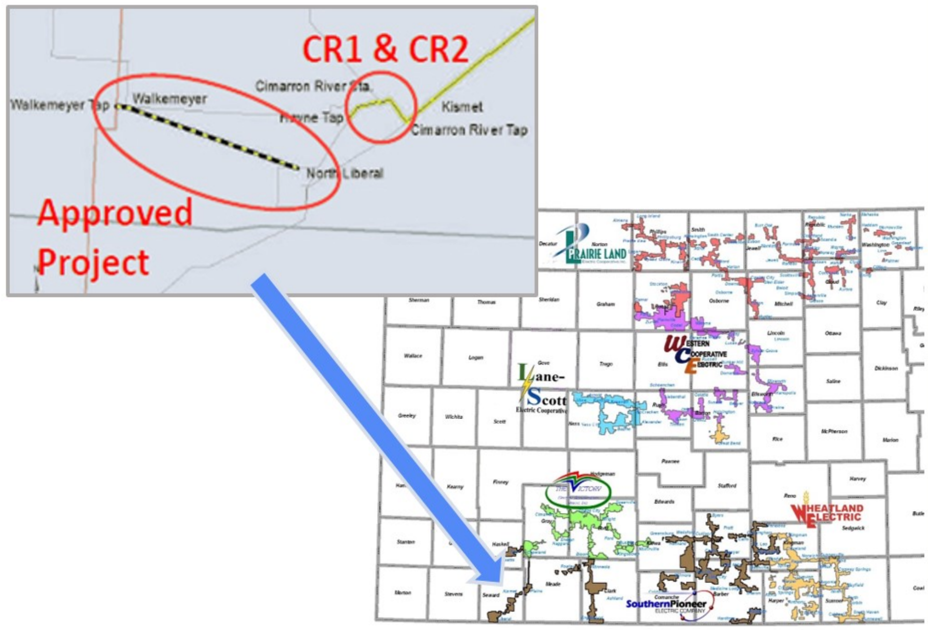
Continued from page 1

generation and transmission provider.

Mid-Kansas said the area has seen a drop in forecasted loads from oil and gas exploration. It also loses the auxiliary load of a nearby gas-powered generating plant when SPP doesn't dispatch the plant. The load forecast that drove the need for the Walkemeyer project was conducted almost three years ago as part of SPP's Integrated Transmission Planning 10-year assessment.

"I try to put myself in [the stakeholders'] shoes," Lowry said. "This project is a reliability project, so it's totally driven by load forecasts. We're seeing a reduction in the region, so we made a decision we need to report on this. If the information is correct, we want to do what is best."

Lowry said Mid-Kansas has contracted with Burns & McDonnell to provide an "independent set of eyes" on the need for the new line.



Source: Mid-Kansas Electric, SPP

Mid-Kansas asked SPP last month to re-evaluate notices-to-construct it has already received for the two noncompetitive portions of the project, which include building a new switching station with a 345/115-kV transformer and making terminal upgrades at the existing North Liberal and Walkemeyer substations. The board granted staff's request for an expedited review of the need for both NTCs, which were awarded last summer.

SPP CEO Nick Brown also mentioned the load-forecast changes at a Gulf Coast Power Association conference two weeks ago. (See *Grid Execs Talk Cybersecurity, Renewables, Order 1000*.)

Paul Suskie, SPP's executive vice president of regulatory policy and general counsel, said SPP members are free under the Tariff to request project re-evaluations at any time.

"The request to restudy this line is a part of our stakeholder process that occurs every year," he said. "SPP will re-evaluate this line as we have others in the past."

Mid-Kansas' winning bid received an 892.85 score on a 1,000-point scale from the IEP, 13% higher than OG&E's proposal, which scored a 785.67. The other nine bidders were not identified.

Mid-Kansas was one of only two bidders to win 100 incentive points for providing a "detailed project proposal," but it would have won even without it, the IEP said.

The IEP's scoring methodology graded each respondent on engineering design, experience in project management, construction and operations, a rate analysis (estimated total cost, including financing, FERC incentives and any cost certainty guarantees by the bidder) and finance (including financial viability and creditworthiness).

The panel said the Mid-Kansas proposal met all of its evaluation criteria, receiving 90% of the possible finance points and contained the second-lowest 40-year net present value.

"Our recommendation was built around what the entire panel felt would a successful project," said the panel's chair, Steve Strickland, who spent 35 years with Entergy Arkansas. "We defined that as a project that operated as intended, was on schedule and under budget."

The Mid-Kansas and OG&E proposals were very close with their engineering and construction cost estimates ($8.33 million versus $8.44 million, respectively) and NPV estimates ($10.57 billion versus $10.15 billion).

"This represents a lot of hard work by our staff. A lot of the credit goes to them," said Lowry, naming Mid-Kansas COO Kyle Nelson, CFO Davis Rooney and Al Tamimi, vice president of transmission planning and policy at Sunflower. "There was a lot of uncertainty over the process, how the proposals would be evaluated … everyone learned a great deal."

Formed in 2005, Mid-Kansas serves a combined 200,000 members in western and central Kansas. Its assets include 843 MW of natural gas, coal and wind generation and about 1,140 miles of transmission. Sunflower adds another 655 MW of generation and 1,205 miles of transmission.

SPP stakeholders developed and FERC approved a transmission owner selection process to comply with Order 1000, which required the removal of federal rights of first refusal for certain transmission projects.

The process began in June 2014, when interested parties had 180 days to respond to the Walkemeyer project's request for proposals. The IEP was established in November, and shortly thereafter it began its review and evaluation of the 11 responses.

COMPANY BRIEFS

Southern's Kemper Project Racks Up Another $61M

Southern Co. subsidiary Mississippi Power said its repeatedly delayed Kemper Project, now scheduled to become operational on Sept. 30, continues to mount up expenses.

