# RTO Insider

Your Eyes and Ears on the Organized Electric Markets

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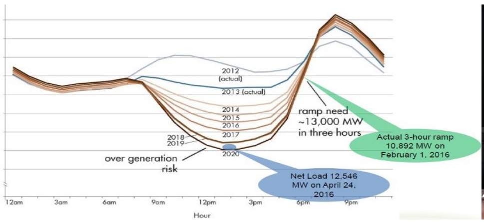
COAST TO COAST:

# Renewables, Costs, Pipelines the Talk in Energy Conferences






## Con Ed-PSEG 'Wheel' Ending Next Spring

*By William Opalka*

Consolidated Edison will stop using the "PSEG wheel" next April, following through on a promise it made late last year in a dispute with PJM over transmission upgrade costs.

The company said it would not renew two point-to-point transmission agreements under which Public Service Electric and Gas takes 1,000 MW from Con Ed at the New York border and delivers it through New Jersey to Con Ed load in New York City.

Con Ed, which said it has identified less costly alternatives, informed the New York Public Service Commission of its decision in a letter May 2 (12-E-0503).

The company says that renewing the wheel after its April 30 expiration would expose it to $680 million in cost allocation charges for two transmission projects that it says primarily benefit New Jersey customers.

"Con Edison no longer requires power sources from the PJM

*Continued on page 2*

## Generators, Tx Operators Spar over Interconnection Processes Before FERC

*By Rory Sweeney*

Generation developers and transmission operators squared off Friday at a FERC technical conference on interconnection procedures, with developers voicing frustration about delays and a lack of clarity in the processes.

Transmission operators pushed back, arguing that high numbers of interconnection requests in small geographical areas create congestion and delay their ability to efficiently review projects.

The conference was prompted by the American Wind Energy Association, which requested that FERC make regulatory and policy changes to

*Continued on page 24*

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# Con Ed-PSEG 'Wheel' Ending Next Spring

Continued from page 1

wheel for reliability purposes, and unfair cost allocations have become too costly for our customers," spokesman Bob McGee said. "Other electric projects added in recent years that already serve our customers will help us maintain reliability. We will continue to have access to the PJM wheel in an emergency."


Bergen Linden Corridor upgrade project *Source: PSEG*

PJM assigned Con Ed $629 million of the costs of PSE&G's $1.2 billion Bergen-Linden Corridor upgrade to address a short-circuit problem. PSE&G was allocated $52 million of the cost. Con Ed was also assigned $51 million of PSE&G's $100 million Sewaren storm-hardening project.

Con Ed contended it should pay only $29 million for the two New Jersey projects, but FERC approved PJM's cost allocation on the Bergen-Linden project last month in a 3-1 vote. (See *FERC Upholds Cost Allocation for Artificial Island, Bergen-Linden Projects*.)

Paul McGlynn, PJM general manager of system planning, told the PJM Planning Committee on Thursday of Con Ed's intentions.

"We will need to make changes to the procedures we use in planning and operations," he said. "This is just a heads-up that we're going to need to be discussing it in the future. As plans take shape, we will be doing analysis on them. The goal is to discuss and determine how we will manage that interface without the wheel.

"When that wheeling agreement is canceled, we will need to redo cost allocations for any and all of the projects that Con Ed has allocation for, and we'll have to file them at FERC. They would become effective when the agreement actually terminates in the spring of 2017," McGlynn added.

"NYISO is working with PJM to develop an effective going-forward approach for the border," ISO spokesman David Flanagan said. "In addition, NYISO will include this change in the full range of system information currently being gathered for the 2016 Reliability Needs Assessment that will study potential reliability needs for the period of 2017-2026."

Identification of the transmission projects that allowed Con Ed to cancel the wheel began in 2012, although for an entirely different reason. New York regulators at that time began discussions about transmission alternatives that would be needed if the Indian Point nuclear plant closed because its licenses were not renewed.

The NYPSC approved several projects in 2013 for that contingency, including three named the Transmission Owner Transmission Solutions. FERC in March accepted a cost allocation formula submitted by state regulators and New York transmission owners, including Con Ed. (See *FERC OKs Settlement for NY TOTS Projects*.)

One of the alternative projects, the $274.3 million "Staten Island Unbottling" would make 440 MW of generation available to the New York grid through Con Ed's substations in a two-phase project.

However, in a February order, the NYPSC accepted a Con Ed motion to cancel the second phase. Con Ed said that once the wheel expired, transmission limitations caused by it would be eliminated and that only the $51.3 million first phase was necessary.

