RTO Insider
Your Eyes and Ears on the Organized Electric Markets
CAISO ■ ERCOT ■ ISO-NE ■ MISO ■ NYISO ■ PJM ■ SPP

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Introducing the *RTO Insider* Top 30

We are proud to announce the initiation of the ***RTO Insider* Top 30**, the first in what will be a quarterly review of the top publicly traded companies (by market capitalization) with significant presence in the seven RTOs and ISOs in the U.S.

Any list is bound to provoke debate — and we trust this will be no exception. It's a particular challenge in the ever-changing electric industry, as new technologies, environmental mandates and other factors force shifts in business models and regulatory rules.

The list includes both integrated utilities and independent power producers. It doesn't include some companies such as out-of-the ashes Dynegy and EnerNOC, whose voices in policy matters outweigh their market capitalizations.

This new initiative also coincides with our expansion to CAISO and its expanding Energy Imbalance Market. So the list includes companies such as Pinnacle West Capital (parent of Arizona Public Service), Sempra Energy, Pacific Gas and Electric, Edison International (parent of

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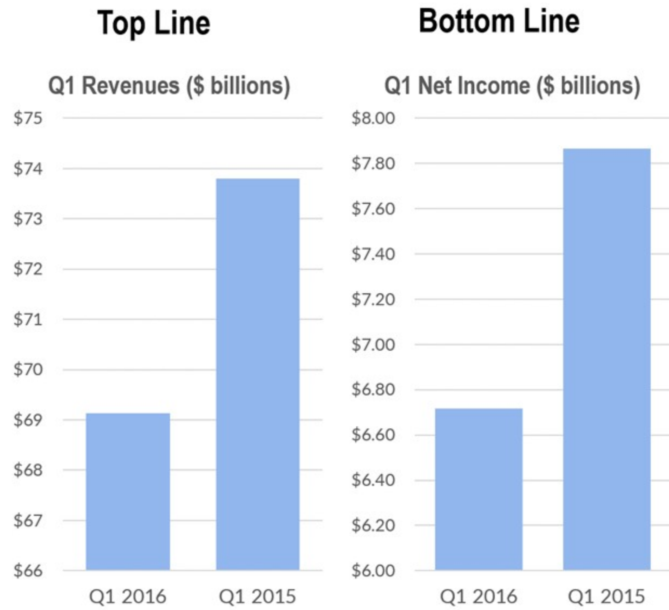

Source: company filings

PJM Study Defends Competitive Markets

By Suzanne Herel

A PJM analysis released last week concludes that the RTO's markets are efficiently managing the entry and exit of capacity resources but warns their efforts could be hamstrung by policies to protect social, economic or political interests.

"Realizing the 'investment efficiency' advantages of PJM's markets can require policymakers to accept tough choices because efficient market outcomes may inflict harm to other policy objectives," said the 45-page report, titled "Resource Investment in Competitive Markets."

"Policymakers must weigh these trade-offs, but understand that pursuing individual

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Generators Continue Pressuring States for Protection

Vermont Green Line Developers Seek New York Permit

By William Opalka

The developers of an underwater transmission project that would deliver hydroelectric and wind power into New England filed for permits last week for the New York section of the project (16-T-0260).

Anbaric Transmission and National Grid filed for a certificate of environmental compatibility and public need with the New York Public Service Commission for their Vermont Green Line. The project would connect 400 MW of wind generation to be developed in northern New York to Vermont through buried lines under Lake Champlain. The wind power would be supplemented by hydropower from Quebec, to provide firm power to ISO-NE.

The northern New York-Vermont border runs down the middle of the lake. The HVDC system would run from the New York Power Authority's Plattsburgh substation in Beekmantown, Clinton County, to Vermont Electric Power Co.'s New Haven substation in Addison County. The New York portion of the project includes 6.7 miles of buried HVDC cable from a converter station to the shoreline of Lake Champlain at Point Au Roche State Park and about 4.9 miles underwater on the New York side of Lake Champlain.

The Vermont section of the project will include 35.2 miles of underwater HVDC cable, a converter station and 13.3 miles of buried line to the New Haven substation.

The project will also need approval from the Vermont Public Service Board. Bryan Sanderson, senior vice president of Anbaric Transmission, told *RTO Insider* on Wednesday that the companies plan to file with Vermont this summer.

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Also in this issue:

The *RTO Insider* Top 30

Rank	Company	Mkt cap ($ billions)	Revenue Q1 2016 ($ billions)	% change vs. 2015	Net income Q1 2016 ($ millions)	% change vs. 2015
1	NextEra Energy	$ 54.51	$ 3.84	-7%	636	-2%
2	National Grid	$ 54.15	***	***	***	***
3	Duke Energy	$ 54.14	$ 5.62	-7%	$ 699	-19%
4	Dominion Resources	$ 43.48	$ 2.92	-15%	$ 524	-2%
5	Exelon	$ 33.15	$ 7.57	-14%	$ 123	-83%
6	American Electric Power	$ 31.43	$ 4.00	-13%	$ 501	-20%
7	Pacific Gas and Electric	$ 29.19	$ 3.97	2%	110	224%
8	Berkshire Hathaway Energy	NA	***	***	***	***
9	Sempra Energy	$ 25.97	$ 2.62	-2%	330	-28%
10	PPL	$ 25.91	$ 2.01	-10%	$ 481	-26%
11	Edison International	$ 23.35	$ 2.44	-3%	296	-7%
12	Public Service Enterprise Group	$ 22.75	$ 2.62	-17%	$ 471	-20%
13	Consolidated Edison	$ 21.38	$ 3.16	-13%	$ 310	-16%
14	Xcel Energy	$ 20.36	$ 2.77	-6%	$ 241	59%
15	WEC Energy Group	$ 18.48	$ 2.20	58%	$ 347	77%
16	Eversource Energy	$ 18.06	$ 2.06	-18%	$ 244	-4%
17	DTE Energy	$ 15.97	$ 2.57	-14%	$ 240	-12%
18	FirstEnergy	$ 13.88	$ 3.87	-1%	$ 328	48%
19	Entergy	$ 13.54	$ 2.61	-11%	$ 230	-23%
20	Avangrid	$ 12.46	$ 1.67		$ 212	100%
21	Ameren	$ 11.53	***	***	***	***
22	CMS Energy	$ 11.48	$ 1.80	-15%	$ 164	-19%
23	CenterPoint Energy	$ 9.31	***	***	***	***
24	Alliant	$ 8.22	$ 0.84	-6%	$ 99	0%
25	Pinnacle West Capital	$ 8.08	$ 0.68	1%	$ 9	-55%
26	NiSource	$ 7.50	$ 1.45	-21%	$ 180	-7%
27	Westar Energy	$ 7.22	$ 0.57	-4%	$ 69	29%
28	OGE Energy	$ 5.91	$ 0.43	-10%	$ 25	-42%
29	Calpine	$ 5.59	$ 1.62	-2%	$ (198)	NA
30	NRG Energy	$ 5.10	$ 3.23	-16%	$ 47	NA
	Totals		**$ 69.13**	**-6%**	**$ 6,718**	**-14%**

***Companies had not reported as of press time.

The *RTO Insider* Top 30

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Southern California Edison), about which we haven't written much before. We've also included Berkshire Hathaway Energy, which reports its financials as if it were a standalone company although it trades as part of Warren Buffet's Berkshire Hathaway holding company.

So, consider this a beta test and share your feedback with us. We expect to refine — and perhaps enlarge — this list in the future.

Mild Winter Cuts Revenues

It wasn't a very good quarter for most of the companies in our grouping. Largely because of a mild winter and continued low natural gas prices, revenues and net income both fell by a median of 10% in the first quarter of 2016 versus a year earlier.

Total profits declined by 14%, falling to $6.7 billion for the 26 companies that have reported thus far, from $7.8 billion for the same group a year earlier.

Only three companies saw an increase in revenue in the quarter, led by WEC Energy Group, which was formed last June from Wisconsin Energy's acquisition of Integrys Energy Group. The merger boosted its top line 58% to $2.2 billion (see details below). PG&E and Pinnacle West showed modest revenue gains.

Excluding the incremental $980 million in revenue WEC gained from Integrys, however, total revenues declined 8% to $68 billion.

Six companies saw an increase in net income: WEC, PG&E, FirstEnergy, Westar Energy, Xcel Energy and Avangrid, which was formed in December following Spanish conglomerate Iberdrola's acquisition of UIL Holdings.

Avangrid's net income for the quarter included a one-time gain of $17 million from the sale of its interest in the Iroquois Gas Transmission System.

All but one company was profitable for the quarter. Calpine showed a net loss of $198 million ($0.56/share), an increase from the $10 million loss ($0.03/share) reported a year earlier. The company's revenues declined 2% to $1.62 billion. The company attributed the loss primarily to mark-to-market losses resulting from decreases in forward power and natural gas prices.

Below are some of the highlights from the first quarter.

— Rich Heidorn Jr.

Integrys Acquisition, Influx of New Customers Amplify WEC Earnings

WEC's Integrys acquisition boosted first-quarter revenue, with earnings per share jumping 19 cents from $0.90 in 2015 to $1.09 in 2016.

"We are achieving the results we expected from the Integrys acquisition," CEO Allen Leverett said in a conference call last week.

WEC recorded net income of $347 million, up from $196 million in the first quarter of 2015. The addition of Integrys boosted revenues by $980 million despite decreased demand over a mild winter.

Leverett said the company is serving 8,000 more electric customers and 11,000 more natural gas customers in Wisconsin compared to a year ago. Another 6,000 natural gas customers were added in the past year in Illinois, Michigan and Minnesota, and WEC gained 10,000 Minnesota natural gas customers from Alliant Energy in April 2015, Leverett reported.

On Monday, UBS Securities upgraded WEC to neutral from sell, citing the company's projected 5 to 7% earnings-per-share growth rate.

— Amanda Durish Cook

PSEG: 'New Urgency' to Cost Cuts

Public Service Enterprise Group CEO Ralph Izzo blamed "the complete absence of a winter" in part for its 17% drop in revenues. Weather in PSEG's service territory was 10% warmer than normal and the fifth warmest on record.

Izzo said low gas prices and stricter reliability requirements for capacity resources in PJM have "added new urgency to the company's efforts to improve its cost structure and efficiency," leading it to make what he called "judicious reductions" in its nuclear workforce.

The CEO also said the company "is working closely with the industry to identify additional means of reducing its cost structure" to keep its nuclear plants operating.

During an earnings call, Izzo was asked about the rationale for PSEG's partnership

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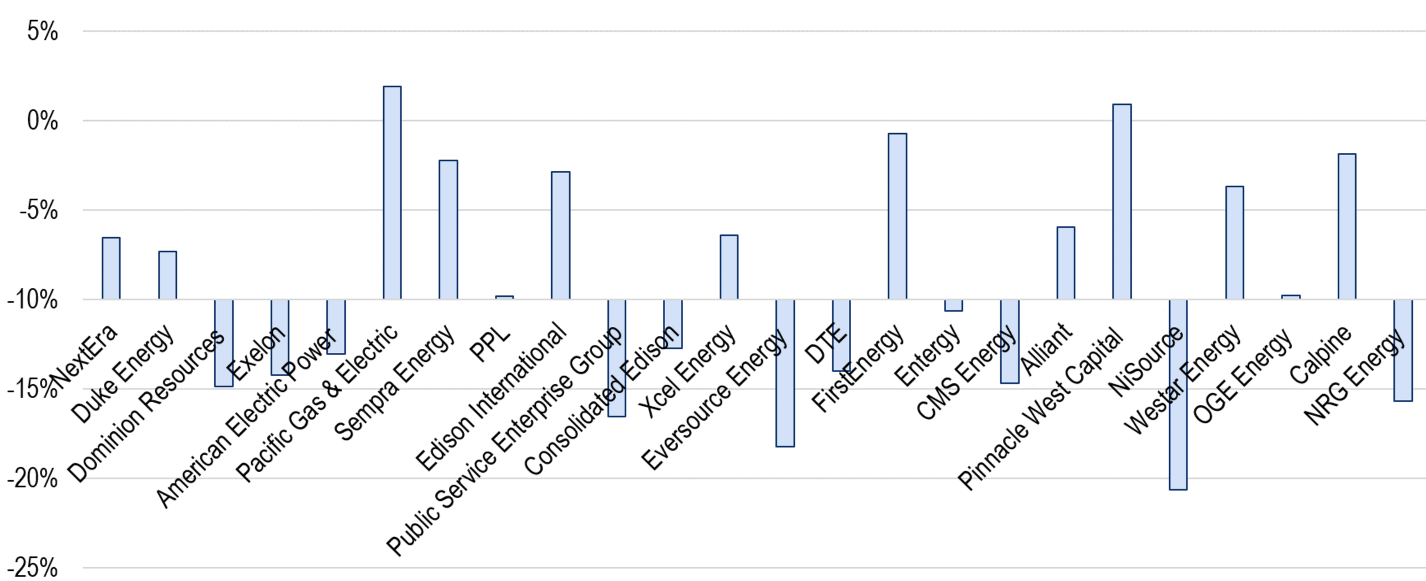

Companies in the *RTO Insider* Top 30 reported a median 10% drop in revenues in the first quarter of 2016 compared to 2015. *Source: company filings*

The *RTO Insider* Top 30

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with Indiana gas and electric utility Vectren to seek competitive transmission opportunities in MISO. "I think that there is a lot of value to be had by combining forces with someone who understands the local transmission grid and system with our expertise now having put over $2 billion to work on an annual basis for a good number of years in terms of cost and schedule management on transmission construction."