In the latest tally, Mississippi Power spent another $61 million, pushing the total up to $6.7 billion. The low-carbon-emitting plant was initially estimated to cost $2.9 billion. The company is eating $2.7 billion of the cost overruns, but customers may eventually be on the hook for as much as $4.3 billion.

More: *The Associated Press*

Exelon Agrees to Help Fish Through Dams

In an attempt to restore threatened populations of American shad and herring, Exelon Generation said it will make improvements to four of its hydroelectric plants to allow the fish to more easily pass through for breeding.

Exelon Power President Ron DeGregorio called the agreement "a significant step toward the Fish and Wildlife Service's goals to restore American shad and river herring populations on the Susquehanna River." While Exelon improves the fish-lift system at the dam, the "trap and transport" program will allow fish from both species to bypass the barriers on their upstream migration.

The U.S. Fish and Wildlife Service has set a goal of restoring 2 million American shad and 5 million herring above four Susquehanna River dams.

More: *Central Penn Business Journal*

Cisco Systems Buying Clean Energy from Duke

Cisco Systems is buying renewable energy from Duke Energy for its Research Triangle campus near Raleigh through Duke's Green Source Rider program.

Cisco is the second major technology company, after Google, to join the program. Cisco will purchase power and renewable energy credits for two 5-MW solar projects near Charlotte.

Duke spokesman Randy Wheeless said a third client has signed up for the program, but the company isn't ready to release information on that customer.

More: *Charlotte Business Journal*

Oil Company Scraps Plans For Using 98-Year-Old Pipeline

A Houston-based pipeline company said it will scrap plans to repurpose 98-year-old pipelines running under the St. Clair River in Michigan after community protests and officials expressed concerns about the reliability of the conduits.

Plains LPG said it has withdrawn its request to use the pipelines running beneath the St. Clair River between Marysville, Mich., and Sarnia, Ontario. It had applied to use the pipelines to transport crude oil. The pipelines were built in 1918 and upgraded in the 1970s. Few comments were lodged during the public comment session, but a public outcry resulted after the *Detroit Free Press* reported on the plans.

U.S. Sen. Gary Peters and Reps. Candice Miller and Debbie Dingell got involved and asked U.S. Secretary of State John Kerry to intervene because the pipeline crosses an international boundary.

More: *Detroit Free Press*

Dominion Shareholder Resolution Questions Financial Risk

The Securities and Exchange Commission won't block a Dominion Resources shareholder resolution calling for an analysis of the financial risks investors face if the company is unable to complete a new nuclear reactor.

The resolution will be presented at the May 11 annual meeting. It calls for Dominion to

prepare an analysis by Nov. 30 reporting on the potential financial impacts if the Virginia State Corporation Commission denies a permit and the recovery of costs for the North Anna 3 project.

The North Anna 3 reactor has already cost more than $600 million. The SCC estimates the total project cost at $19.3 billion.

More: *Virginia Citizens Consumer Council*

Mississippi Power Breaks Ground On Second of Solar Project Triad

Mississippi Power and Silicon Ranch broke ground on a 50-MW solar farm in Hattiesburg, Miss., last week. The $100 million, 450-acre solar farm will supply enough electricity for about 6,500 homes.

The 600,000-solar-panel project is the second of three planned Mississippi Power solar farms. The company and Origis Energy will begin work this month on a 52-MW utility-scale photovoltaic project in Sumrall, Miss. Construction has been underway since March on the company's 3 to 4 MW project on the Naval Construction Battalion Center in Gulfport, Miss., in conjunction with the U.S. Navy and Hannah Solar.

More: *Mississippi Power*

Austin Energy's Search For GM Narrows to 4

The City of Austin released its short list of finalists for Austin Energy's top job and City Manager Marc Ott said he expects to appoint a nominee by mid-May.

The four candidates for the general manager's position are Deborah Kimberly, an executive at Austin Energy; Jacqueline Sargent, general manager of the Platte River Power Authority in Fort Collins, Colo., and a former Austin Energy executive; Terrance Naulty, who oversees the Owensboro Municipal Utilities in Owensboro, Ky.; and James West, assistant general manager of

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COMPANY BRIEFS

Continued from page 20

the Snohomish County Public Utility District in Everett, Wash.

Austin Energy, which has nearly 450,000 customers, has come under intense scrutiny from state officials over its management and rates, and the utility is preparing to ask for a rate hike this summer. Its last general manager, Larry Weis, departed in January to run Seattle's electric utility.

More: Austin American-Statesman

PNM Energy Efficiency Programs Lead to Big Electric Savings

Public Service Company of New Mexico's energy efficiency programs have saved enough electricity since 2007 to power about 274,000 homes a year, according to the company's latest annual report. The company has also paid out $55 million in rebates to customers, helping offset the cost of installing energy-efficient appliances and systems.

The report, released last week, details a variety of programs that help customers lower consumption, such as rebates for replacing inefficient refrigerators, cooling equipment and appliances with more modern models. The company also partially reimburses efficiency upgrades for businesses and new energy-efficient construction.

PNM and New Mexico's other public utilities began adopting measures nearly 10 years ago to comply with the state's Efficient Use of Energy Act, which requires the companies to reduce 2005 retail sales by 5% by 2014 and 10% by 2020.

More: The Albuquerque Journal

Pedernales Co-Op to Build Solar Sites in Texas Hill Country

Texas' Pedernales Electric Cooperative will begin developing several solar generation sites across its service territory in the Hill Country west of Austin. The projects are expected to produce 15 MW.