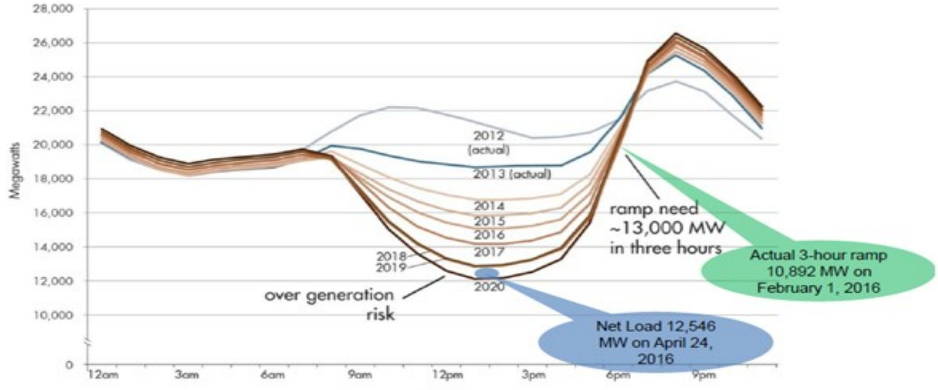
*Suzanne Herel contributed to this article.*

## California Energy Summit

# Solar is Generation of Choice in California

## *'The Duck has Landed'*

*By Robert Mullin*




The "duck curve": CAISO's net load profile on a typical spring day *Source: CAISO*

SANTA MONICA, Calif. — California's second-largest publicly owned utility is "not buying anything other than solar right now," said Arlen Orchard, CEO of Sacramento Municipal Utility District (SMUD).

Orchard's comment reflected prevailing opinion at the Infocast California Energy Summit last week: Solar is the generation of choice now in California — and its role will only grow.

For SMUD, the decision to go with solar is a financial one. Despite historically low natural gas prices, California's environmental mandates — such as emissions caps and a ban on once-through cooling — make investment in even the most efficient new gas-fired generation less attractive than solar, even in the resource-constrained Los Angeles basin.

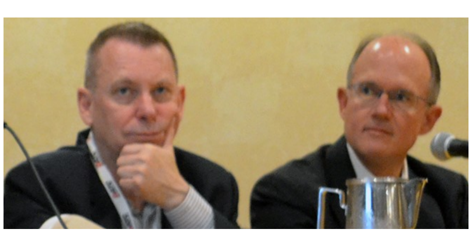
"It sounds like for a lot of reasons, building more gas-fired generation in L.A. is not going to happen," said Charles Adamson, principal manager with Southern California Edison, also pointing out the political unpopularity of building new gas generation in the state.

In Northern California, the alternatives to solar are other — more expensive — renewable resources. "Geothermal has benefits, but it's coming in at twice the cost of solar," Orchard said.

"Solar was once the most expensive — now it's the lowest cost," said Jan Smutny-Jones, CEO of the Independent Energy Producers Association, whose membership includes gas-fired and renewable merchant generators.

Declining solar costs are attracting the interest of more than just traditional utilities, according to Mark Fillinger, director of project development for First Solar.

California's investor-owned utilities have effectively met the state's 33% by 2020 renewable portfolio standard. Fillinger said his company is now seeing a "huge shift" in demand from those customers to large "direct access" commercial and industrial clients who choose to purchase power from an independent electricity supplier rather than a regulated utility.



Arlen Orchard (left) and Mark Fillinger © *RTO Insider*

### No Thanks to 'All of the Above'

Another growing customer segment: community-choice aggregators that sell directly to retail customers.

"I think we're going to see an explosion of demand from community choice — and large commercial and industrial," Fillinger said. "The thing to consider is that they're just interested in cost," rather than seeking a mix of resources.

"We've been challenged by our own success in the utility-scale business," he said, noting that many solar manufacturers have not survived competition. "It's been a brutal battle, but the benefits are flowing through to the customers."

Arne Olson, a partner with Energy+ Environmental Economics, said "solar saturation" will become California's biggest challenge as the state moves toward fulfilling its 50% RPS by 2030. By then, his firm predicts, the state will have brought on a total of 15 to 20 GW of utility-scale solar — and an equivalent amount of wind and geothermal resources. Add to that another 12 to 21 GW of rooftop solar, he said.

"This is an awful lot of solar," Olson said, given that CAISO load is projected to peak at about 52 GW. "It is such a dominant factor; it reminds me of how hydro dominates the Northwest."

And just like the hydro-heavy, wind-rich region to the north, California will increasingly confront instances when its green power sources will produce more electricity than needed.

"Curtailment of solar is going to become commonplace," Olson said.

Still, California does have time to prepare through efforts such as broader regional coordination and adoption of time-of-use rates.

"Part of the good news is that the curtailment story isn't really happening today — it's out into the future," Olson said.