Izzo said the company would continue to be judicious in its generation expansions. "We have demonstrated that we're pretty bad at acquiring assets," he said. "By that I mean we seem to have a more conservative view of where the market is going and are consistently outbid."

— Rich Heidorn Jr.

Dominion Hoping Conn. Legislature will Help Millstone

Dominion Resources' lackluster results — a 15% drop in revenue and net income down 2% — left CEO Thomas Farrell having to open his earnings call with analysts by boasting about the company's No. 1 safety ranking among electric utilities in the Southeast. Occupational Safety and Health Administration "recordables for each of our business units were roughly one-half the level recorded last year, and last year had tied an all-time company record," Farrell said.

He also took note of the beginning of commercial operations at Dominion's 1,358-MW Brunswick County Power Station, "completed ahead of time and under budget."

Farrell said the company is "much more interested" in solar than wind assets. "Wind is not a good asset in the territories where we do business for producing power reliably," he said.

The CEO also said Connecticut lawmakers had ended their session without taking action on legislation that could aid the company's Millstone nuclear plant. Farrell said he expects the Connecticut House to consider the bill, which cleared the Senate, when it reconvenes in January.

The bill could allow Millstone to sell up to half its power in a new market under long-term contracts.

"We're following the legislation, obviously, closely," Farrell said. "But I think it's part of an overall dialogue that will take place over the next few months in New England generally about how to protect" Millstone and NextEra Energy's Seabrook nuclear plant in New Hampshire.

— Rich Heidorn Jr.

CMS Energy Q1 Earnings Down on Record Warm Winter

CMS Energy attributed its first-quarter earnings decline to Michigan's second-warmest winter on record.

John Russell, CMS' outgoing CEO, said "weather was the primary factor" for why net income dropped 19% to $164 million. Mild temperatures undercut gas deliveries and electricity sales, while an upsurge in storm activity increased restoration-related expenses, Russell said during an April 28 call.

The Michigan-based company is the parent of Consumers Energy, which reduced its electric rates by $38 million annually (1%) effective with the April 15 retirement of its seven oldest coal plants. Consumers is using power from renewables and the recently acquired Jackson natural gas-fired plant to fill the gap.

"We retired seven coal plants totaling 950 MW, bringing our capacity mix to less than 25% coal," Russell said.

Patti Poppe, senior vice president of distribution operations and incoming CEO, said CMS' electric and gas distribution business can improve its per customer operation and maintenance cost, which is in the third quartile when compared with peer companies.

Russell, who retires July 1, also used the call to appeal for a change to a Michigan law that he said requires CMS customers to subsidize about 300 large customers by paying an extra 3 to 4% in their bills. "This is simply not fair," he said. He said Consumers staff are willing to work with legislators on a new energy plan.

— Amanda Durish Cook

NRG Beats Expectations With $82M Net Income

NRG Energy's first-quarter earnings surpassed Wall Street expectations, validating the company's "integrated competitive power platform," CEO Mauricio Gutierrez said.

"We are off to a really good start for the year," Gutierrez said during a conference call May 5. "We have turned the page on this period of uncertainty."

The company reported first-quarter net income of $47 million after losing $136 million during the same period a year earlier. Earnings per share came in at 24 cents, after some analysts had predicted losses averaging 17 cents/share. NRG posted $3.23 billion in revenue for the quarter.

Gutierrez said the company has made "significant progress" in its goal of selling $500 million in assets this year, pointing to $138 million in sales during the quarter. NRG also announced the sale of its stake in the electric vehicle charging business, EVgo, to Vision Ridge Partners for total consideration of approximately $50 million, and the streamlining of its residential solar program in its retail business.

The company's effort to transform coal plants to gas offers opportunities in the ERCOT market, Gutierrez said. "We're optimistic … as we see up to 9 GW of coal generation at risk due to upcoming environmental regulations and strong growth," he said, also noting revisions to the operating reserve demand curve will increase scarcity pricing. (See *ERCOT: No Consensus on Operating Reserve Changes*.)

— Tom Kleckner

Earnings call transcripts courtesy of Seeking Alpha.

RTO Insider

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CAISO News

CAISO Board Approves Aliso Canyon Market Response

By Robert Mullin

CAISO is proposing to reserve capacity on the Path 26 transmission line in advance of potential gas restrictions in Southern California. The measure is meant to ensure delivery of energy into the region when constrained fuel supplies threaten to limit output from local gas generators. *Source: CAISO*

CAISO's Board of Governors last week approved an ISO plan to temporarily alter market operations in response to natural gas pipeline restrictions stemming from the closure of the Aliso Canyon storage facility.

The proposal calls for new market rules to help Southern California's gas-fired generators better manage their burns to avoid system-balancing penalties expected to go into effect June 1 — just ahead of the state's peak season for electricity consumption.

Under the new requirements, Southern California Gas customers face penalties as high as 150% of daily gas indices when their daily burn deviates from nominated flows by more than 5%. The region's gas-fired generators say the costs could make them unprofitable when ISO dispatch instructions require their units to burn more — or less — gas than planned for on a given operating day.

"We want to ensure the generation can get" into Southern California, Cathleen Colbert, CAISO senior market design and regulatory policy developer, told a Market Surveillance Committee meeting last month. "That's why deliverability was the focus."

Thus, CAISO's plan takes a systemwide response to gas restrictions, although provisions for recovery of penalty costs are included in the proposal.

When gas flows are restricted the ISO would enforce a gas availability market constraint for generators in a constrained region. The constraint would use the day-ahead or real-time market to cap the gas burn in the affected area below system limitations set out by SoCalGas. Any additional generation needed would only be dispatched through out-of-market operations coordinated with the pipeline operator.

The ISO would also implement a protocol to reserve capacity on the Path 26 transmission line in advance of potential gas shortages, a measure intended to leave

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Corrections

- An article in last week's newsletter about SPP's first competitive transmission project incorrectly stated the net present value of the Mid-Kansas and OG&E proposals in billions rather than millions. It also incorrectly stated that the noncompetitive portion of the project included a switching station.
- The April 25 article "*Utility-Solar Partnership Proposes Net Metering Overhaul*" said utilities pay retail rates for surplus power from rooftop solar systems. In the Orange and Rockland service territory, customers are reimbursed at the NYISO day-ahead hourly price, which is the wholesale rate.

CAISO NEWS

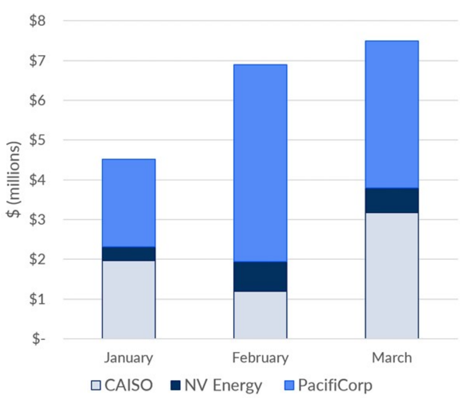
CAISO EIM Boosts Market for Renewables in Q1

By Robert Mullin

The recently expanded western Energy Imbalance Market (EIM) provided California a new outlet for its surplus renewable output last quarter, according to CAISO's quarterly economic benefits report.

The EIM produced $18.9 million in overall financial benefits for its participants during the first quarter of 2016, up from $12.3 million the previous quarter, the report said.

CAISO attributed the increase to the participation of NV Energy, which joined the real-time market in December 2015. The utility's addition significantly improved transfer capability between the ISO and the balancing areas belonging to PacifiCorp — the EIM's first participant — creating a more unified footprint. (See NV Energy has Smooth EIM Integration, CAISO Says.)



EIM benefits, Q1 2016 *Source: CAISO*

Despite its key contribution to unifying the market, NV Energy realized just $1.7 million of the gross benefits during the quarter. The largest share — $10.85 million — flowed to PacifiCorp, while CAISO picked up $6.35 million.

CAISO: Exporter

Nested into the report was what could be the most significant development of the quarter: the rise of CAISO as a real-time energy exporter into other areas of the EIM. CAISO has generally been an importer of electricity since the launch of the market in November 2014. NV Energy's entry into the market expanded transfer capacity between the ISO and PacifiCorp East from 200 MW to about 570 MW.

"A significant level of the energy that was exported by the ISO was renewable generation," CAISO said.

That data supports arguments for an expanded EIM — and potentially a Western RTO. Advocates contend a larger market is necessary to reduce curtailments of the increasing amount of renewable generation in the West. CAISO estimates that its EIM operation helped it avoid curtailing 112,948 MWh of renewable generation during the first quarter.

"If not for energy transfers facilitated by the EIM, some renewable generation located within the ISO would have been curtailed via either economic or exceptional dispatch," CAISO said.

The renewable output made possible by the reduced curtailments prevented the emission of more than 48,000 metric tons of CO_2 for the quarter, CAISO estimates. The ISO also speculates that the cut in curtailments also reduced the number of renewable energy certificates retracted, although that benefit was not quantified in the report.

The ISO's calculations are based on estimated cost savings from EIM dispatch compared with a "counterfactual" case of dispatch without the market. Benefits fall into three categories, including:

- More efficient inter- and intraregional dispatch in the 15-minute and real-time markets;
- Reduced curtailment of renewable energy; and
- Reduced need for flexibility reserves in all balancing areas.

For individual EIM participants, benefits take the form of either cost savings — such as from reduced need for reserves — or increased profits from merchant operations. CAISO's quarterly report does not break down estimates along those lines.

CAISO says the EIM has benefited participants to the tune of $64.6 million since the market's 2014 rollout.

CAISO Board Approves Aliso Canyon Market Response

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enough of a buffer to ensure delivery of energy and contingency reserves into the Los Angeles basin when local resources face curtailment. CAISO decided against implementing a similar procedure along the interties into California because of the current low volume of real-time transfers on those lines.

Additional operational measures proposed by the ISO include:

- Reducing the amount of ancillary services procured from Southern California resources based on expected gas and electric system conditions;
- Deeming selected internal transmission constraints uncompetitive when the proposed gas availability constraint is in effect, thereby freeing up resources to serve the affected region; and
- Clarifying CAISO's authority to suspend virtual bidding when it identifies potential market inefficiencies.

Aliso Canyon leak in infrared *Source: Environmental Defense Fund*

The ISO is also proposing to allow an affected generator to recover increased gas costs by adjusting the gas component of its day-ahead commitment cost bid cap to up to 175% of the gas index price, compared with 125% today. Gas cost caps included in default energy bids used in the real-time market would be increased from 125% to 200% of the index.

CAISO must now seek FERC approval for the plan. All proposals are set to sunset Nov. 30.