PEC is working with Renewable Energy Systems and its subsidiary, RES Distributed, to develop and construct the sites. RES will also operate the facilities, the first of which is expected to go online later this year.

More: KVUE

CPS Slashes Prices For Community Solar

CPS Energy has begun construction on a community solar farm, but after going almost nine months without signing up paying customers, the San Antonio-owned utility's "roofless solar" program was forced to slash its prices by almost one-third. The utility discounted its initial price for a panel from $406 to $289.

In June 2015, CPS entered into a deal with Colorado-based Clean Energy Collective to develop a roofless solar program that would supply 1.2 MW of electricity to San Antonio's grid. CEC agreed to build the farm and sell the rights to individual solar panels to CPS residential customers for a flat fee. Those who buy the panels would receive a monthly credit on their electric bill based on their panel's solar energy output and their consumption.

Hundreds of people signed up for information about the program. But with an initial price point of $406 to save an average of $1.90/month, CPS said the program had failed to attract many customers. Even at the discounted price, customers would need more than 12 years to recover their investment.

More: San Antonio Business Journal

Duke Energy Sets Higher Goal for Renewables

A Duke Energy report on the achievements of its sustainability program proposes to increase its renewable energy goal by 33%, with plans to own or buy at least 8 GW of mostly wind and solar power by 2020.

"Renewable energy will continue to be a growing part of our generation mix in the future," said Cari Boyce, vice president for policy, sustainability and stakeholder strategy.

By the end of last year, the report said, Duke owned or purchased 4.4 GW of renewable energy in its commercial and utility businesses.

More: Charlotte Business Journal

Wind Power Has Strong First Quarter

American wind generators added 520 MW of capacity in the first quarter of the year, the best quarter since 2012, according to the American Wind Energy Association.

According to AWEA's 2016 Market Report, construction has started on another 2,000 MW of wind generation in the country, bringing the total of wind capacity under construction to 10,100 MW.

AWEA said there are now more than 48,800 wind turbines turning in 40 states, Puerto Rico and Guam. Another 5,100 MW of wind capacity are in advanced stages of development, or nearing completion, the association said.

More: AWEA

Oracle Buying Opower for $532M

Energy analytics company Opower said Monday that it has accepted Oracle's $532 million purchase offer, a deal that values Opower's shares at a 30% premium to Friday's close.

More than 100 utilities use Opower's data services, which track household energy-use trends, to help meet state energy efficiency standards.

Last year, Opower reported an operating loss of almost $45 million on $145.7 million in revenue. Founded in 2007, the company went public in 2014.

More: The Washington Post

FEDERAL BRIEFS

New EPA Methane Leak Rules out Soon

EPA announced that rules covering methane leaks from new oil and gas wells will come out soon, but the agency would give no guidance on when rules covering existing wells would be released.

The agency said it is gathering data on existing wells before developing the rules. The Obama administration has put the rules at the top of its priority list because of the effect of methane on climate change.

"We have been moving in a very methodical manner to address pollution in ways that withstood legal challenges and are making a difference on the ground, and that is what we're doing," said Janet McCabe, head of EPA's Office of Air and Radiation.

More: *The Hill*

NRC Approves Early Permit For Possible 4th Salem Reactor

The Nuclear Regulatory Commission's Atomic Safety and Licensing Board approved preliminary documentation for the commission to issue an early site permit for a possible fourth nuclear reactor at PSEG Nuclear's Artificial Island complex in New Jersey.

Although the company hasn't yet committed to constructing a fourth reactor, it is pursuing the permit for planning purposes. If issued, the permit would be good for 20 years.

More: *The Philadelphia Inquirer*

Geological Survey Says Turbines, Sandhill Crane Can Coexist

Wind energy sites in southern states are unlikely to have a significant negative effect on the migratory patterns of the sandhill crane, according to a report from the U.S. Geological Survey.

"The current placement of wind energy towers in the central and southern Great Plains may have relatively few negative effects on sandhill cranes wintering in the region," the study concluded. Among the states included in the review were Texas, Oklahoma, Kansas and New Mexico, which serve as temporary habitats for the cranes during their migration south from Canada and northern states.

More: *Times Record News*

EPA to Reimburse States, Tribes For Gold King Mine Spill

EPA said it will reimburse state, local and tribal governments for the estimated $1 million they spent on environmental costs after the agency accidentally caused a massive spill of mine wastewater in Colorado last August.

The agency is also considering declaring the Gold King Mine a Superfund site, which would make it eligible for additional federal cleanup dollars.

A crew working for EPA accidentally breached a wastewater holding area, releasing 3 million gallons of water containing lead, arsenic, copper and other pollutants. The tainted water flowed downstream through Colorado to New Mexico and Utah. The affected area included land owned by the Southern Ute and Navajo Nation tribes.

More: *The Associated Press*

Ex-NRC Commissioner: Licensing Process Hinders Investment

Merrifield

Former Nuclear Regulatory Commissioner Jeffrey S. Merrifield said the commission's current step-by-step licensing process for new nuclear reactor technology leaves advanced design developers with little information to go on and is hindering investment into research and development.

"One of the disadvantages of the current system is it's sort of all or nothing," said Merrifield, chairman of the Nuclear Infrastructure Council's Advanced Reactors Task Force. "You have to put in your license application and wait a very long period of time to determine whether the NRC is going to find that to be acceptable."

Merrifield made his comments at a House Energy and Commerce subcommittee hearing on Friday. As an example of a good model for NRC, he pointed to the Canadian Nuclear Safety Commission's process, which has "discrete milestones" that "provide an early regulatory signal" of possible approval that costs project developers about $5 million, much less than required under current NRC procedures.