### Four Years Early

That future might loom closer than expected, according to Greg Cook, director of market and infrastructure policy for CAISO.

Cook pointed to one sobering data point: CAISO reached its 2020 forecasted "net load" level (system load minus solar output) four years early on April 24. This effect is represented by the "duck curve," a regular subject of jokes among California industry participants.

"I guess you could say the duck has landed," Cook said.

Widespread adoption of behind-the-meter rooftop solar has accelerated the deepening of the curve. The ISO estimates that about 5,000 MW of BTM solar is already online across the state — a figure Cook said is likely an underestimate. The California Energy Commission projects that BTM generation will account for about 12.2 GW of output by 2026.

"This is coming online much faster than forecast," Cook said.

California Energy Summit

# Clean Power Plan Panel Exposes Western Divide

*By Robert Mullin*

Left to right: Dawn Wilson, Amber Mahone, NV Energy's Shawn Elicegui and Travis Kavulla © *RTO Insider*

SANTA MONICA, Calif. — Dawn Wilson, director of environmental policy and affairs at Southern California Edison, said the company was disappointed with the Supreme Court's stay of EPA's Clean Power Plan in February.

"We are specifically engaged with a coalition of energy sector entities that are engaged in litigation in support of the plan," she said during a panel discussion on the potential impact of the rule on California and the West at the Infocast California Energy Summit.

Ray Williams, director of long-term energy policy for Pacific Gas and Electric, said his company also supported the EPA plan.

"Basically, we say we're a utility in the business of assembling a clean portfolio," Williams said. "This is — from a business perspective — something that is doable."

Travis Kavulla, vice chairman of the Montana Public Service Commission and president of the National Association of Regulatory Utility Commissioners, brought an inland West perspective to the discussion. Montana's attorney general joined the lawsuit against the regulations, although the state's governor and Department of Environmental Quality are preparing for implementation.

Kavulla contended that the Clean Power Plan differs from previous federal air quality regulations by going beyond the "fence line" of the power plant to impose requirements on entire states.

"You have a *de facto* renewables mandate for the entire nation," Kavulla said.

Kavulla also pointed out the economic impact of the rule on his state and region.

"Montana, Wyoming and Utah have entire communities built around big central coal stations," he said. "These are influential but also tied to livelihood. We're looking to understand what the transition [away from coal] may look like."

Amber Mahone, director of climate policy analysis at Energy+Environmental Economics, pointed to the other forces working against coal, including regional haze rules and low natural gas prices.

"The writing is on the wall," Mahone said. "It's not a question of if — it's when these plants retire."

"We have to believe as a society that we won't unabatedly burn coal," she said.

# Integrated Resource Planning on the Horizon for California

*By Robert Mullin*

SANTA MONICA, Calif. — Ed Randolph, energy division director at the California Public Utilities Commission, does not care if his state meets its 50% renewable mandate by 2030.

That statement, delivered at the Infocast California Energy Summit last week, came with an important qualifier: "Let me be clear — we *will* meet the 50% RPS."

The more pressing concern for the PUC, Randolph said, is reforming the agency's long-term planning process (LTPP) to ensure California will meet its ambitious greenhouse gas reduction goals for 2050. Legislation enacted last year requires the state to reduce emissions to 80% below 1990 levels by then.

The state's load-serving entities — which include the three investor-owned utilities, electric service providers and community-choice aggregators — will play a key role in the effort.

The problem: The current LTPP, which emphasizes reliability, does not provide a blueprint for achieving GHG reductions.

Other state objectives further muddle the planning picture. Randolph pointed out that efforts aimed at improving energy efficiency and increasing the use of demand response rely on their own cost methodologies.

"I really don't think we're doing integrated resource planning yet," said Randolph.

That will change in 2017 when the commission adopts a process requiring each of California's LSEs to file an IRP that prioritizes emission reductions alongside other — more standard — requirements, such as resource diversity, reliability and cost-effectiveness.

Among the most fundamental steps to getting there: "We need to determine what the GHG metrics are going to be," said Randolph, referring to the need to determine each LSE's share of emissions reductions. "What's the savings target?

"We know what it is for the economy," he added, referring to the 80% target. "We need to know what it is for the energy sector."

The IRP process will also require that the PUC produce its own long-term load forecasts, a capability the agency needs to develop. Randolph said the PUC has requested additional funding from the legislature to create an in-house modeling unit.

IRP implementation could follow one of a few approaches, according to Randolph.

Under a "CPUC-centric" IRP, the commission would set GHG targets for each of the LSEs and determine the resource portfolios that would meet them.

An "LSE-centric" approach would have the PUC establish reliability needs and GHG targets for the LSEs, while allowing them to develop their own resource mixes.

A third choice: a hybrid of the two.