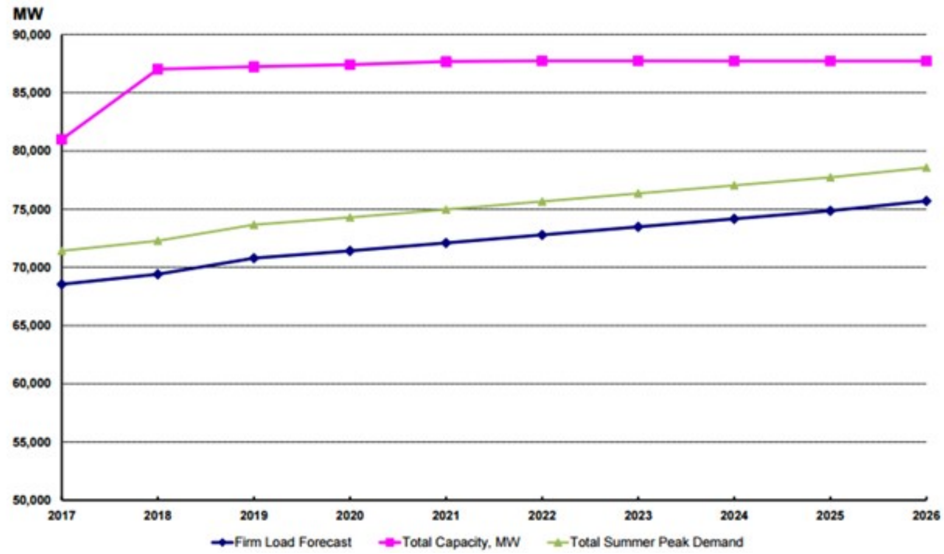
ERCOT News

Briefs

ERCOT Reports Show Ample Capacity into Next Decade

ERCOT said last week continued growth in natural gas and renewable energy capacity will help it meet its projected summer peak this year — and demand well into the next decade.

According to its final summer Seasonal Assessment of Resource Adequacy (SARA) released last week, ERCOT has 78,434 MW of generation capacity, more than enough to meet a projected peak demand of 70,588 MW. If reached, the projected peak would break last year's record peak of 69,877 MW. While last year's summer was only the 17th hottest on record, Texas' economic growth has helped boost demand.



Summer load and resources *Source: ERCOT*

The available capacity includes 680 MW of new gas generation expected to begin operating before the peak, which generally occurs in August. Also available will be 410 MW of planned wind and 7 MW of planned grid-level solar capacity. The new capacity more than makes up for the loss of a 371-MW gas unit near Houston. ERCOT said Friday that NRG Texas Power had announced it would mothball the unit indefinitely effective June 27.

"Gas is one of our more efficient and economical generation sources at this time," said Pete Warnken, ERCOT's manager of resource adequacy.

ERCOT bases its summer forecast on weather patterns in June to September from the past 13 years. Senior meteorologist Chris Coleman said that while the region is transitioning away from El Niño weather patterns, "we could see some temporary, localized hot periods" in the Rio Grande Valley and West Texas.

The ISO also released its biannual Capacity, Demand and Reserves (CDR) report, a "snapshot" of existing and planned generation and load forecasts for the next 10 years. The report shows planning reserve margins ranging between 15.9% and 25.4%. The ISO has added almost 1,000 MW of new generation since September, but because much of it is renewable energy, it has a peak capacity contribution of about 250 MW.

The CDR report reveals a 1,700-MW drop in generation capacity since December, but based on current planning criteria, ERCOT projects nearly 6,200 MW of new gas-fired generation by summer 2018 and 7,400 MW in new capacity by 2020. Additional unit retirements are not reflected in the planning horizon.

The report also projects about 11,000 MW of planned wind generation by 2019, adding nearly 1,800 MW in expected capacity during summer-peak conditions.

Warren Lasher, ERCOT's director of system planning, added a note of caution into the otherwise rosy predictions.

"This report also includes generation resources that could be affected by environmental regulations, and future decisions by resource owners may impact these projected planning reserve margins," he said.

The report does not take into account the proposed 2019 integration of Lubbock Power & Light into the ERCOT system "due to uncertainty regarding the regulatory outcome."

The Texas grid operator also released its preliminary fall SARA, covering October and November. That assessment foresees 82,737 MW available to meet a normal fall demand of 54,437 MW.

Staff, Stakeholders Discuss Market Outage Procedures

ERCOT staff conducted a market continuity workshop last week as a first step in addressing a "lack of market restart procedures."

The ISO has black start, business continuity and crisis communication plans in place, but it lacks clear protocols or operating guide language to recover from a market outage, according to ERCOT. Staff has developed draft procedures to address gaps but has been tasked by the Technical Advisory Committee to gather stakeholder input.

The workshop focused primarily on how to best restart the real-time and day-ahead markets following an outage. Stakeholders also discussed how to handle credit policies, financial transactions and retail-transaction processing during interruptions and subsequent restoration periods.


Surendran

Resmi Surendran, senior manager for wholesale market operations, said ERCOT has protocol language covering security constrained economic dispatch (SCED) or brief market failures. But staff wanted to provide more clarity to language governing more significant market downtime, she said.

"If we go for a month without a market, which is possible, what happens?" Surendran asked. "Will people be able to get their money? How do we pay the generators that must still run?"

ERCOT is proposing to start the real-time market first and then the day-ahead market.

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ERCOT News

Texas PUC Delays Rehearing Request on Oncor Acquisition

By Tom Kleckner

The Public Utility Commission of Texas agreed Wednesday to wait until no later than June 10 before determining whether to grant a rehearing on its decision to allow Hunt Consolidated's acquisition of Oncor.

The commission granted the extension partly to allow time for review of the flood of filings that followed the May 1 announcement by Oncor's debt-laden owner, Energy Future Holdings, that it had filed a new Chapter 11 reorganization plan. (See EFH Files New Chapter 11 Plan; Oncor-Hunt Deal in Doubt.)

The PUC will resume the discussion of whether to grant the Hunt group's rehearing request at its May 19 open meeting. The intent is to make a decision then, rather than extending the timeline until its next meeting on June 9.

"I think we can make a decision on the 19th whether we can grant a rehearing," Commissioner Ken Anderson said. "At the very least, we should discuss our position on the issues raised by the parties. I guess we're probably decided on 80% of those issues now."

The commission in March approved the Hunt group's proposal to split Oncor into two companies, with a real estate investment trust (REIT) leasing the utility's wires, poles and other assets to the second company. (See Texas Commission Approves Oncor REIT Structure.)

Oncor switching station

However, the commission's requirements that the REIT's tax savings be set aside for customers led to EFH's investors pulling their support for the deal. That, in turn, led to EFH killing its original bankruptcy exit plan last weekend and filing a new one.

Anderson is widely seen as the swing vote in the three-person commission's eventual decision. Chair Donna Nelson has often sided with the Hunt group's position, while Commissioner Brandy Marty Marquez has supported the restrictions placed on the deal.

"Is there even a transaction for us to still approve?" Anderson asked.

Two opposing groups, the Steering Committee of Cities Served by Oncor (comprising about 150 Texas cities) and the Texas Office of Public Utility Counsel, argued the commission should dismiss the rehearing request.

"The [bankruptcy exit] plan is dead, according to the bankruptcy court," Geoffrey Gay, lead attorney for the cities coalition, told the commission. "If I was in your position, my gut reaction is this case no longer exists. You're being asked to proceed on a hypothetical basis."

"We believe the transaction is null and void," said Laurie Barker, deputy public counsel for the OPUC. "While the Hunts do have an opportunity to negotiate and possibly become the next plan, there are other potential investors and plans out there as well. If we allow one entity to come before you with their preferred plan, you would have to allow all."

Richard Nolan, an attorney for the Hunt group, said turning Oncor and its assets into a REIT is still a viable option for the bankruptcy process. He said the door has been left open for creditors and the court to approve the structure under the reorganization plan, "and we intend to pursue that."

"We've receive a lot of interest from investors," Nolan said. "To the extent we can make this work … that offers the opportunity to avoid going through another six months of proceedings. We realize the plan that was selected will have to conform to whatever the final order is.

"We think if that's done, that would be the quickest way for the debtors to exit the bankruptcy proceeding without going through another six months and delay the process. That also gives the commission an opportunity to shape, to some degree, a plan that would be workable and approved by the [bankruptcy] court."

Commission staff also requested an extension, saying "new developments in the EFH bankruptcy proceeding raise new issues that may affect this … proceeding." Staff said they needed sufficient time to "identify and address any new issues."

"I think you maintain maximum flexibility with your options if you extend time for the rehearing," PUC attorney Sam Chang said.

EFH, saddled with $42 billion in debt following its leveraged buyout of TXU Corp. in 2007, filed its first bankruptcy exit plan in Delaware two years ago. In December, a U.S. bankruptcy judge approved the company's plan to split into separate companies — Oncor, Luminant and TXU Energy — wiping out the buyout sponsors' equity. The Luminant and TXU Energy businesses would go to senior lenders owed about $24 billion.

Briefs

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"Once we see the real-time market is stable … and we can model the topology and credit correctly, then we can start the day-ahead market," Surendran said.

Staff will update the TAC in the near future and request guidance on next steps. Feedback and questions can be sent to Karen Farley.

ERCOT Moving to Internet Explorer 11

ERCOT is upgrading its browser to Microsoft's Internet Explorer 11. Staff says projects that use browser services will be updated to be compatible with IE 11. At the same time, ERCOT is ending its support for older versions of Internet Explorer and will no longer build projects that are backwards compatible to IE 8.

— Tom Kleckner

ISO-NE News

Vermont Green Line Developers Seek New York Permit

Continued from page 1

Invenergy is developing the Bull Run Wind Energy Center in Clinton County, pending approval from state regulators. The proposed development would have as many as 140 turbines, with an in-service date projected for 2019.

The overall project, with energy also supplied by Hydro-Quebec, has been dubbed the "wind-hydro response" to the request for proposals solicited by three New England states to procure renewable energy for the region. The proposal is one of about 30 submitted to Connecticut, Massachusetts and Rhode Island now under review. (See *State-Sponsored Energy Procurement Moves Ahead in NE*.)

The hydro generation would flow into New York via a transmission connection between

Hydro-Quebec and NYISO at Chateauguay, Quebec, according to Sanderson.

If the project is selected, the developers would then file with FERC for negotiated rate authority, he added.

"We think the Vermont Green project is well timed to provide the region with a reliable, clean energy source of hydro firming wind," Sanderson said.

While the wind project is aimed at the New England market, developers say it will provide benefits to New York as well, including meeting the state's goal to procure 50% of its energy from renewable sources by 2030.

"The project will provide an 'energy bridge' that will allow additional development of new wind energy in upstate New York that would otherwise be constrained and uneconomic given the existing infrastructure for delivery to load centers in New York," according to an economic analysis filed with the NYPSC.

When the hydroelectricity from Canada is more than what is needed to firm the wind energy destined for New England, that excess would be available to the New York market, according to the analysis.

New Transmission ROE Challenge Filed in ISO-NE

Thirteen municipally owned electric systems in Massachusetts have asked FERC to reduce the return on equity earned by New England transmission owners (EL16-64), the fourth such challenge in ISO-NE since 2011.

The Eastern Massachusetts Consumer-Owned Systems, a group of municipal distribution companies that surround Boston, want the base ROE lowered from 10.57% to 8.67%. They also called for reducing the upper end of the zone of reasonableness, which serves as a cap on incentive adders, to no more than 11.24%, from the current 11.74%.

EMCOS said it brought the new complaint for several reasons, including the continuing decline in the cost of equity capital since FERC adopted a two-step discounted cash flow (DCF) model in Opinion 531, the 2014 ruling that resulted from the first of the four recent challenges (EL11-66-001). (See *FERC Splits over ROE*.)

They also cited "divergent commission rulings" since Opinion 531, noting administrative law judge findings of "anomalous" capital market conditions in cases involving MISO (EL14-12-002) and ISO-NE (EL14-86, EL13-33-002) and a finding that such conditions did not exist in one concerning Entergy Arkansas (ER13-1508, *et. al*). "This complaint offers an opportunity to reconcile these decisions," the group said.

It also said it is unclear "the extent to which the commission's anomalous-conditions rationale in Opinion No. 531 is intended to reflect changes in its long-standing reliance on the DCF methodology, and particularly the DCF midpoint, for determining ROE."