More: *Morning Consult*

Texas Company Applies for Interim Nuclear Waste Permit

Waste Control Specialists, in partnership with France-based AREVA, has applied to the Nuclear Regulatory Commission to store used nuclear fuel and other nuclear waste in Andrews County, Texas. The company's design envisions a facility able to store 40,000 metric tons of used fuel, with an operational date of 2021. It would remain open for 40 years.

"Establishing an economically viable solution for used fuel management in the United States is vital to sustaining and advancing nuclear energy," said Greg Vesey, senior vice president of AREVA TN Americas.

Political and industry leaders have been unable to devise a permanent storage facility for the nation's roughly 70,000 metric tons of accumulated spent fuel and radioactive byproducts from nuclear reactors. In April, Holtec International announced plans to open a $5 billion consolidated interim storage facility in New Mexico, with a life span of 100 years. Holtec said it will apply for its license by the end of the year.

More: *Power Magazine*; *The Texas Tribune*

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Federal Briefs

Continued from page 22

California Senate Demands DOE Remove San Onofre Waste

The California Senate is demanding that the U.S. Department of Energy remove nuclear waste stored at the retired San Onofre nuclear generating station. The oceanfront plant has been shut down since a leak in a steam generator convinced owner Southern California Edison that it made no economic sense to restart the two units.

The Senate resolution calls on President Obama and the U.S. House of Representatives to approve a bill that would call for consolidation of all nuclear waste being stored on plant sites.

"It's way past time for the federal government to move the nuclear waste stored at San Onofre to a location away from densely populated and environmentally sensitive areas," said California Sen. Patricia Bates. "I'm pleased that my state Senate colleagues have endorsed my call to Washington D.C. to approve pending legislation that would help make Orange and San Diego County residents safer."

More: City News Service

NRC Clears Environmental Review Of Suspended Bell Bend Project

The Nuclear Regulatory Commission last week declared that there are no environmental issues that would hold up the issuances of a combined license for the proposed Bell Bend nuclear station project near Harrisburg, Pa., even though the project is no longer active.

In 2008, PPL, which spun off its generation assets into Talen Energy, applied for the license, which launched the environmental review. But last year, the designer of the project's proposed reactor, AREVA, asked NRC to suspend the safety review. AREVA was to design a third-generation light-water reactor for the project.

The AREVA request put the design certification review on hold, but the environmental review continued. There is no word if the project will start up again.

More: Nuclear Street

TVA's Bellefonte Nuke Plant up for Sale

The Bellefonte Nuclear Generating Station, the Tennessee Valley Authority's never-operational plant near Hollywood, Ala., is going on the market.

TVA halted construction in 1988 on two incomplete 1,256-MW pressurized water reactors on the site. TVA is considering a sale of the entire 1,600-acre complex and is conducting a webinar open to the public to discuss the possible sale.

More: The Associated Press

State Briefs

REGIONAL

ISO-NE: Summer Supply Adequate in New England

New England is expected to have adequate electricity resources this summer, according to ISO-NE.

Although electricity supplies are expected to be sufficient, construction work on the region's pipeline infrastructure will limit delivery of natural gas to some power plants and require them to obtain alternative fuel.

Under normal weather conditions, electricity demand is forecasted to peak at 26,704 MW. Last summer, demand for power peaked on July 20 at 24,398 MW.

More: ISO-NE

MAINE

Plant Maintenance Causes Rusty Fallout to Stain Parked Cars

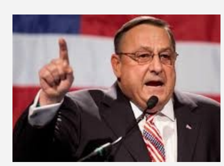
A Calpine power plant in Westbrook that spewed rust from its exhaust stacks after undergoing maintenance will have to pay $300,000 to clean up automobiles parked at a neighboring business.

Calpine said a contractor had sprayed dry ice onto metal boiler tubes to remove rust during a maintenance procedure. When the plant was restarted on April 12, the residue spewed out of the stacks into the atmosphere, which combined with rainfall to stain cars parked at the nearby Idexx Laboratories. Calpine is paying between $1,000 and $1,500 each to have about 300 cars detailed, said John Flumerfelt, a company spokesman.

The company reported the incident to the state Department of Environmental Protection, which did not have concerns about possible health effects.

More: Portland Press Herald

Governor Vetoes Solar Net Metering Bill



LePage

Gov. Paul LePage vetoed a solar energy bill Wednesday that did not include a price cap that he demanded.

A request by LePage to cap net metering credits at 10 cents/kWh, which would then decline after 18 months, failed to win legislative support before the bill was passed.

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STATE BRIEFS

Continued from page 23

Solar advocates now plan to press lawmakers to override the veto when they reconvene Friday. But the Legislature's vote to approve the measure fell short of the two-thirds majority needed to overturn the governor's veto, raising doubts about an override.

More: Portland Press Herald

MARYLAND

Silver Spring Company Launches Community Solar Initiative

A Silver Spring man intends to be one of the first in the state to take advantage of new legislation enabling a community solar concept.

Gary Skulnik's Neighborhood Sun will allow customers to pay a subscription fee to help fund solar arrays in return for credits on their electricity bills.

He estimates his project will be in the 12- to 14-cent/kW range, and subscribers would save about 10% on their monthly bills.

More: Bethesda Magazine

MISSOURI

PSC Approves Twain Tx Project, But Only if Counties Agree

The Public Service Commission approved Ameren Transmission Company of Illinois' Mark Twain transmission project last week, but it passed the buck to five counties that must approve the 100-mile 345-kV line.

The PSC ascribed several conditions to Ameren's certificate of convenience, including the approval of five northeastern counties that the line will cross. Four counties have not taken a position. Marion County Commissioner Lyndon Bode said his county plans on sticking to a 2014 resolution that opposes the line.

Neighbors United, a 400-member group of landowners opposing the line, said while they were disappointed with the decision to award Ameren a certificate of convenience, they were "heartened" that local governments will have effective veto control over the route.