With those options now on the table for next year, Randolph reminded attendees that — for now — it is still business as usual at his agency.

"Anyone who's a fan of the CPUC's current proceedings, they're not going away quite yet," he said.

## NECA New England Energy Conference

# More Pipelines for New England: 'Gold-plating' or Necessity?

*By William Opalka*

NORTH FALMOUTH, Mass. — It all comes back to pipelines.

Discussions about New England's energy future invariably end up focused on the outsized role natural gas plays in the region's power mix, and how that aligns or runs counter to various policy goals. Also debated is who should pay for pipeline build-outs.

A discussion at the 23rd Annual New England Energy Conference on Wednesday, presented by the Northeast Energy and Commerce Association and the Connecticut Power and Energy Society, was no different.

Most speakers agreed that some pipeline capacity is needed (though environmental groups, energy efficiency advocates and LNG suppliers dispute that premise).

The discussion came three weeks after the suspension of the Northeast Energy Direct pipeline and amid ongoing controversy over whether regulators should allow electric ratepayer support for the proposed Access Northeast project. (See *Kinder Morgan Board Suspends Work on Northeast Energy Direct Pipeline*.)

**Dan Dolan**, president of the New England Power Generators Association, said new generation clearing in recent Forward Capacity Auctions shows the market has responded to the region's needs.

Smaller gas infrastructure projects show that contractual commitments from distribution customers are increasing supply without electric ratepayer support, he added.

"We look through any public policy proposal through the prism of subsidies. Given that rubric, no, we don't support" Access Northeast, Dolan said. "As we see contracts, that [demonstrates what] should be built, but I don't think we need to gold-plate the system."

Not so, according to **Camilo Serna**, vice president of strategic planning and policy for Eversource Energy, who disputed the subsidy characterization. "The alternative is that the [electric] customers will be paying more in the winter," he said.

Eversource, which is a partner in Access Northeast, predicts consumer electricity costs will drop by $1 billion to $2 billion annually with increased natural gas supply.

"The market hasn't been able to deliver that infrastructure. The generators don't have the incentive to commit [to pipeline contracts]. I don't think it's gold-plating if you see that we really haven't made any gas infrastructure investments for 20 years," Serna said.

Whether the investment falls on pipeline developers or electric ratepayers will be resolved for Massachusetts by the state's Supreme Judicial Court. Arguments were held May 5 on an order by the state's Department of Public Utilities allowing pipeline cost recovery. The order was challenged by Massachusetts Attorney General Maura Healey.

"We don't think it's legal. It's not consistent with the [state] restructuring act, which was to take ratepayers out of the business of investing in large infrastructure projects and put the risk on private investors," said **Rebecca Tepper**, deputy chief of the attorney general's energy and environmental bureau.

"We get very nervous about making big infrastructure decisions on the backs of ratepayers based on something that happened two winters ago when the circumstances today are entirely different," she added.

Although ISO-NE is project-neutral, it says more pipeline capacity is necessary for stable and affordable electricity, as nearly half of New England's supply comes from gas-fired generation, a share that is expected to increase.

"We still see natural gas as one of our primary challenges," said **Anne George**, vice president, external affairs and communications for ISO-NE. "We see demand for it to continue to grow and we have not built any pipeline infrastructure to support that growth."

# Stephen Whitley: A Lifetime of Keeping the Lights On

*By William Opalka*

NORTH FALMOUTH, Mass. — Having spent 45 years running transmission grids, former NYISO CEO Stephen Whitley is an infrastructure guy.

Whitley, who retired last October after seven years at the ISO, emphasized the importance of wires and pipelines in his keynote speech Wednesday at the Northeast Energy and Commerce Association's 23rd Annual New England Energy Conference.

He reflected on his career, which also included 30 years of operations and management positions at the Tennessee Valley Authority before he moved to the Northeast. His personal highlight reel seemed to be a solid string of crisis management. Nuclear shutdowns at TVA in the late 1980s. The 2003 blackout. A horrific New England cold snap in 2004. Hurricane Sandy. The polar vortex.

"It seemed like these problems followed me around," he joked.

A common theme was "the need for transmission" to navigate through these

near-disasters.

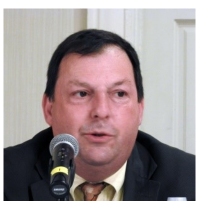
*Continued on page 6*

# NECA New England Energy Conference

## Overheard at NECA's 23rd Annual New England Energy Conference

NORTH FALMOUTH, Mass. — More than 200 people attended the Northeast Energy and Commerce Association's 23rd Annual New England Energy Conference last week. Here are some highlights.