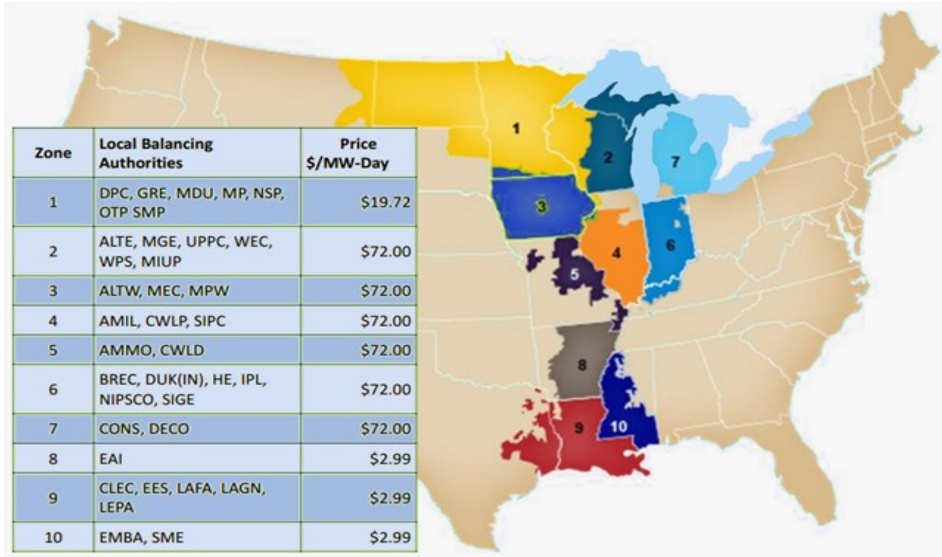
Commission action is pending on the two other New England dockets cited by the group, following a proposed decision by an administrative law judge in March. The ALJ recommended an ROE for two time periods that was lower than what transmission owners sought but higher than what states and commission trial staff advocated. (See *New England ROEs Set in Initial Decision*.)

— William Opalka

MISO NEWS

MISO Considering Changes to Proposed Auction Design as IMM Delivers Blistering Critique

By Amanda Durish Cook



Zone	Local Balancing Authorities	Price $/MW-Day
1	DPC, GRE, MDU, MP, NSP, OTP SMP	$19.72
2	ALTE, MGE, UPPC, WEC, WPS, MIUP	$72.00
3	ALTW, MEC, MPW	$72.00
4	AMIL, CWLP, SIPC	$72.00
5	AMMO, CWLD	$72.00
6	BREC, DUK(IN), HE, IPL, NIPSCO, SIGE	$72.00
7	CONS, DECO	$72.00
8	EAI	$2.99
9	CLEC, EES, LAFA, LAGN, LEPA	$2.99
10	EMBA, SME	$2.99

MISO 2016/17 capacity auction clearing prices *Source: MISO*

MISO is considering changes to its proposed forward capacity auction for Southern Illinois in the face of opposition from stakeholders and Independent Market Monitor David Patton.

In addition, MISO staff have again postponed a FERC filing seeking approval for seasonal and locational capacity constructs in order to gain more buy-in from market participants.

Patton last week told the Resource Adequacy Subcommittee (RASC) that the auction plan — which would procure Zone 4's local capacity requirement three years in advance and all other capacity in the prompt-year auction — will fail to optimize procurement or provide accurate pricing and efficient transfers between zones.

"You can't bifurcate this market and have any hope of establishing an efficient price," Patton said.

Patton said the plan will result in underprocurement and depressed forward prices in competitive retail areas because the "optimal procurement level in the competitive retail area is likely higher than the minimum requirement." While Patton thinks the residual prompt auction could be optimized, he said that still would fail to correct prices and procurement volume in the forward auction.

The Monitor had other general criticisms of forward procurement, saying units can't "intelligently" decide to retire or suspend four years in advance. New resources, meanwhile, are unlikely to enter the auction at competitive prices close to the cost of new entry because clearing guarantees only one year of revenue. As a result, those investing based on expectations of future revenue will offer as price takers, close to zero, and those seeking to maximize the one year will offer much higher than CONE. (See *PJM-Type Capacity Auction for MISO Zone 4 Proposed*.)

The Monitor recommended that MISO instead introduce a sloped demand curve for the local requirement in the competitive retail areas and jointly optimize the amounts procured inside and outside of the competitive retail areas on a prompt-year basis.

MISO: Auction a 'Continued Evolution'

Jeff Bladen, MISO executive director of market services, offered possible adjustments to the proposal, telling the RASC that auction design is "a continued evolution."

MISO staff could alter the plan so that the full forward procurement occurs in a separate auction — or altogether eliminate the forward auction and revert to prompt-only procurement. Under the former scenario, MISO would consider enacting a minimum offer price rule to combat price distortion for competitive retail areas.

Bladen said MISO is "seriously considering" assigning risk of congestion to the buyer, in scenarios in which retail areas are subject to a full forward procurement.

"If you run a forward auction, you need to think about access to the transmission system and congestion costs," Bladen said.

MISO must also prevent "infeasible procurement" because of high congestion, Bladen said, pointing out that market participants that self-schedule already face risk that congestion will render their procurements unusable. "This is not a new design element to think about," he added.

Bladen said MISO could either constrain transmission availability through forward-looking modeling or keep the current modeling based on local clearing requirements.

Patton countered that MISO's option to procure the full planning requirement for the competitive retail area in the forward auction cannot be reasonable because it would "divorce the procurements and prices from MISO's true reliability needs."

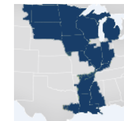
The Monitor also cautioned against MISO's ambitious timeline for rolling out the proposal and the resources that will be required: "It took New England years to set up their forward procurement. They virtually worked on nothing else."

Bladen also said MISO is considering instituting a fixed resource adequacy plan requirement preventing market participants from "opportunistically toggling in and out" of the auction and causing price volatility.

Patton said "it would be best" if auction opt-in and opt-out provisions did not exist so

Continued on page 11

MISO News



FERC Upholds 3 MISO SSR Cost Allocations in Upper Peninsula

FERC last week rejected all challenges to system support resource rate schedules for three aging power plants in Michigan's Upper Peninsula.

Presque Isle *Source: We Energies*

The commission upheld MISO's SSR cost allocation for the Presque Isle, Escanaba and White Pines power plants (ER14-2952, *et al.*), rejecting requests for rehearing from a dozen parties, including the Michigan Public Service Commission, the City of Mackinac Island, the Sault Ste. Marie Tribe of Chippewa Indians, Upper Peninsula Power Co., the City of Escanaba and Cloverland Electric Cooperative.

FERC also accepted MISO's compliance filing, which detailed the calculation for load distribution factors. The RTO also eliminated a proposal to select load buses that have an 80% effect on transmission constraints as SSR unit beneficiaries.

In September, FERC generally accepted MISO's SSR cost allocation methodology, saying it "assigns SSR costs directly to load-serving entities serving loads that would contribute to thermal or voltage reliability violations in the absence of the Presque Isle, Escanaba and White Pine SSR units." (See *FERC OKs MISO's SSR Allocation for 3 Plants*.)

The approved cost allocation took the place of an optimization-load balancing authority approach found in MISO's Business Practices Manuals. While FERC defended the new allocation on several fronts, it ordered MISO to file a report by mid-June that details how the RTO plans to distribute refunds to LSEs overcharged under the former approach. The commission said it would address arguments over effective dates and refund obligations "upon the filing of the refund report."

— Amanda Durish Cook

MISO Considering Changes to Proposed Auction Design as IMM Delivers Blistering Critique

Continued from page 10

that prices will reflect the true supply and demand in the area.

Mark Volpe, Dynegy senior director of regulatory affairs, said it was "encouraging" to see MISO and the Monitor move away from dependence on a local clearing requirement.

"Dynegy has preferred a forward auction, but that preference has always been predicated on if price formation is right," Volpe said. "It would be preferable to have a prompt auction where the price is correct, rather than a forward auction where the price is wrong. You have to have that price formation correct before you get into the timing."

Exelon's Marka Shaw echoed the Monitor's timeline concerns, saying more time was needed for discussion. "We're facing very real and serious decisions … and it's clear it's not serious to others," she said, referring to MISO staff's insistence that a July filing is still feasible.

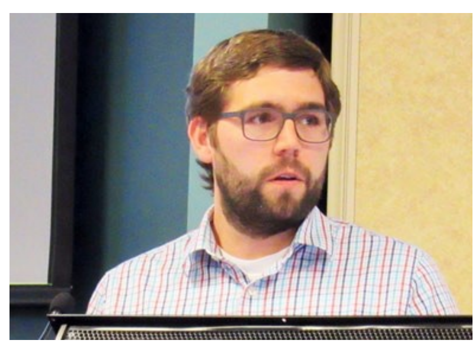
Seasonal, Locational Filings Delayed

MISO RASC liaison Renuka Chatterjee said the RTO is willing to postpone its planned May Tariff filing on seasonal and locational capacity constructs and use June to further explore the filings.

"What do you need to get comfortable with the proposal, and what language do you think the proposal lacks?" Chatterjee asked stakeholders.

"We're looking for time to discuss alternatives to the proposal," said David Sapper of Customized Energy Solutions. "Frankly, if MISO isn't willing to discuss material changes, we don't need that time. I don't think that you're offering anything that we're seeking."

Chatterjee said MISO has already provided justification for concepts such as using two seasons instead of four. "You might not like our answers, but to the extent that we didn't answer anything, please let us know," she said.



MISO Manager of Resource Adequacy John Harmon discusses MISO 2016/17 PRA results. *© RTO Insider*

Stakeholders also denied a motion from East Texas Electric Cooperative urging MISO to move ahead with a seasonal filing.

MISO NEWS

Market Subcommittee Briefs

MISO 'Likely' to Repeat Temporary Offer Cap this Winter, Seeks Stakeholder Input

MISO is seeking stakeholder input on how to revise its energy offer cap rule while awaiting guidance from FERC for developing a final rule.

"If we have some of the groundwork laid out for the final rule, we'll be in better shape," said Chuck Hansen, a MISO senior engineer.

The RTO has queried market participants about changing the operating reserve demand curve and whether to remove — or increase — the $3,500/MWh LMP cap.

This winter is likely to see a repeat of the "temporary" solution implemented the past two years, in which the RTO used revenue sufficiency guarantees to cover costs exceeding the offer cap. (See *MISO: No Change to Energy Offer Cap this Winter*.)

In January, FERC issued a Notice of Proposed Rulemaking that would require offers more than $1,000/MWh be verified before being used to calculate LMPs. Offers not verified in time for market clearing would become eligible for a make-whole payment. (See *FERC Proposes Uniform Offer Cap Across RTOs*.)

Market participants became concerned about the hard cap in 2014 when natural gas demand spiked during extreme cold. Although inefficient generators were called up, offers more than $1,000 never materialized.

"The MISO market is becoming more and more dependent on natural gas," Hansen explained. "The problem with this is if we actually clear and commit these units," their costs would be higher than offers allow.

While MISO generally supports FERC's proposals, it prefers that administrative caps be gradually relaxed to provide incentives for competitive offers so the need for "artificial, administrative caps" would disappear, Hansen said.

"We thought [FERC's NOPR] was a reasonable compromise between protecting customers and potential exercise of market power, [and it] sets appropriate prices during periods of high fuel cost," Hansen said. "Eventually we'd like to see the offer caps be relaxed to the point where they're not getting in the way of valid offers."

MISO said that over time, new technologies and new demand response will supplant offer caps with more efficient pricing during scarcity situations.

MISO currently uses a $3,500/MWh LMP cap, which reflects the cost of firm load shedding. Hansen said that amount is adequate — for now.

"The $3,500/MWh works with the current experience, but there's not a lot of room," Hansen said.

Hansen said MISO must consider the different verifiable costs among external asynchronous resources, hydro, storage, demand response, imports and virtual supply.

'Modest' Price Impacts as Extended LMP Enters Phase 2

Extended locational marginal pricing (ELMP) will enter a second phase of implementation despite its limited effect on energy prices a year after its introduction.

ELMP is intended to improve the way the security economic dispatch (SCED) algorithm calculates LMPs and sets market-clearing prices. The practice was designed to reduce uplift charges by allowing certain fast-start resources that are either offline or scheduled at their limits to set clearing prices.

Clearing prices under SCED often fail to compensate fast-start units for their start-up costs, necessitating use of revenue sufficiency guarantees.

According to MISO market design engineer Congcong Wang, stakeholders generally support roll-out of the second phase, which will allow 30-minute fast-start resources into the program. Currently, only real-time scheduled units with 10-minute start times and an hour or less of minimum runtime are eligible to set real-time energy prices under ELMP.