More: Herald-Whig

NEW HAMPSHIRE

Public Utilities Commission Awards Renewable Grants

The Public Utilities Commission awarded $1 million to four renewable energy projects sponsored by the state's Renewable Energy Fund. The PUC received eight applications with requests for more than $3 million.

Grants were awarded to: the Pemi-Baker Cooperative School District, for $325,000 to install a dry wood chip-fired biomass boiler; Ever Better Hydro, for $200,000 to reactivate a 415-kW hydroelectric station; University of New Hampshire, for $200,000 to install and operate a 200-kW steam turbine generator at its combined heat and power plant that burns landfill gas; and Froling for $300,000 to install a dry wood chi- fired biomass boiler and a continuous feed wood chip drying facility for increasing production of dry wood chips.

The grants will be leveraged with an additional $1.9 million in project funds.

More: New Hampshire Public Utilities Commission

NEW JERSEY

Christie: No Plans to Comply With Clean Power Plan

Gov. Chris Christie's administration has no plans to draft a proposal to comply with EPA's Clean Power Plan.

"It's not in our DNA. We don't need EPA's re-engineering," said John Giordano, an assistant commissioner of the state Department of Environmental Protection.

The state has joined a lawsuit with 27 others to block the carbon reduction effort.

More: NJ Spotlight

NEW YORK

Degraded Baffle Bolts Found at Indian Point

The number of degraded bolts found at the Indian Point nuclear plant was the largest seen to date at a U.S. reactor, according to a Nuclear Regulatory Commission blog post. Specialists found 227 of 832 stainless steel alloy bolts, which hold together baffle plates, were degraded.

Inspection of the bolts in pressurized-water reactors became a priority after cracking was identified in baffle-former bolts in the 1980s in France. The degradation is caused by irradiation-assisted stress corrosion cracking. The bolts measure about 2 inches in length and five-eighths of an inch in diameter. Baffle plates help direct water up through the nuclear fuel assemblies, where it is heated.

Entergy, the plant's operator, is analyzing the condition and replacing the degraded bolts during a refueling outage. It will also assess any implications for Indian Point Unit 3, though that reactor is believed to be less susceptible. Gov. Andrew Cuomo has stated he wants Indian Point shut down because of its proximity to New York City.

More: Nuclear Regulatory Commission

NORTH DAKOTA

Lignite Industry Asks State for Increased Help

The state's coal industry, which is threatened by carbon-reduction requirements of EPA's Clean Power Plan, will ask the state for more financial help.

"This is no longer a vague threat out there in the future," Jason Bohrer, president of the Lignite Energy Council, told members at the organization's annual meeting. The council, which makes recommendations to the Industrial Commission on funding lignite coal-related research projects, has typically been funded with extraction taxes collected from the coal industry.

The industry received a first-ever direct appropriation during the past legislative session of $5 million from the general fund for the Lignite Research Council.

More: The Bismarck Tribune

Continued on page 25

State Briefs

Continued from page 24

OKLAHOMA

Commission Approves OG&E $500M Scrubber Plan

The Corporation Commission voted 2-0 to approve Oklahoma Gas & Electric's third attempt for a $500 million coal scrubber project at its Sooner Generating Station to address tougher emissions regulations. The commission called the project "reasonable."

The commission last year rejected two previous attempts by OG&E to get preapproval for the scrubbers and other environmental and replacement generation projects. The first case, a $1.1 billion request, would have meant bill increases of up to 19% by 2019. A narrowed, second request was voted down in December.

OG&E's latest request for a lower-cost solution was supported by the commission's public utility division, the attorney general's office and Oklahoma Industrial Energy Consumers. They argued the scrubbers would preserve fuel diversity. OG&E planned to convert the Sooner coal units to natural gas if regulators didn't approve the scrubbers.

More: *The Oklahoman*

PENNSYLVANIA

FirstEnergy's Met-Ed Seeks Rate Increase

FirstEnergy utility Met-Ed is asking regulators for a rate increase that would hike residential customer bills by 13.6% to pay for improvements to the distribution system.

That translates to a monthly increase of $17.52 for a typical residential customer. The utility last sought an increase in 2014, which raised residents' rates by 10.9%.

More: *York Daily Record*

WYOMING

Officials Break Ground on Carbon Emission Test Center

Gov. Matt Mead, state officials and utility executives broke ground April 27 on a coal-fired power plant's test center Wednesday in what they termed a "moon shot" bid to save the coal industry by identifying economic uses for captured carbon emissions.

Officials presented the test center, where teams of scientists will compete to turn carbon emissions into economic products, as the cure to coal's ills. Mead said the center is evidence the state could help determine the future of the coal industry, saying it would not idle as federal officials imposed new environmental regulations that would make coal uncompetitive.

The $21 million Integrated Test Center will be built adjacent to SPP member Basin Electric Power Cooperative's Dry Fork Station, one of the newest coal-fired plants in the U.S. Scientists will compete to win a $10 million purse from the X-Prize Foundation, a nonprofit organization that helped launch the private space industry. The winner will take the greatest volume of carbon from the plant's emissions and turn it into a product with the greatest value.

More: *Casper Star-Tribune*

All Eyes on AEP, FirstEnergy as FERC Targets Ohio PPAs

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have proposed deals that they say would save ratepayers billions. (See Next up in Ohio PPA Battle: Dynegy Weighs in.)

Opponents of the PPAs asked PUCO to reconsider its approval Monday, the deadline for responses to the orders. And in a surprise move, FirstEnergy asked PUCO to allow it to withdraw the PPA but keep a charge on customers' bills that would provide essentially the same rate increases the PPA provided (14-1297-EL-SSO).