**Paul Roberti**, a member of the Rhode Island Public Utilities Commission, on the suspension of the Northeast Energy Direct pipeline project: "The recent decision by Kinder Morgan to suspend its project should not come as a surprise. Why? Because the capacity market … is doing what it's supposed to do by bringing forth dual-fuel generators. ... It's the economics and the market construct that is driving the decision not to have gas pipelines at this point in time."



**Christopher Recchia**, commissioner of the Vermont Department of Public Service, on the success of the state's clean energy programs and their impact on development: "We're at 10 times the amount of solar that we had in 2011, so we're over 250 MW that's installed or approved or permitted, with also 100 MW of wind. ... Of course, it's not baseload, but it's more nameplate wattage than we ever got from [closed nuclear plant] Vermont Yankee," whose output was sold into the grid and did not serve in-state load exclusively.

New Hampshire Consumer Advocate Donald Kreis said utilities appear to be embracing smart meters and distributed resources, even though they may reduce their revenues. "If you listen to the utilities, you would have no idea that any of them have shareholders. What are the shareholders willing to do, risk-wise, on the way to those double-digit [returns on equity] that utilities crave?"

**Kerrick Johnson**, vice president of Vermont Electric Power Co., said his state relies on intermittent renewables for at least 18% of its 1,000-MW load. "That's incredible. That's something that is very challenging. … This blossoming of distributed generation behind the meter is really impacting us."

Matthew Morrissey, managing director of Offshore Wind Massachusetts, a coalition of offshore wind developers, on the decreasing prices in Europe, where new projects are coming in at 15 cents/kWh: "We are seeing a sea change in costs in terms of the industrialization of this resource."

**David Littell**, principal for the Regulatory Assistance Project, on the development of a "grid of the future": "I am not sure if New England will have the grid of the future in five years, but I am sure that California will be on the way. … We can watch what they're doing so we can learn. … New England can get there if it wants to."

**Micah Remley**, senior vice president of product for demand response service provider EnerNOC, said customer usage data have little value if the customer cannot respond in real time or if market design does not incent a change in behavior. "We need three things in place: you need the data, you need to get the data all of the time and you need the market design to take advantage of the technology."

*— William Opalka*

## Stephen Whitley: A Lifetime of Keeping the Lights On

Continued from page 5

### Five-Year Shutdown

In 1985, the Nuclear Regulatory Commission ordered shutdowns of the Brown's Ferry plant in Alabama and the Sequoya station in Tennessee over safety concerns.

"It was 6,000 MW of capacity and we thought it would be three or four months, but it turned out to be five years," he said.

The TVA hydro system simultaneously suffered through two droughts, so 4,000 MW of hydropower were reduced to 2,500 MW for much of that time, causing "a few tough years."

"The way we got through it most of the time was through the transmission grid," Whitley said.

Whitley said the system survived through imports from areas with greater fuel diversity, an experience that would be repeated in his later jobs in New England and New York.

### 7,000 MW out of Service

In 2004, New England — less reliant on natural gas for power generation than it is now — suffered through five days with minus 10-degree temperatures and 45-mph winds, recalled Whitley, who was ISO-NE's chief operating officer at the time. "One day I went to the control room and one of the operators told me we had 7,000 MW of power plants that couldn't come online."

The crisis was eased when some New York generators switched to oil-fired generation, which freed up some gas pipeline capacity.

"That's when you see it's not just the electric system that is so important, it's the infrastructure of the gas supply system and the diversity of the generation capacity," Whitley said.

Transmission, fuel diversity and imports also got NYISO through Hurricane Sandy in 2012 and the polar vortex in early 2014.

Whitley said he worries the next crisis could result from the Northeast's switch to "all renewables and gas" without, he says, adequate infrastructure to support it. He said the recent suspension of the Northeast Energy Direct pipeline was disappointing. (See Kinder Morgan Board Suspends Work on Northeast Energy Direct Pipeline.)

Without diverse energy supplies and robust infrastructure, he said, the system will be stressed.

"Each region is going to have to be more capable of carrying its own load," Whitley said. "As all these coal plants shut down, there just isn't going to that much surplus available."

# ISO-NE NEWS

## Utilities Seek OK for Gas Releases to Generators at Technical Conference

*By William Opalka*

Electric and gas utilities tried to convince FERC at a technical conference last week that targeted release of natural gas capacity to generators would alleviate supply constraints and help lower prices.

Other participants said the proposal is premature, ill-defined, discriminatory and interferes with the wholesale power market.

The May 9 conference was scheduled in response to Algonquin Gas Transmission's petition asking FERC to allow exemptions from its capacity release bidding requirements (RP16-618).