Wang said the inclusion "captures more fast-start schedules." Including resources with a 60-minute start time would not make as much of a difference on prices, she said.

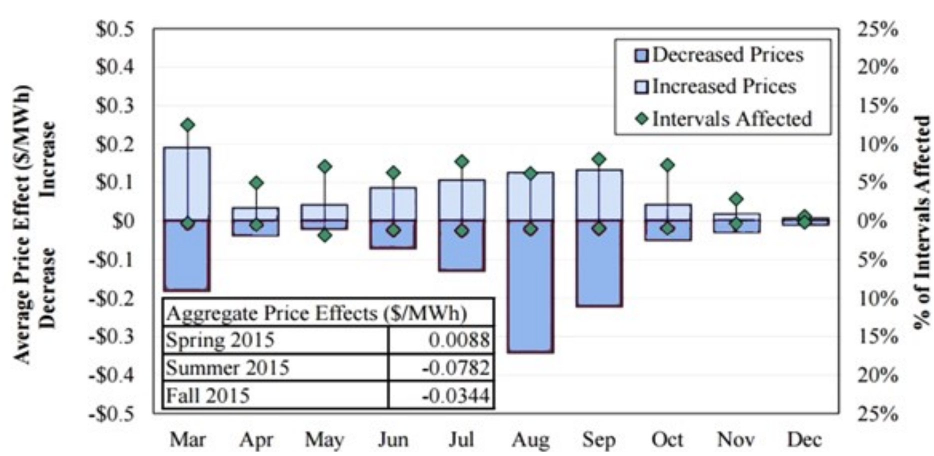
Wang noted that stakeholders also want offline units included in the price-setting process if those units "appropriately reflect system conditions."

In the meantime, MISO is studying cases from last winter to evaluate price impacts and determine if offline fast-start resources are "truly available and economic." Wang also said MISO will create a "recommendation tool" that lists eligible ELMP offline fast-start resources for operators to manage shortages or congestions.

MISO will present its findings at the August Market Subcommittee meeting.

MISO Independent Market Monitor David Patton said ELMP's impact on prices has been "modest." (See *MISO Monitor: Extended LMP Changes Minimal Thus Far*.) The practice only lifted real-time prices by about a penny per megawatt-hour in spring 2015, and reduced them by almost 8 cents in summer and 3 cents in fall. Day-ahead

Continued on page 13



Average impact of extended LMP on real-time market (March to December 2015) *Source: Potomac Economics*

MISO NEWS

Dynegy to Shutter 3 Ill. Coal Plants; Blames MISO Market Design

So. Illinois Could Lose 30% of Capacity

By Amanda Durish Cook

Dynegy said it will idle at least three coal-fired units in Central and Southern Illinois beginning in the fall, saying the merchant units can't recover their costs from MISO's energy and capacity markets.

Dynegy said the three 40-year-old coal units totaling 1,835 MW — Units 1 and 3 at the Baldwin Power Station and Unit 2 at the Newton Power Station — are unable to recoup their operating costs because of current energy and capacity market prices. In MISO's Planning Resource Auction in April, Zone 4 cleared at $72/MW-day, a 50% drop from a year earlier. (See *MISO's 4th Capacity Auction Results in Disparity*.)

The company also said it's considering closing another 500 MW of coal-fired capacity in Zone 4, though it didn't name specific plants, with a final decision due later this year.

Including Dynegy's 465-MW Wood River Power Station — which it previously announced would shut down in June — the planned suspensions would remove 2,800 MW of generation, about 30% of the capacity in Southern Illinois.

At a Thursday meeting of MISO's Resource Adequacy Subcommittee, Dynegy Director of Regulatory Affairs Mark Volpe clarified the company's stance on the closures. "I want to be clear that we plan to suspend, not retire. Those units could come out of suspension given the right compensation," he said.

The company said competitive generators in Zone 4 cannot cover their operating costs under the existing MISO market design because out-of-state generators receiving regulated revenues from their home states are suppressing capacity and energy prices. "If Newton and Baldwin were located in PJM, as Northern Illinois plants are, or Zone 4 was regulated as the other MISO generators outside of Illinois are, no shutdowns would occur," the company said in its announcement Tuesday.

"This is a losing model that exports Southern and Central Illinois jobs and economic base to the surrounding states, resulting in a catastrophic economic outcome for downstate Illinois," Dynegy CEO Robert Flexon said. "Central and Southern Illinois competitive units in MISO Zone 4 are wrongly grouped with out-of-state utilities rather than the competitive power producers in Northern Illinois and PJM. This must change."

Dynegy said it was seeking relief from state policymakers because it wasn't convinced MISO — whose "membership is overwhelmingly represented by out-of-state utilities that reap the benefits of the existing market design" — would make needed design changes.

In March, the RTO proposed a three-year forward capacity auction similar to PJM's for its deregulated markets. (See *MISO Proposes Adding Forward Auction for Retail Choice Zones*.) Dynegy and Exelon had floated a similar idea in February, but Exelon has said MISO's proposal falls short. (See *Stakeholders React to MISO Proposed Auction Design*.)

Unless MISO determines the units are needed for reliability, Dynegy said, Newton Unit 2 will stop operations in September, with Baldwin Unit 1 following in October and Unit 3 in March 2017. The shutdowns will leave one unit apiece still functioning at the Newton and Baldwin locations. Dynegy purchased the Newton plant from Ameren three years ago along with four other coal plants, as Ameren departed the Illinois market.

"In the limited time left before closures occur, we are ready to work quickly with MISO, the state of Illinois, union leadership and all stakeholders to rectify the situation and preserve the jobs and economic base in downstate Illinois," Flexon said.

Flexon lamented that Illinois officials' only response so far has been to file a complaint against the Houston-based utility over its bidding in the 2015 capacity auction. (See *FERC Launches Probe into MISO Capacity Auction*.)

Market Subcommittee Briefs

Continued from page 12

market impacts were even lower.

That minimal effect was a product of the limited number of units eligible to set prices under ELMP, Patton said. Units with a 10-minute start time account for just 2% of total peaking resources.

Patton advocates expansion of ELMP, saying MISO could capture 90% of peaking units in the real-time market if it expanded the practice to include resources with two-hour minimum runtimes and 30-minute startup times, as well as those committed in the day-ahead market.

"There's no clear reason for day-ahead units not to contribute to price setting," Patton said. He said no software changes would be required if MISO allowed 30-minute fast-start resources — representing 12% of peakers — to be eligible in the second phase of ELMP.

However, the Monitor recommended suspending offline price-setting in LMP, saying that although the offline units are economic, "analysis indicates that the units setting prices are rarely utilized."

Sunset on Financial Transmission Rights Working Group

The MSC approved retirement of the Financial Transmission Rights Working Group and will absorb tasks associated with financial transmission rights and auction revenue rights.

Working group Chair Brad Arnold said the group agrees with a MISO proposal last month to sunset the group.

"The only request was stakeholders continue to have access to FTR reports and continued MISO support," Arnold said.

Zakaria Joundi, MISO liaison to the working group, said a decrease in agenda items and stable FTR funding prompted the move. He added that MISO will continue to post FTR and ARR reports on a monthly basis as needed.

Joundi also noted that MISO subject matter experts will respond to inquiries about the reports, and that the RTO could always create a task team in the future if a specific FTR issue arises.

— Amanda Durish Cook

NYISO NEWS

NYISO Seeks to Extend Deadlines on 'Class Year' Tx Studies

By William Opalka

NYISO asked FERC Thursday to approve Tariff revisions that would make it easier for generators to get a place in the transmission queue "class year" (ER16-1627).

The ISO's large facility interconnection procedures require generators to complete a three-step study process, starting with a high level feasibility study, which evaluates the configuration and local system impacts, followed by a system reliability impact study (SRIS), which evaluates the project's impact on transfer capability and system reliability.

Finally, the class year study evaluates the cumulative impact of a group of projects that has completed similar milestones. This study identifies the upgrades needed to interconnect the project and maintain reliability.

In order to preserve its place in the transmission queue and enter the class year study, the project must acquire necessary permits from the state within two years of the NYISO Operating Committee deeming its application complete following an SRIS.

The state permitting process for generators over 25 MW "is a relatively new power plant siting process that 'front loads' much of the process," the ISO explained. "As a result, there are concerns that projects may not be able to reach the 'completed application' stage in time to enter a desired class year study, despite having an Operating Committee-approved SRIS."

NYISO cited a recent example in which a generator needed a FERC waiver to enter the class year study. On April 1, FERC granted the 33-MW Dry Lots Wind project in Herkimer County a waiver allowing it to join the study despite lacking a state siting board permit (ER16-1047). In granting the waiver, the commission cited its expectations of the ISO's pending Tariff filing.

The proposed Tariff changes would extend the deadline for meeting the regulatory milestone requirement to 90 days after the start of the third class year study following the OC's SRIS approval.

Noble Chateuagay Windpark *Source: Noble Environmental Power*

"This gives additional time for the project to meet the regulatory milestone while not permitting the project to remain in the queue indefinitely," NYISO said. "This revision will help minimize delays to projects that are close to completing their regulatory milestone when a class year study begins. If a project provisionally enters a class year study, it will be withdrawn from the class if its regulatory milestone is still not met after the 90th day."

NYISO asked for acceptance of the revision by July 5.

NRC: Staff Must Reanalyze Indian Point Accident Impacts

By William Opalka

The Nuclear Regulatory Commission last week ordered its staff to redo an accident analysis for the Indian Point nuclear power plant in New York, ruling the original study used incorrect parameters and underestimated the economic impacts of a severe accident (50-247-LR, 50-286-LR).

In early 2014, state Attorney General Eric T. Schneiderman protested a ruling by the commission's Atomic Safety and Licensing Board approving Entergy's severe accident mitigation alternatives (SAMA) analysis as part of the company's application for a 20-year license renewal of Indian Point Units 2 and 3. Both units have been operating under extensions granted by the commission after their licenses expired.

Schneiderman challenged the analysis on several key findings, with the commission siding with his contention that cleanup costs and other economic impacts were underestimated.

"While typically we decline to second-guess the board on its fact-specific conclusions, here the decision contains obvious material factual errors and could be misleading, warranting clarification," the commission wrote.

In his challenge, Schneiderman said Entergy had relied on generic cost estimates for site cleanup and not a site-specific analysis, as required by the commission. Indian Point is about 40 miles from midtown Manhattan.

The commission agreed. "We find that the SAMA analysis and the board's decision insufficiently address uncertainty in the Indian Point … inputs — uncertainty shown by New York to have a potential to affect the SAMA analysis cost-benefit conclusions," it wrote. "We conclude … that the analysis should be buttressed by additional sensitivity analysis."

"I am heartened that the NRC commissioners agreed with my office that Entergy and NRC staff have systematically undercounted the costs and impacts associated with severe reactor accidents at the Indian Point plant," Schneiderman said in a statement.

"As part of the standard process for relicensing nuclear power plants, the NRC tasked Indian Point with assessing the economic consequences of the unlikely event of a serious accident," plant spokesman Jerry Nappi said in a statement. "In our application to renew the plant's license, we used a model the NRC established for the entire nuclear power industry."

The ruling comes as New York investigates the plants for several incidents, including a leak of radioactive water. (See *NRC: No Further Leakage at Indian Point*.)

The "decision by the NRC commissioners to reverse an earlier administrative ruling, and to require a re-examination of the impacts caused by severe accidents at Indian Point and potential upgrades, reaffirms our long-standing position that the aging nuclear power plant needs to be retired," Gov. Andrew Cuomo, who has frequently criticized the plant, said in a statement.

PJM News

AEP, FirstEnergy Revise PPA Requests to Avoid FERC Review

By Ted Caddell

After a yearlong battle to win approval from Ohio regulators for their controversial power purchase agreements, FirstEnergy and AEP Ohio asked the state last week to start over.

FirstEnergy asked the Public Utilities Commission of Ohio to withdraw its PPA and replace it with a customer charge that would still protect its aging power plants (14-1297-EL-SSO).