The surcharges would be based on estimated power production costs, not actual costs. If approved by PUCO, it would allow FirstEnergy to avoid FERC review.

"FirstEnergy's latest gambit underscores that its bailout proposal has nothing to do with protecting customers or preserving Ohio generation, and everything to do with propping up corporate profits," said Shannon Fisk, managing attorney at Earthjustice, a nonprofit law firm representing the Sierra Club.

Will Ohio Reregulate?

An angry Akins told stock analysts Thursday that AEP "will advocate for legislation in Ohio that would reregulate generation in the state or provide a mechanism for AEP Ohio to own and develop generation assets, including the plants included in the PPA and renewables."

In FirstEnergy's earnings call Wednesday, before the commission's order, there was no mention of reregulation.

But CEO Chuck Jones told *The Plain Dealer* last year that he would end Ohio deregulation "in a heartbeat." And in a Securities and Exchange Commission filing after the FERC order, the company said that it "will consider both short-term and long-term legislative and regulatory solutions in Ohio to preserve the benefits associated with the" PPA.

Porter

Former PUCO Chairman Todd Snitchler says reregulation is unlikely.

"Given how far down the road Ohio has already gone, it would be very difficult to put the proverbial toothpaste back in the tube," said Snitchler, who is now spokesman for the Alliance for Energy Choice, a group formed to fight the PPAs.

"I believe there is no strong appetite in the legislature to move toward reregulation … now that they are seeing the outcome that the legislation intended," he said. "And quite frankly, I think it very odd that a company such as AEP is now going to say, 'I'm going to pick up the phone and get them to do my bidding.'"

A spokesman for Ohio House of Representatives Speaker Cliff Rosenberger

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EFH Files New Chapter 11 Plan; Oncor-Hunt Deal in Doubt

Continued from page 1

confirmation hearing by Aug. 1; creditors are supposed to be able to vote on the deal by July 22.

Under the new plan, EFH said it still wants to spin off its Luminant generation and TXU Energy retail businesses to senior creditors. The difference this time is EFH would allow the creditors to take control of those assets without waiting for an Oncor deal.

The Wall Street Journal named Florida-based NextEra Energy, which has pursued Oncor since 2015 and intervened in Oncor's docket with the Public Utility Commission of Texas (#45188), as a potential suitor.

Oncor, which delivers power to more than 3 million homes and businesses in North and West Texas, is estimated to be worth as much as $20 billion. Under the terms of EFH's original bankruptcy filing, Oncor's sale would have funded the exit plan.

Privately held Hunt Consolidated has also been attempting to acquire Oncor for years, hoping to pair it with its Sharyland Utilities, which operates in portions of West and South Texas. The Hunt group and EFH investors received approval March 24 from the Public Utility Commission of Texas to split Oncor into a REIT and a second company, which would rent the facilities owned by the former. (See *Texas Commission Approves Oncor REIT Structure*.)

But the PUCT's order slapped numerous conditions on the proposed deal that made it less attractive to investors, including requiring federal tax savings be set aside for possible refunds to customers. The Hunt group's proposed REIT structure would have allowed them to funnel as much as $250 million a year in tax savings to shareholders.

Sixteen Dallas business and political leaders, including Ross Perot, former U.S. Sen. Kay Bailey Hutchison and Roger Staubach, filed a letter with the PUCT last week asking the commission to reconsider its order.

EFH said in its Chapter 11 filing Sunday that because the PUCT's order "did not include all of the approvals required for consummation" of the original plan, investors party to the Oncor spinoff elected not to extend an April 30 deadline that gave the Hunt group exclusive rights to the acquisition. The Hunt group responded by choosing not to put up $50 million to retain those rights for an additional 30 days, sending Oncor back to square one.

During a bankruptcy court hearing April 28, the Hunt group's lead attorney said the PUCT's conditions and IRS concerns about continued tax benefits from REITs had soured the deal.

Oncor declined to comment. In a statement, Hunt indicated it may still pursue its original plan, saying the "termination notice served earlier [Sunday] does not preclude our transaction. The new plan filed by EFH early this morning explicitly contemplates a potential REIT transaction under our current proceeding before the [PUCT]."

The Hunt group had asked the PUCT for a rehearing, which is still scheduled to take place Wednesday. EFH legal counsel said during the bankruptcy court hearing that an alternative plan under consideration would allow the pursuit of a REIT.

EFH was the result of a $48 billion leveraged buyout of TXU Corp. in 2007. Investors led by KKR and TPG Capital bet on rising energy prices; instead, they found themselves saddled with $42 billion in debt following the 2008 global financial crisis and plunging gas prices because of the fracking boom.

A U.S. bankruptcy judge in December approved EFH's plan to split into two separate companies — Oncor and the unregulated power generation and retail arms, Luminant and TXU Energy, respectively — wiping out the buyout sponsors' equity. The Luminant-TXU Energy businesses would go to senior lenders owed about $24 billion.

All Eyes on AEP, FirstEnergy as FERC Targets Ohio PPAs

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told *The Columbus Dispatch* that "at this time, we are considering all options and are willing to have a discussion to ensure we make a decision that is best for Ohio's future."

State Sen. Bill Seitz (R-Cincinnati) told the *Dispatch* he wants an "all-hands-on-deck, high-level meeting" with the governor's office and legislative leaders to determine next steps. "There is a limit to which we can prop them up," he said, later adding, "I'm not saying it's impossible. I'm saying it's a very tall order of business."

Akins said Thursday that legislators could choose a narrow reregulation that covers only a few power plants.

Porter Leaving May 20

Porter announced he will leave PUCO effective May 20. "At this time, my wife and I have made the very difficult decision to pursue a new opportunity for our family back in the private sector," he wrote in a letter to Gov. John Kasich.