The proposed changes to the company's tariff would permit "prearranged releases" of firm capacity to utilities or generation owners. The company is one of the partners in the proposed Access Northeast pipeline that would expand capacity by 900,000 dekatherms per day into New England. (See *FERC to Consider Electric Utility Purchases of Gas Pipeline Capacity*.)

Electric distribution companies in Maine, New Hampshire, Massachusetts, Connecticut and Rhode Island have asked state regulators to approve cost recovery from their ratepayers for access to expanded pipelines.

Richard Kruse vice president, regulatory for Algonquin's parent, Spectra Energy, told FERC the region is vulnerable to gas and electric price volatility.

"Every time this issue comes up, the rest of the country says 'New England needs to get its act together,'" he said. The market has not solved the issue. "We have not seen generators sign up for pipeline capacity. We've held multiple open seasons and it has not materialized."

Generators have commitments for about 80,000 dekatherms per day of firm capacity, but Kruse said that has dropped in recent years.

"We thought this would create a clear line of sight between the cost causation to the customer and the benefit [through lower electric rates]," said James Daly, vice president of energy supply for Eversource Energy, another partner in Access Northeast.

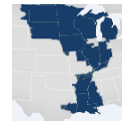
Algonquin said its waiver request is consistent with FERC policy exempting releases for state-regulated retail access programs from bidding requirements.

But critics said programs to benefit the electric distributors don't yet exist.

"To a suspicious mind, any program that any state asserts would advance reliability would fall under the ambit of the program," said former FERC Chairman Joseph Kelliher, now vice president for federal regulatory affairs at NextEra Energy. "Here the commission would be writing a blank check to the states that any program you stick the reliability label on would be permitted."

Kruse said Algonquin would welcome guidance from the commission.

# MISO NEWS

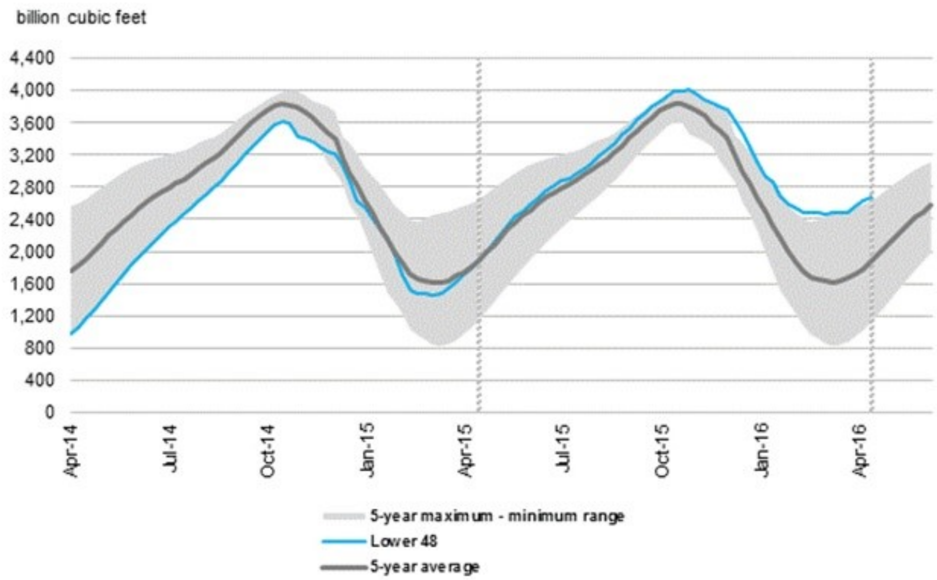


## MISO Sees Enough Capacity for Summer; Load-Modifying Resource Use Likely

*By Amanda Durish Cook*

Carmel, Ind. — MISO has adequate capacity to meet summer demand, though there's a good chance the RTO will dip into its load-modifying resources, officials said at a summer readiness workshop last week.

MISO officials reported 148.8 GW of capacity to meet a projected demand of 125.9 GW, giving it an 18.2% reserve margin, well above its 15.2% requirement. Compared with last year's summer forecast, available capacity declined by 1.5 GW, while the load forecast decreased by 1.4 GW.