AEP whittled down its original request for PPAs for all of its 3,100-MW Ohio merchant fleet, asking PUCO for agreements covering only its 440-MW share of the Ohio Valley Electric Corp. (14-1693-EL-RDR, 14-1694-EL-AAM). AEP said it will stand by its commitment to develop 900 MW of renewable energy — a promise that convinced the Sierra Club to sign on to its plan — with certain provisos.

Both AEP and FirstEnergy are seeking to reformulate their plans in order to avoid a review by FERC. The commission ruled April 27 that the PPAs — in which AEP's and FirstEnergy's regulated utilities would purchase output from the companies' merchant generators — must be reviewed under the *Edgar* affiliate abuse test (EL16-33 and EL16-34).

AEP CEO Nick Akins said the company would either lobby Ohio lawmakers to reregulate the state's electricity market or sell off its Ohio fleet rather than submit to FERC review. FirstEnergy CEO Chuck Jones has also said he would welcome reregulation. (See *All Eyes on AEP, FirstEnergy with Ohio PPAs in Doubt*.)

FirstEnergy is asking for an expedited ruling from the commission by May 25. The deadline for parties to respond to AEP's and FirstEnergy's new proposals is May 12.

AEP's Cardinal Power Plant *Source: Baker Concrete Construction*

Rehearing Requests

The companies' new requests came on the deadline for PPA opponents to seek rehearing of PUCO's March 31 ruling.

Among those renewing their call for rejection of the PPAs were the Electric Power Supply Association, the Ohio Consumers' Counsel, the Environmental Defense Fund, the Sierra Club (which is opposing the FirstEnergy deal but is still a party to the AEP agreement), the Retail Energy Supply Association and the PJM Power Providers Group.

The OCC noted that FERC rescinded the waivers "under which AEP Ohio claimed it could proceed with the PPA without FERC review, [so] accordingly, the PPA rider is effectively dead."

Shannon Fisk, managing attorney at Earthjustice, a nonprofit law firm representing the Sierra Club, said Friday that FirstEnergy's newest filing was "a transparent attempt to avoid FERC review." He said he hopes PUCO "won't join with FirstEnergy to snub FERC."

"It would be seriously inappropriate for a state commission to do that," he said.

AEP Wants Stake in Renewable Projects

In its latest filing, AEP said it is committed to the renewable portion of its PPA agreement but wants to own half of the projects, rather than purchasing the power on the market. "This is especially vital given that AEP Ohio is attempting to fully honor the renewable commitment even though the previously featured affiliated PPA is no longer part of the PPA proposal," the company wrote.

"The company is productively attempting to salvage rather than terminate the commitments made as part of the beneficial package of the stipulation in a reasonable and modest way," it wrote. "The company is pursuing this even though the central feature of the affiliated PPA is no longer included."

PJM Prepared to Meet Summer Peak Demand

PJM is prepared to meet the power needs of its 61 million consumers this summer, when demand is expected to peak at 152,131 MW, the RTO said last week.

There is 183,912 MW of installed generating capacity available, plus 8,700 MW of demand response.

"With continued transmission enhancements, reinforced capacity commitments and slowing forecasted load growth, we're prepared to meet the region's needs," said Mike Bryson, vice president of operations.

This will be the first season to include Capacity Performance resources, which were procured in the August 2015 transitional auction. (See *PJM 2016/17 Transition Auction Clears at $134/MW-day*.)

PJM's available capacity reflects a reserve margin of 28.3%, well above the required 16.4%.

Last summer's peak electric demand occurred on July 28 and was for more than 143,500 MW. The highest summer demand was nearly 166,000 MW in 2006.

— Suzanne Herel

PJM NEWS

PJM Study Defends Markets, Warns State Policies can Harm Competition

Continued from page 1

actions that 'defeat' efficient market outcomes will aggregate to a point they will altogether thwart effective operation of the market to the point it can no longer be relied upon to govern resource exit and entry and attract capital investment when needed," it said.

Informed Decisions

Presenting the study in a conference call with the news media Friday, PJM General Counsel Vince Duane said, "It's important to ensure that policymakers are making informed decisions when they decide to go with one approach at perhaps the expense of another."

The report was commissioned by the Board of Managers last summer, following efforts by money-losing coal-fired generators in Ohio and nuclear generators in Illinois to win state-backed subsidies.

(See related stories, *AEP, FirstEnergy Revise PPA Requests to Avoid FERC Review*, p.15, and *Absent Legislation, Exelon to Close Clinton, Quad Cities Nukes*, p.19.)

Local Consequences

"There's no question that the retirements of legacy generation can create disruptive effects to local economies, job loss, loss of tax revenues for local communities," Duane said. "Our markets are not designed — and really shouldn't be designed — to account for those kinds of policy interests. But nonetheless they have to work alongside programs that are intended to advance social and political, environmental issues.

"The message is … let's acknowledge there are trade-offs from time to time. Those trade-offs could be minimized perhaps if externalities can be priced and then the market can more readily digest those policy choices. … But that's not always possible."

The analysis is composed of two parts. The first "examines how markets drive resource investment decisions and compares generation entry and exit outcomes under both market and traditionally regulated constructs."

The second section looked at "subsidies, regulations, policies and other requirements that may either reward or disadvantage generating resources and how such actions affect the performance of markets."

On the first subject, researchers concluded that competitive markets are efficient when left alone to manage resource entry and exit, and that they do this on a more cost-effective basis for consumers than under a regulated model.

Bearing the Risk

At the same time that PJM is encouraging cost-effective new generation, it is avoiding investment in risky, capital-intense, experimental utility-scale projects such as Southern Co.'s Kemper integrated gasification combined cycle project and the Vogtle nuclear plant's Units 3 and 4. The projects, backed by state and federal subsidies in traditional, rate-regulated states, are years behind schedule and billions over budget.

"Over the long term, markets can misallocate capital — we're not saying it's just a problem with regulators," Duane said. "But markets also move very quickly" to correct their mistakes.

"We are operating … in very uncertain times in this industry right now," he continued. "There's a lot of concern about the disruption of the business model. Risk has a price, has a cost. In market environments like PJM's, that risk is owned by the merchant investor. … Regulated entry is underwritten by the consumer/ratepayer."

On a risk-adjusted basis, he said, "it seemed that new combined cycle entry was coming in to PJM on highly favorable terms relative to regulated models. Consumers of merchant generation in PJM were getting a pretty good deal."

That, he said, raised two questions: Were regulated markets allowing returns on equity that were too high compared with what an investor would require? And on the other hand, was PJM providing sufficient revenues to support investments?

Given that 140,000 MW of natural gas capacity has entered the project queue since 2010, he said, "It's hard to imagine that sophisticated investors are deploying their capital in PJM in that manner if they're not expecting adequate returns."

Resources not Retiring Prematurely

The study also helps PJM rebut allegations that it is prematurely retiring resources that still have a useful life, Duane said.

"We were able to conclude with a high degree of confidence that both regulated models and PJM are doing a pretty good job in exiting coal resources that are really no longer competitive. But we were unable to see any meaningful statistical distinction that we were more aggressive or unduly aggressive or starving resources that still had an economic life but were unable, based on the market design, to earn the revenues that they should to support their operations," he said.

PJM's Tom Zadlo, who joined Duane on the media call, said PJM's markets could accommodate a cap-and-trade system that would improve the finances of nuclear plants. "At a very simple level, if it's something you can put a price on, it's something that the market can then optimize for," he said.

But the study did not make recommendations for how policy objectives can be designed in ways that don't thwart market economics. "We leave that for another day," Duane said.

State & Local Government	State Public Utility Regulation		Federal Government	Federal Public Utility Regulation
Tax abatements	Net metering		Production tax credits	Full locational marginal price compensation for DR
Economic development grants	Feed-in tariffs		Tax credits	Reliability Must Run (potentially)
Tax Exempt Financing (Municipal)	Out-of-market payments	State directed contracts	DOE Loan guarantees	Reference Power & Federal Power Marketing Agencies
	Stranded cost recovery		Funded research & development	

Policy-driven subsidies *Source: PJM*

SPP News

SPP Sees Hope for Future Joint Studies in NIPSCO Order

By Tom Kleckner

With prospects for a second coordinated system plan study with MISO looking bleak, SPP's Seams Steering Committee considered last week whether it might find some relief in a recent FERC order related to the MISO-PJM seam.

FERC last month ordered MISO and PJM to make changes in their interregional transmission planning process as a result of a complaint filed by Northern Indiana Public Service Co. (EL13-88). (See *FERC Orders Changes to MISO-PJM Interregional Planning*.)

That led the SSC — which met via conference call Friday as MISO and PJM were holding their Interregional Planning Stakeholder Advisory Committee meeting — to wonder whether the commission's directives in the NIPSCO docket would apply to the MISO-SPP seam as well.

"It's hard for me to imagine the rationale for having different criteria for different seams," SSC Chair Paul Malone said.

"If they change things on the PJM seam, I don't see why [MISO] would be opposed to being consistent on the SPP seam," American Electric Power's Jim Jacoby said.

David Kelley, SPP's director of interregional relations, noted that FERC directed MISO and PJM to make changes to their joint operating agreement's cost allocation for interregional projects. The commission ordered that costs be allocated in proportion to the total benefits as calculated in "each RTO's respective tariff," rather than how benefits are calculated in the JOA.

FERC said with the change, "each RTO will then determine whether the potential interregional economic transmission project meets its individual 1.25-to-1 benefit-to-cost threshold using the RTO's *pro rata* share of the total cost based on its share of the total dollar value of the benefits."

"We have the same exact language PJM and MISO have. It's hard for me to fathom there wouldn't also be a directive to apply it to our seams," Kelley said. "We don't have a threshold test, which I believe MISO and PJM do, [but] the order asked them to get rid of it."

Ameren's Pat Hayes, who was also participating in the IPSAC meeting, told the SSC that MISO was planning to seek clarification from FERC on whether the NIPSCO issues were unique to the MISO-PJM interregional process or applied to all interregional processes.

SPP is not an intervenor in the docket, though some of its members, including AEP, are. "We're more than happy to submit those questions" raised, AEP's Kip Fox said.

Kelley said SPP is still digesting the order, but he promised to have more feedback for the committee's June meeting.

MISO's 345-kV threshold for interregional projects has been one of the stumbling blocks in selecting interregional projects on the MISO-SPP seam. The RTOs were unable to agree on a single project in last year's joint study, and MISO staff is currently recommending not to pursue a second study this year. (See *MISO, SPP Disagree on 2016 Joint Study*.)

MISO's Planning Advisory Committee is scheduled to take a final vote on whether to pursue the joint study during its May 18 meeting. SPP staff said stakeholders unable to participate in the March SPP-MISO IPSAC meeting had requested extra time and additional materials from MISO before making a decision.

The SSC voted last month to pursue a targeted transmission study with MISO. (See "Seams Steering Committee Seeks 'Targeted' MISO Seam Study," *SPP Briefs*.) Staff said in the future, such votes will be held at joint IPSAC meetings to avoid delays.

SPP's Gerardo Ugalde said MISO paid SPP more than $1 million for temporary and permanent flowgate relief in March. Since market-to-market operations began in March 2015, SPP has used the process to manage congestion on 45 SPP flowgates and 50 MISO flowgates, he said.

Ugalde shared staff's analysis of flowgates where real-time congestion was observed for more than 10 days. SPP compared internal flows against firm-flow entitlements. But because the six-flowgate sample size was so small, staff is currently running studies to determine how day-ahead clearing would change if SPP started using FFE limits.

Company Briefs

Exelon Shareholders Snub Executive Compensation Plan


Crane

More than 60% of Exelon shareholders voted against the company's 2015 executive compensation plan, a nonbinding vote that the proxy advisory firm Institutional Shareholder Services said reflected discontent with the easy terms of CEO Chris Crane's $16 million compensation package.

"Exelon's stock performance lagged [behind] many of its peers over the last three- to five-year periods," ISS said in a report released before the vote. "However, nearly every component of CEO pay increased during FY2015, and incentive awards, both long and short, were earned at above-target levels and based on nearly flat or lowered performance goals."

Exelon said it was taking the vote into advisement. "Our shareholders have spoken on executive compensation and although it was an advisory vote, we take the vote and shareholder feedback very seriously and are currently re-evaluating our executive compensation programs to address this feedback."