He did not say where he was going, but rumors have been rippling through the utility industry that he has taken a position with an RTO.

At Thursday's PJM Markets and Reliability Committee meeting, CFO Suzanne Daugherty addressed the rumors, saying Porter was not coming to PJM. Sources at the meeting told *RTO Insider* they believe Porter, an attorney, is headed to MISO.

MISO declined to comment Monday. Porter was not available for comment. PUCO spokeswoman Holly Karg said he has not indicated where he is going.

Before working at the state's Commerce Department, Porter served as a commissioner from 2011 to 2013. His current term wasn't scheduled to expire until April 2020.

Nominating Council

Replacing Porter won't happen quickly, Snitchler said. A nominating council would have to come up with four names to submit to Kasich for consideration, a process that could take months. In the meantime, he said, the governor could name one of the sitting commissioners as acting chair.

In FirstEnergy's earnings call Wednesday, Guggenheim Partners analyst Shahriar Pourezza asked about rumors of Porter's resignation. "The timing is a little bit suspect and it's a crucial period," he said.

"I think Chairman Porter showed outstanding leadership during the time he was at the commission," CEO Jones answered. Porter called Jones to inform him that he was leaving to pursue another job, the CEO said. "When job opportunities present themselves, you don't get to pick the timing of them. So we had a good conversation, and I don't think you should read anything into it other than what was said."

The timing of Porter's departure — and his arrival to the commission — was also noted in a report by UBS Securities analyst Julien Dumoulin-Smith. "We note he was effectively brought back into the role coincident with the start of the Ohio FE and AEP PPA process, and with its recent approval (and conclusion of the docket), his return to the commission appears closed," he said.

Analysts 'Struggling'

Jones told analysts the company would hold off on providing a second-quarter earnings guidance until FERC determined the PPA's fate.

Analysts asked when the company expects FERC to make a decision, with Chief Legal Officer Vespoli predicting the commission will want to provide guidance before PJM's Base Residual Auction in May.

Meanwhile, FirstEnergy Solutions President Donny Schneider acknowledged that two of the plants covered under the PPA — the W.H. Sammis coal-fired plant and the Davis-Besse nuclear plant — would be profitable even without the contract.

"Yes, for 2016, Sammis and Davis-Besse would definitely both have positive earnings-per-share impacts," Schneider said in response to a question from Macquarie Research Equities analyst Angie Storozynski.

"We are all struggling, I think, with the impact of your PPAs on your bottom line, because we just don't know what is the offsets from the current earnings power of these assets," Storozynski said.

"I understand you are struggling with it," Jones replied. "And believe me, as soon as we can give you clarification, we plan to do that. Once we have an answer from FERC, we will tell you what the value of this company is going forward with the" PPA.

FirstEnergy's stock closed at $33.05 Monday, down 8% since FERC's ruling. AEP was up 0.7% to $64.36.

Suzanne Herel contributed to this report.

PJM NEWS

In case you missed it …

(Originally published April 28)

FERC Rescinds AEP, FirstEnergy Affiliate-Sales Waivers; Will Review Ohio PPAs

AEP to Seek Reregulation, Plant Sales

By Suzanne Herel and Ted Caddell

AEP's Conesville Power Station © *Delta Whiskey, Creative Commons*

FERC late Wednesday rescinded waivers it granted American Electric Power and FirstEnergy, meaning the controversial power purchase agreements approved by Ohio regulators will be subject to the commission's affiliate abuse test.

The commission granted a request by the Electric Power Supply Association and others asking it to rescind the affiliate sales waivers it gave AEP in 2014 (EL16-33) and FirstEnergy in 2008 (EL16-34) based on Ohio's retail choice law.

The commission said despite retail choice, the company's ratepayers were essentially "captive" customers because the PPAs, approved by the Public Utilities Commission of Ohio on March 31, would impose on them non-bypassable distribution charges.

"These non-bypassable charges present the 'potential for the inappropriate transfer of benefits from [captive] customers to the shareholders of the franchised public utility,' and, thus, could undermine the goal of the commission's affiliate restrictions," FERC said.

As a result, the PPAs will be subject to FERC's *Edgar* test, which will require the companies to prove the lack of affiliate abuse by evidence of head-to-head competition, or benchmarks such as prices that non-affiliated buyers are willing to pay.

That will be a difficult hurdle for the companies to clear, as the PPAs were not subject to competition, and critics say they could impose billions in extra costs on consumers.

FirstEnergy shares dropped 4.85% in after-hours trading. AEP shares were down 1.2%.

Lifeline

FirstEnergy and AEP have said the PPAs are crucial to keeping some of their underperforming coal-fired plants running in the state.

In approving the eight-year contracts, Ohio regulators said they were striving for "rate stability" by building in safeguards intended to protect consumers, modifying the plans to limit bill increases. The commission also added provisions meant to "encourage" grid modernization and retail competition. (See *FERC Action Awaited Following PUCO OK on PPAs*.)

Although the PPAs guarantee the generators receive revenue streams above current market prices, AEP and FirstEnergy contend the deals will save customers money if natural gas prices increase.

FirstEnergy spokesman Doug Colafella said the company was disappointed in the ruling. "Our affiliate FirstEnergy Solutions was previously granted authorization to conduct transactions with our Ohio utilities in 2008, and the PPA will benefit our customers by protecting them against rising retail prices and volatility in future years.

"We also believe that the PPA complies with existing FERC rules that promote retail shopping, and our Ohio customers will continue to have the ability to choose a competitive supplier. FirstEnergy is evaluating its options, which include seeking rehearing of FERC's order, as well as filing the PPA for FERC's review. It's always been our position that the PPA will satisfy the FERC's criteria for an affiliate contract."