Natural gas storage inventory *Source: Energy Information Administration*

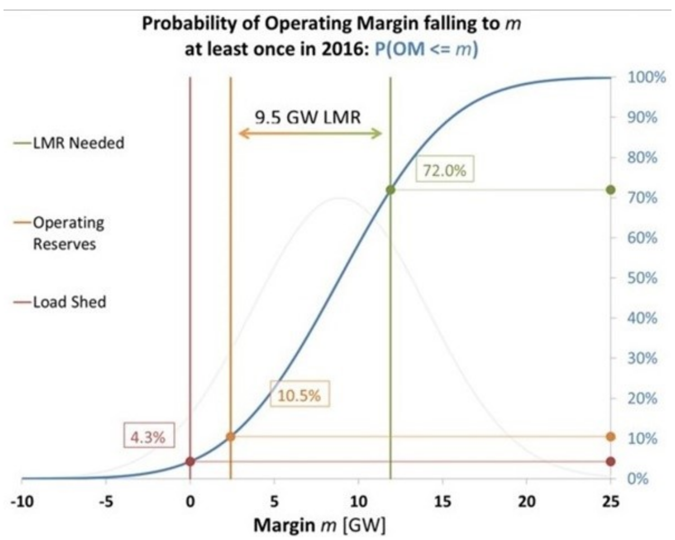
### Probabilities

MISO said there is a 72% probability it will need to deploy some of its 9.5 GW of load-modifying resources, but only a 10% chance it will use all of them and have to tap operating reserves.

There is a 4.3% probability that MISO will deplete operating reserves and be forced to order load shedding, Vice President of System Operations Todd Ramey said.

Ramey said that even when MISO declares a capacity emergency, 10,000 MW are still available for use. "Emergency doesn't mean imminent load shed," he said. Unit retirements that reduced capacity create "a new operating reality" for the RTO, he added.

MISO is close to completing its 2016 Coordinated Seasonal Assessment for summer, which identifies potential stressors to the transmission system. "For this summer, we didn't see any outstanding issues," MISO transmission planning engineer Carlos Bandak said. MISO's full analysis is due by end of the month.




MISO summer 2016 risk analysis *Source: MISO*

### Gas Inventory High

Phil Van Schaack, MISO electric-gas operations coordinator, said there was a record 2,480 Bcf of natural gas in storage at the beginning of April, a 60% rise over last year's end-of-winter inventory.

Van Schaack also noted natural gas prices in the New York Mercantile Exchange hit lows in March not seen since 1999, at $1.64/MMBtu. He said the oversupplied market, coupled with forecasts of a warmer-than-normal summer, could result in "significant power burns, longer runs and higher capacity [factors for] gas units, similar to the summer of 2012."

### Emergency Offer Floors

MISO has established new emergency offer floors to combat depressed emergency prices. Michael Robinson, the RTO's principal adviser for market design, said depressed emergency prices occur because offer prices for emergency resources either aren't available or are cheaper than an economic resource dispatched prior to the emergency declaration.

Now, when a maximum generation emergency warning is issued, the pricing floor is set at the highest available economic offer. After a maximum generation emergency event is declared, the pricing floor moves up to the highest available economic and emergency offer.

### Hurricane Readiness

MISO has assembled a hurricane readiness team to identify inadequacies in contingency plans for MISO South, which enters the Atlantic hurricane season next month.

"We hope to focus on communication coordination limitations," project leader Van Schaack said. "We've had mild hurricane seasons since the integration of MISO South. We want to make sure we are educated on how to prepare."

# IPPNY Spring Conference

## Costs, Resources, Ownership Spark Debate over NY Clean Energy Standard

*By Rich Heidorn Jr.*

ALBANY, N.Y. — New York's proposed Clean Energy Standard was the main topic of discussion at the Independent Power Producers of New York's annual spring conference last week, with speakers debating the program's costs, the role of nuclear and Canadian hydropower, and whether the goal of 50% renewable power by 2030 will be met through markets or power purchase agreements.

Former EPA Deputy Administrator **Bob Perciasepe**, now president of the Center for Climate and Energy Solutions, said the CES (Case 15-E-0302) "has the potential to be much more comprehensive than a renewable portfolio standard."

"This is a profoundly more efficient approach in the long haul," he said.

### Cost Concerns

But Couch White attorney **Kevin Lang**, who represents industrial customers, said New York can't afford a program that would increase the state's already high utility rates.

"We don't really think very highly of the Clean Energy Standard," he said. "We're extremely concerned about it."

According to the Energy Information Administration, New York's electric rates are 10th highest among U.S. states, at 13.63 cents/kWh in February.

Lang said large industrial customers with high load factors are already paying more in system benefit charges to fund public policy initiatives than for their power. He noted that CES cost estimates released last month by the Public Service Commission — which suggested the program would increase residential bills by no more than 1% and large commercial and industrials by no more than 1.4% — don't include the cost of transmission. (See NYPSC: Minimal Cost to Meet 50% Renewable Goal.)

"What we're doing is we're driving business out of New York," he said.

Lang said the program threatens to undo the benefits of retail competition. "Utilities divested generation so that [consumers] didn't carry the risk. … Now we're coming back with the [zero emission credits] and we're saying, now all the risk is back on consumers."