More: *Crain's Chicago Business*

PPL Cuts Default Price For Pa. Electric Customers

PPL Utilities said it is cutting its default price for residential customers who don't shop for electricity from 7.878 cents/kWh to 7.393 cents, and from 7.731 cents/kWh to 6.593 cents for small commercial customers. The new prices for "default service" take effect in June.

The company sets the "price to compare" twice a year, in December and June. This supply charge is based on what it costs PPL to obtain the power, so it is a direct pass-through with no profit to the utility.

More: *The Morning Call*

Xcel Moves Wis. Solar Projects Ahead Despite Slow Sales

Xcel Energy will proceed with the construction of two community solar farms in La Crosse and Eau Claire counties in Wisconsin even though the company has only sold 12% of the available 2 MW.

The company's report to the Wisconsin Public Service Commission shows four commercial customers have reserved 140 kW and 42 residential customers reserved 99 kW. Xcel, however, estimates it will sell at least 95% of the power from both projects by the end of the year, when they are expected to begin producing electricity.

"While we have not received a large number of nonresidential subscriptions yet to date, many of our nonresidential customers are in the process of running large subscription recommendations through their internal decision-making processes," Xcel wrote in the PSC report.

More: *The Chippewa Herald*

DTE's Fermi 2 Nuclear Plant Closes for Repairs

DTE Energy's Fermi 2 nuclear power plant has been shut down to repair a component in the electrical distribution system, according to spokesman Stephen Tait.

DTE's monitoring program, Tait said, indicated the reactor in southeastern Michigan needed the repair. Other maintenance work will take place during the shutdown.

No date was given on when the plant would resume service.

More: *The Monroe News*

Cracked Bolts Lead to Prolonged Salem Outage

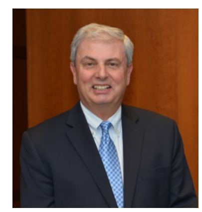
The discovery of cracks to a number of bolts inside the core of the Salem 1 nuclear reactor on Artificial Island have delayed the unit's coming back online, according to the Nuclear Regulatory Commission and PSEG Nuclear.

A routine inspection found cracks on 18 of the reactor's 832 baffle bolts during a refueling outage. The company is extending the outage to conduct further inspections.

NRC spokesman Neil Sheehan said some of the bolt heads had broken off, but he and PSEG officials said there was no danger. A recent inspection at Entergy's Indian Point nuclear station in New York found 227 of its 832 bolts needing replacement.

More: *NJ.com*

Eversource Energy Names New CFO


Lembo

Eversource Energy last week announced that Phil Lembo will succeed Jim Judge as the company's CFO. The announcement came the same day Judge took over as CEO for the retiring Tom May.

Lembo had been vice president and treasurer for Eversource since the 2012 merger between Northeast Utilities and NSTAR. Before that, he served as vice president and treasurer for NSTAR since 2009. He has been with the company for 33 years.

More: *Eversource*

More Solar Power to Go Online for Duke Energy

The sixth 5-MW solar project that Duke Energy Renewables purchased from Community Energy is set go live this month in North Carolina.

The generation is being sold to Dominion NC Power under a 15-year agreement. Duke has installed about 450 MW of solar in North Carolina.

More: *power-technology.com*

Continued on page 19

Absent Legislation, Exelon to Close Clinton, Quad Cities Nukes

By Suzanne Herel

Clinton nuclear plant

Exelon said it will close the Clinton Power Station next summer and the Quad Cities facility the following year if Illinois legislators fail to pass a bill to shore up the money-losing nuclear plants and Quad Cities does not clear PJM's 2019/20 capacity auction this month.

"Without adequate legislation, we no longer see a path to profitability and can no longer sustain ongoing losses," CEO Christopher Crane said on Friday's first-quarter earnings call with analysts.

Together, the plants have lost $800 million in cash flow from 2009 to 2015, he said.

"For reasons outside of our control, we have not seen progress in Illinois policy reform," Crane said. "In order to reverse course, we would need Illinois to cover our cash costs and operating risk."

The Clinton plant would be shuttered June 1, 2017, and the Quad Cities station would cease operations one year later.

The closures would represent the loss of $1.2 billion in economic activity and 4,200 in direct and indirect jobs, Crane said. Together, the plants employ 1,500 workers.

The company last year deferred a decision on closing the generators pending the outcome of MISO's 2016/17 Planning Resource Auction, held last month, and PJM's Base Residual Auction, the results of which will be known May 24. Last year, for the second year in a row, the 1,819-MW Quad Cities plant did not clear the PJM auction. (See Reactor to Participate in 2016 Auction.)

While the 1,065-MW Clinton plant won contracts in the MISO auction, its clearing price is "insufficient to cover cash operating costs," Crane said Friday, noting that power prices have fallen to a 15-year low.

"We are not covering our operating costs or our risk, let alone receiving a return on our investment capital," he said.

Exelon last year backed legislation that would have ensured continued operation of its ailing nuclear power plants with a $300 million annual charge paid by Commonwealth Edison and Ameren customers.

Under the Low Carbon Portfolio Standard (SB1585, HB3293), 70% of the electricity delivered by ComEd, an Exelon subsidiary, and Ameren would have to be generated by "clean energy" sources, including nuclear. (See Exelon-Backed Bill Proposes Surcharge to Fund Illinois Nukes.)

Illinois legislators, however, declined to act on the bill, or on other energy legislation put forward by ComEd, Exelon or the Clean Jobs Coalition, environmental and consumer advocates who sought to boost energy efficiency and wind and solar power.

On Thursday, Exelon and ComEd announced they would be supporting new legislation, the Next Generation Energy Plan, which Exelon said contains parts of their previous legislation and the Clean Jobs bill.

A key new element in the plan, Exelon said, is a shift to a zero-emission standard.

"The zero-emission standard addresses stakeholder concerns by requiring full review of plants' costs by state regulators and by ensuring that only those plants that can demonstrate that revenues are insufficient to cover their costs and operating risk will be entitled to receive compensation," the company said in a release. The model is similar to Gov. Andrew Cuomo's plan to save New York's struggling nuclear plants, including Exelon's R.E. Ginna. (See New Lifeline for FitzPatrick Nuclear Plant.)

Exelon Executive Vice President Joe Dominguez said on a call with reporters Thursday that Clinton and Quad Cities are expected to lose "well over $100 million" next year, signaling that that would be the amount of state assistance for the two plants.

The bill also would double energy efficiency programs in Illinois and provide $140 million per year in funding for solar development. The companies estimate the plan would result in a 25-cent monthly increase in the average ComEd residential customer's bill.

Just as they were last year, legislators continue to debate the state budget, and their session ends this month.

Also Friday, Exelon announced its first quarter earnings following the $6.8 billion acquisition of Pepco Holdings Inc. (See Exelon Closes Pepco Merger Following OK from DC PSC.) Operating revenue dropped 14% to $7.57 billion. The company reported a profit of $173 million (19 cents/share), down from $693 million (80 cents/share).

COMPANY BRIEFS

Continued from page 18

Exxon Partnering with Fuel Cell Co. to Capture Carbon

FuelCell Energy Solutions
Ultra-Clean, Efficient, Reliable Power

ExxonMobil has agreed to invest an unspecified amount into Connecticut-based FuelCell Energy to develop a process that could dramatically cut carbon dioxide emissions from power plants while improving electrical output.

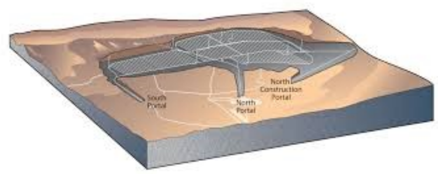
The initial phase of the deal will finance one to two years of research. A second phase would test the technology in "a small-scale pilot project."

FuelCell and ExxonMobil have been cooperating on research since 2014. The goal of the project is to eventually create large-scale systems that can capture CO_2 from the steam turbines used in coal- and natural gas-powered electric generating plants and convert it to additional electricity in fuel cells.

More: Hartford Courant

Federal Briefs

NRC Issues Final Environmental Report on Yucca Mountain



The Nuclear Regulatory Commission has determined that the Yucca Mountain nuclear waste repository project in Nevada, if it were built, would have a small environmental impact. The commission continued working on the environmental impact statement even after the Obama administration shelved the project, following a ruling by the D.C. Circuit Court of Appeals that said NRC must consider the project in accordance with a 1987 law.

"The NRC staff concludes that the estimated radiological doses are small because they are a small fraction of the background radiation dose ... and much less than the NRC annual dose standards for a Yucca Mountain repository," the commission's report said.

Yucca Mountain advocates hope the final environmental report could help fuel a resurgence of support for the moribund project. "The big-picture take on this is that it is yet another independent expert study that has found the proposed repository to be safe and environmentally sound," the Nuclear Energy Institute's nuclear expert Rod McCullum said.

More: *POWER Magazine*

Kemper 'Accounting Matters' Spur Probe by SEC

The Securities and Exchange Commission has opened an investigation into the cost and disclosure timeline of Southern Co.'s $6.7 billion Kemper coal-gasification plant in Mississippi.

The commission is focusing on "accounting matters, disclosure controls and procedures, and internal controls over financial reporting," Southern reported in regulatory filing late last week. Though stock prices dipped the day after the filing's release, Southern does not "expect the investigation to have a material impact on the financial statements of either Southern Co. or Mississippi Power," stated Tim Leljedal, a Southern spokesman.

The company still plans to move ahead in the third quarter with switching the plant from natural gas, which it's currently burning, to coal. The six-year project, which has come under fire for delays and cost overruns, would convert coal to gas to fuel electrical generators.

More: *Bloomberg*

Enviro Groups Sue EPA Over Fracking Waste Disposal

An alliance of environmental groups sued EPA last week to force stricter controls over the disposal of oil and natural gas drilling wastes.

The Environmental Integrity Project, which filed the suit with other groups, says the underground disposal of wastewater from fracking operations has been linked to an increase in earthquakes in Oklahoma and other states. The group said federal regulations covering disposal of liquid and solid wastes are 30 years old and need updating.

The groups also want EPA to ban dumping wastewater on fields and roads, where they say it could pollute drinking water.

More: *The Washington Post*

NARUC Names New Committee Chairs

National Association of Regulatory Utility Commissioners President Travis Kavulla appointed Nancy Lange as chair of the Energy Resources and Environment Committee and Richard S. Mroz as chair of the Critical Infrastructure Committee.

Lange

Lange is the vice chair of the Minnesota Public Utilities Commission, having been appointed in 2013. She is also on NARUC's Washington Action Committee. Before being appointed to the PUC, she was manager of policy and engagement at the Center for Energy and Environment.

Mroz, president of the New Jersey Board of Public Utilities, is also on NARUC's Nuclear Issues – Waste Disposal subcommittee. He is New Jersey's representative to the Organization of PJM States Inc.

More: *NARUC*

DOE Puts up $25M For Solar Integration

The Energy Department announced it will distribute $25 million for projects designed to speed up the integration of solar power to the grid.

The department expects the funding, part of an existing program called Enabling Extreme Real-Time Integration of Solar Energy (ENERGISE), to result in 10 to 15 projects by software developers, utilities and solar companies.

"Our ongoing grid modernization work will help accelerate the widespread adoption of the clean energy resources that will define our low-carbon future," said Lynne Orr, undersecretary for science and energy. "In doing so, we hope to drive down costs and encourage even more American homeowners and businesses to install solar systems."

More: *Department of Energy*

TVA Set to Start New Reactor at Watts Bar

The Tennessee Valley Authority is ready to start Unit 2 at Watts Bar, the first new reactor to come online in the U.S. in two decades.

The reactor, which first went under construction in 1972, will add 1,411 MW to the TVA fleet. After repeated delays and

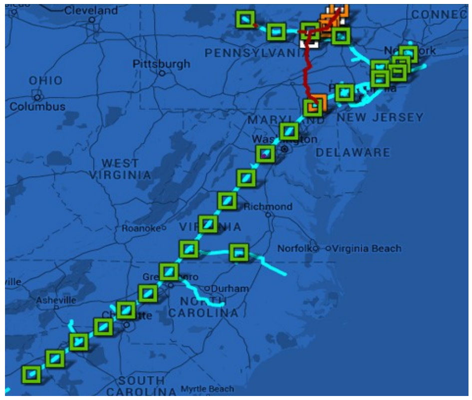
Continued on page 21

Williams' Atlantic Sunrise Gets Preliminary Approval from FERC Staff

FERC staff last week released a draft environmental impact statement on Williams Partners' Atlantic Sunrise Project, finding that the natural gas pipeline expansion would result in "some adverse environmental impacts" but that they would be "less than significant" following mitigation measures (CP15-138).