AEP: Reregulate Ohio

On an earnings call Thursday, AEP CEO Nick Akins said the company would lobby Ohio legislators to reregulate the power market — or sell all its generation — as a result of the FERC ruling.

"FERC's decision to require review of the AEP Ohio power purchase agreement is a disappointing and unfortunate intrusion by FERC into Ohio's ability to define its own long-term electricity supply and protect customers and the state economy from electricity price spikes and market volatility," a clearly frustrated Akins said on the call.

"Although we believe the AEP Ohio power purchase agreement is the best long-term approach for our Ohio customers and the state and that it would survive FERC review, AEP is not interested in participating in a drawn-out FERC review process," he said.

"We are focused on being a regulated utility company, so we will initiate a strategic review of the generation assets in the power purchase agreement, similar to the review already in place for our other competitive generation assets. At the same time, we also will advocate for legislation in Ohio that would reregulate generation in the state or

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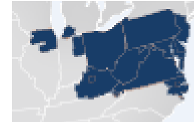
PJM NEWS



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(Originally published April 28)

FERC Rescinds AEP, FirstEnergy Affiliate-Sales Waivers; Will Review Ohio PPAs

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provide a mechanism for AEP Ohio to own and develop generation assets, including the plants included in the PPA and renewables."

EPSA Challenge

EPSA, the Retail Energy Supply Association, Dynegy, NRG Energy and GenOn Energy Management had asked FERC to rescind the waivers to ensure a Section 205 review of the eight-year PPAs. (See *Dynegy, NRG Ask FERC to Void Ohio PPAs*.)

In its companion orders, FERC agreed with the complainants that the affected customers are essentially captive. In addition, in the case of FirstEnergy, "the commission addressed the more general concern raised by a protester that FirstEnergy's electric security plan proposal would create barriers to competition."

The commission directed AEP and FirstEnergy to revise their market-based rate tariffs within 30 days and file notices of a change in status "addressing whether this change in circumstances affects any other waivers the commission previously granted."

On Wednesday night, EPSA released a statement saying it was still reviewing the orders.

"Tonight, FERC issued orders (without dissent) granting the complaints EPSA, with support from a broad coalition of consumers, environmental groups and others, filed last January to remove the waivers protecting the controversial Ohio PPAs from full FERC review," it said. "This means if AEP and FE elect to proceed with the wholesale contracts, they will need to file the PPAs … and show among other things that the deals they negotiated with themselves satisfy FERC's rules designed to protect against such affiliate abuse."

'Effectively Captive'

FERC said its "fundamental goal in categorizing certain customers as 'captive' is to protect customers served by franchised public utilities from inappropriately subsidizing the market-regulated or non-utility affiliates of the franchised public utility or otherwise being financially harmed as a result of affiliate transactions and activities. … Where, as here, circumstances demonstrate that a retail customer has no choice but to pay the costs of an affiliate transaction, they effectively are captive with respect to the transaction."

FERC did agree with AEP and FirstEnergy on one point, rejecting the complainants' claim that the PPAs would distort prices in PJM by subsidizing the continued operation of generation that would otherwise retire.

The commission said that PJM bidding behavior was not relevant to the affiliate abuse complaint and thus outside the scope of the cases. However, the commission noted that a third complaint filed by Calpine over the PPAs, in which PJM rules are central, remains pending (EL16-49). The complainants asked FERC to expand PJM's minimum offer price rule to ensure the PPAs don't distort May's 2019/20 Base Residual Auction.

"By this order, we do not prejudge the outcome of that proceeding," the commission said. (See *Generators to FERC: Expand MOPR for Subsidized FE, AEP Plants*.)

FERC took note of the jurisdictional implications of its ruling, insisting in the AEP order that its ruling "does not frustrate or usurp the Ohio commission's role in protecting retail customers. Rather, this commission has an independent role to ensure that wholesale sales of electric energy and capacity are just and reasonable and to protect against affiliate abuse. The commission's affiliate restrictions protect against captive customers of franchised public utilities cross-subsidizing market-regulated power sales affiliates. The affiliate PPA raises the potential for cross-subsidization from AEP Ohio's retail customers — who are captive in the sense that they cannot avoid the non-bypassable charge — to AEP Ohio's market-regulated power sales affiliate, AEP Generation."

The commission used virtually identical language in its FirstEnergy order.

Reaction

Former Pennsylvania Public Utility Commissioner John Hanger said the rulings "are obviously going to throw a huge monkey wrench in the FirstEnergy and AEP plans."

Hanger, now a private energy industry attorney, predicted the company's PPAs "will have a short shelf life." He applauded FERC's moves.

FERC, he said, "is not being swept by the powerful forces in state capitals. Electric utilities are the 800-pound gorillas" in state politics, he said.

Former PUCO chairman Todd Snitchler, now with The Alliance for Energy Choice, said Wednesday night he was "obviously pleased" with the rulings after taking a cursory review but wanted more time before commenting further.

"Today, federal regulators stood up for customers and defended fair markets and competition, sending a clear signal to any utility trying to bail out their uneconomic power plants through political prowess," the Environmental Defense Fund said.

"FERC's decision to block these bailouts will save Ohioans $6 billion while spurring energy innovation and reducing harmful pollution."

Ohio Consumers' Counsel Bruce Weston also celebrated the order. "In response to legal action by the Consumers' Counsel and others, federal officials today provided Ohioans the benefits of competitive markets and lower rates that they did not receive in the state plans filed by FirstEnergy and AEP," Weston said.

"The federal ruling has the potential to save each of several million Ohio electric consumers hundreds of dollars over the next eight years, while protecting the competitive market envisioned by the Ohio legislature in 1999."