Williams has proposed expanding its existing Transcontinental Gas Pipe Line (Transco) from the Marcellus Shale area in northern Pennsylvania to its southeastern market. The 198 miles of additional pipeline would deliver an incremental 1.7 million dekatherms/day of year-round firm transportation capacity.

In making its determination, staff considered that about 28%, or 55 miles, of the project would be within or next to existing infrastructure rights of way. Proposed mitigation measures by Williams, along with recommendations by FERC staff, would minimize impacts on natural and cultural resources during construction and beyond, staff said.



The Atlantic Sunrise Project consists of 184 miles of greenfield pipeline and 11.5 miles of looping pipeline in Pennsylvania. Williams would also replace 2.5 miles of pipeline in Virginia.

The project also involves two new compressor stations, two new meter stations and three new regulator stations in Pennsylvania, along with infrastructure improvements that also would affect Maryland, North Carolina and South Carolina.

Williams expects the project to be in service in the second half of 2017. Comments on the draft EIS are due by June 27.

— Suzanne Herel

Atlantic Bridge Environmental Assessment Released

FERC last week released an environmental assessment of the Atlantic Bridge natural gas pipeline expansion project, finding "no significant impact" (CP16-9).

Spectra Energy has proposed expanding its Algonquin Gas Transmission and Maritimes & Northeast Pipeline systems' capacity by 132,700 dekatherms/day to serve the New England and Canadian natural gas markets.

Six miles of existing pipeline in New York and Connecticut would be widened from 26 inches to 42 inches. A 7,700-horsepower compressor station would be built in Massachusetts, along with numerous infrastructure improvements.

The project has a proposed in-service date of November 2017. Public comment on the project is open until June 1.

While only a fraction of the size of other natural gas projects seeking to tap into abundant shale gas from Pennsylvania, the project has provoked opposition from climate change activists and landowners fearing encroachments on their properties. (See *Hearing on Algonquin Pipeline Expansion Highlights Local, National Issues*.)

The developers have commitments from New England gas distribution companies and manufacturers for 40% of the additional capacity, with the other 60% committed to commercial and industrial customers in the Canadian Maritime provinces. The developers say none of the gas is destined for the LNG export terminals proposed in Maine or the Maritimes, a major source of controversy for any infrastructure expansions in New England.

"The additional supply from Atlantic Bridge will help enhance the reliability of energy throughout the region and generate savings for homeowners, businesses and manufacturers," according to Spectra.

FERC said its review did not find significant issues that rise to the level of requiring a more extensive environmental impact statement.

— William Opalka

Federal Briefs

Continued from page 20

construction suspensions, the unit is projected to achieve initial criticality later this month. It should be synchronized to the grid by this summer after more tests, according to TVA Chief Nuclear Officer Joe Grimes.

TVA says the final price tag for the unit is $4.7 billion.

More: *Chattanooga Times Free Press*

Plant Operators Plead Guilty to Emissions Tampering

The operators of an Agawam, Mass., power plant pleaded guilty in federal court to tampering with emissions equipment and submitting false information to regulators.

The Berkshire Power Plant and Power Plant Management Services agreed to pay $8.5 million in fines. The companies will be sentenced in August. The plant's operations and maintenance manager, Frederick Baker, also pleaded guilty to charges of conspiracy to violate the Clean Air Act and tampering.

The case marks the first criminal prosecution for false statements made to FERC. The companies admitted they instructed employees to adjust an oxygen monitor to hide the amount of pollutants released.

More: *The Boston Globe*

Group Asks FERC to Dismiss Pipeline Application

The Pipeline Awareness Network for the Northeast filed a motion with FERC to dismiss Kinder Morgan's application for the 412-mile Northeast Energy Direct pipeline that would run through Massachusetts and New Hampshire.

The company recently said it was suspending development work on the $3.3 billion project, citing a lack of commitments from utility customers and low natural gas prices. But the group asked FERC to dismiss the project "with prejudice" to ensure the project cannot be revived.

More: *The Berkshire Eagle*

STATE BRIEFS

CONNECTICUT

Electric Rates Drop to 'Near Historic Lows'

EVERSOURCE The Public Utilities Regulatory Authority approved "near historic" low rates starting July 1 for the standard offers from the state's two electric utilities, thanks to depressed natural gas prices.

The standard rate for Eversource Energy customers will drop from the current 9.555 cents/kWh to 6.606 cents. United Illuminating customers will see their standard rate decrease from 10.7358/kWh to 8.0224 cents.

Dave Thompson, a utilities examiner with the state Office of Consumer Counsel, said utility industry officials "haven't seen prices like this since 2003-04."

More: *Hartford Courant*

MAINE

City Gives Key Approval For Solar Project

RANGER SOLAR The developers of what would be the state's largest solar energy farm won vital support from the city of Sanford, where it will be built on vacant land at the municipal airport.

The Sanford City Council authorized a lease allowing Ranger Solar to build a 50-MW photovoltaic array on 226 acres. Ranger intends to start construction in 2018. The project will include 176,000 solar panels.

Ranger estimates that the project will add $29 million in taxable investment to the city, as well as millions of dollars in rent if the lease is extended to the maximum 40-year term stipulated in the agreement. The project still requires environmental permitting from the state and an interconnection agreement with ISO-NE.

More: *Portland Press Herald*

MASSACHUSETTS

Bill to Mandate Offshore Wind Purchases Coming Soon

Legislators will introduce a bill as soon as this month that will require utilities to purchase energy from offshore wind farms, according to Bloomberg News.

Wind developers are pushing for a mandate for utilities to buy 2,000 MW over 10 years. Proponents have said such a guaranteed market would spark an offshore wind-building boom. Three wind development companies have secured federal offshore leases near Martha's Vineyard: DONG Energy, Deepwater Wind and Offshore MW.

"We have the opportunity to create an industry," Sen. Marc R. Pacheco said. "We have the opportunity to create thousands of jobs and create a whole supply chain."

More: *Bloomberg*

NEW HAMPSHIRE

New Net Metering Cap Almost Filled Already

Gov. Maggie Hassan recently signed a bill setting a new net metering cap in the state, and the available capacity for larger projects is already nearly consumed.

The law allocates about 40 MW to smaller projects for homes and businesses and 10 MW for larger projects. Eversource Energy, which was allocated 7.8 MW, already has a waiting list of 7.2 MW worth of projects and another 7.8 MW still in development.

More: *New Hampshire Business Review*

NEW JERSEY

Christie Vetoes Offshore Wind Energy Bill Again

FISHERMEN'S ENERGY

For the second time, Gov. Chris Christie has vetoed a bill that would have paved the way for Fishermen's Energy to build a 25-MW offshore wind farm near Atlantic City.

Although the project received a $47 million grant from the U.S. Department of Energy, Christie and the Board of Public Utilities have criticized the project as too costly for customers, who would help fund the project through bill surcharges. Christie also argued that the bill "would usurp BPU's authority" and strip its discretion for "managing energy matters."

Christie signed a bill six years ago mandating offshore wind with a goal of developing 1,000 MW by 2020, but the BPU never created a funding mechanism that would make such projects economically feasible.

More: *NJ Spotlight*

Trust Fund Would Stimulate Clean Energy Technology

The Senate is considering a proposal that would provide loans and loan guarantees to stimulate the clean energy sector.

The bill, S-684, would finance a trust fund through raising an existing surcharge on customers' bills, called the "societal benefits charge." That has raised concerns with the business community and the Division of Rate Counsel.

The fund would target investments in clean energy research, promote manufacturing for new and existing technologies and support the development of a clean energy curriculum at universities.

More: *NJ Spotlight*

NORTH CAROLINA

Duke Asks Plant Foes To Post $50 Million Bond

NC WARN Duke Energy Progress is asking state regulators to require opponents of a new power plant near Asheville to put up a $50 million bond if they appeal regulatory approvals. The company said that delays would drive up construction costs by as much as $140 million.

Environmental groups say that amount is just to prevent them from taking appeals to court. "We aren't asking them to delay anything," said Jim Warren, executive director of NC WARN. The groups said an appropriate bond would only be $250.

Duke called that "absurd," saying the company's customers needed adequate protection from potential construction delays for a $1 billion project. Duke wants to start construction in October.

More: *Charlotte Business Journal*

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State Briefs

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OKLAHOMA

OG&E Admits Including Legal Fees, Lobbying in Rates

Oklahoma Gas & Electric acknowledged that the company's customers have been paying the legal fees for shareholders of the utility's parent company for the past 11 years and agreed to reduce its rate-increase request.

As hearings opened before the Corporation Commission on OG&E's $92.5 million rate case, a company witness acknowledged the utility had improperly included the legal fees for the OG&E Shareholders Association in customer rates. The issue came to light after an audit by the commission's public utility division and questions by the attorney general's office, which represents ratepayers in utility cases.

The utility has agreed to lower its rate request by about $275,000 to reflect the incorrect allocation. It also agreed to reduce it another $20,000 for "legislative activities" that should have been paid by parent OGE Energy instead of ratepayers.

More: *The Oklahoman*

PENNSYLVANIA

Wolf Nominates Adviser to PUC

Sweet

Gov. Tom Wolf has nominated senior adviser David Sweet to serve on the Public Utility Commission.

Sweet, a Democrat, was a state representative from 1977 to 1988 and has advised Wolf on energy and economic development matters since April.

He also has served on the Banking and Securities Commission and as a liaison to the Philadelphia Regional Port Authority. Sweet will need to be confirmed by the Senate.

More: *The Tribune-Review*

TEXAS

Majority of Residents Want CPP Compliance Plan Developed

State residents believe their leaders should draw up a plan to shift from coal-fired power to natural gas and renewables, even if the state wins a high-profile battle against the federal Clean Power Plan, according to a new poll.

Two Republican pollsters developed and conducted the survey of more than 800 registered voters on behalf of the Texas Clean Energy Coalition, a group that supports natural gas, solar and wind energy. It offers insight into residents' views on energy policy and a test of how public opinion compares to the rhetoric of politicians on the issue.

Among the findings, 85% (including 81% of Republicans) believe the state should develop its own comprehensive clean energy plan, regardless of the outcome of a lawsuit over the Clean Power Plan, and 69% believe their leaders should construct a proposal to comply in case the state loses its court battle.

More: *The Texas Tribune*

VERMONT

Siting Bill Approved by Senate Now Stuck in House

The Senate last week approved a modified version of a bill giving towns more say over renewable energy projects, but action by the House of Representatives is uncertain.

Rep. Tony Klein, a Democrat and chairman of the House Natural Resources and Energy Committee, said he wanted the attorney general's office to weigh in before agreeing with Senate language on regulating sound from wind towers.

The Senate version of the bill calls for the Public Service Board to issue new rules on noise levels by July 1, 2017.

More: *Burlington Free Press*

VIRGINIA

Appalachian Power Developing 100% Renewable Offering

Appalachian Power has informed the State Corporation Commission that it is developing a pure alternative energy rate for its customers. It said it has seen a higher demand for renewable energy from its customers and is seeking a way to offer a 100% renewable product.

The company said it is seeking more sources of renewable energy to be able to provide a rate that will reflect the use of renewables around the clock.

"We do know that it will be set up as an annual review situation where we'll look at the cost every year and adjust the cost to the customer every year," said John Shepelwich, a company spokesman.

More: *WDBJ7*

Dominion Customers Could See Lower Summer Rates

Dominion Virginia Power has submitted a fuel rate proposal to the State Corporation Commission that would lower bills for customers this summer.

The proposed reduction would decrease a typical residential bill by $4.35, or 3.8%.

If approved, the new rate will go into effect July 1.

More: *PennEnergy*

WEST VIRGINIA

Citizen Groups Criticize Mon Power, Potomac Edison IRP

Critics are calling an integrated resource plan put forth by FirstEnergy utilities Mon Power and Potomac Edison "a thinly disguised attempt to pave the way" to buy a coal-fired power plant from an affiliated company, Allegheny Energy.

Two citizen groups are urging the Public Service Commission to force the utilities to rewrite the plan, saying the cost of the purchase would fall to customers.

More: *The DPost.com*