The PSC, he said, failed to learn from its mistakes decades ago when it signed long-term power contracts based on the assumption that oil would hit $100/barrel. "Customers paid billions and billions of dollars of above-market costs. One utility [Niagara Mohawk] almost went bankrupt."

The current CES cost projections, he said, "are no better than any other cost projections."

State Sen. Joseph Griffo, chairman of the Senate Committee on Energy and Telecommunications, also said he found the cost of the program "particularly concerning."

### Role of Canadian Hydro

"I support a market-based approach that correctly and fairly values carbon-free generation in all asset classes," Griffo said. "I do not support energy policy that ultimately leaves us overly reliant on Canadian government-owned and subsidized hydro at the expense of New York's generating assets and jobs."

But NYISO CEO Brad Jones said the state may need 1,000 to 2,000 MW of additional Canadian hydro to meet the target because of limits on the grid's ability to absorb wind power.

Jones said it would take 15,000 MW of wind alone to meet the CES goal — more than double the 8,000 MW a 2010 ISO study said the state's grid could reliably handle. Jones said the study would be updated.

**"What we're doing is we're driving business out of New York."**

**Kevin Lang, Couch White attorney**

NYISO CEO Brad Jones © *RTO Insider*

"Unless that [maximum wind] number changes, we've got a gap to fill, and that gap is rather significant," he said. "We believe you must have some hydro in that overall mix to meet 50[%] by [20]30."

### Indian Point

Speakers also discussed the state's "nuclear bridge," a proposal that would allow nuclear plants to generate revenue through zero emission credits (ZECs), similar to renewable energy credits (RECs) earned by wind and solar generators.

Gov. Andrew Cuomo would exclude Entergy's Indian Point nuclear plant in Westchester County — which he wants to see closed because of its proximity to New York City — from the program. (See Plan Would Pay NY Nuclear Plants for Zero Emissions.)

But Assemblywoman Amy Paulin, chairman of the Assembly Committee on Energy and a Westchester resident, said she doesn't support closing the plant, noting that it provides 25% of the electricity in the Hudson Valley. "I don't think that a proposal that excluded Indian Point will prevail," she said.

She and Perciasepe said the loss of Indian Point also would set back efforts to reduce carbon emissions.

"We cannot achieve the deep mid-century reductions we're going to need to make globally or in the United States without continuing to rely on all the zero-emitting sources for electricity we can conjure up, including the ones we currently have,"

*Continued on page 10*

# IPPNY Spring Conference

## Costs, Resources, Ownership Spark Debate over NY Clean Energy Standard

*Continued from page 9*

Perciasepe said. "So that includes hydro. That includes nuclear. We must nurture and keep those things going; otherwise we just dig a deeper hole."

**Susan Tierney**, senior advisor for the Analysis Group, also voiced her support for Indian Point, saying energy prices would rise without the plant's 2,069 MW.

### Compensation for Heat Rate Improvements

Tierney, who was hired by Entergy to review the CES plan, described changes she said would make it "more efficient, cost-effective and fair."

In addition to insisting on a role for Indian Point, Tierney's program would create a "clean energy credit" that would provide a revenue stream for generators tied inversely to their carbon intensity. That means fossil fuel plants could earn credits by improving their emissions profile through heat-rate enhancements. Because removing a pound of $CO_2$ now is equivalent to doing so later, she says, CECs could be banked, providing stability in CEC pricing.

### Transmission Needs

Jones said any resource mix that achieves the CES goal will require substantial new transmission. Most solar developers he has spoken to are planning on siting in western New York, far from the largest loads in New York City and Long Island, he said.

FERC Chairman Norman Bay © *RTO Insider*

**"You have my commitment, you have my staff's commitment, that we will be there supporters of markets. You will see us stand up for markets."**

**Brad Jones, NYISO CEO**

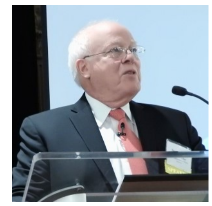
"It is a daunting challenge. Not only do we have to address the resource side, but we have to add the ability to move the power around our system. And we have to do so quicker than we've done in the past."

One positive: "The environmentalists want the renewables so much they're OK with … not opposing the transmission," he said.

FERC Chairman Norman Bay, who gave the keynote speech, pledged his support in that effort. "If transmission is needed for economic, reliability or public policy reasons, it should be built," he said. "I would be pleased to work with NYISO and its stakeholders to provide any assistance that I can to help build out transmission within NYISO."

### Markets or PPAs?

One recurring flashpoint was whether the CES will be market-driven or be accomplished through power purchase agreements. Another is whether utilities will be permitted to own generation resources to take advantage of their lower costs of capital.



**Scott Weiner**, the Department of Public Service's deputy for markets and innovation, assured the audience that the PSC and its staff support competitive markets but acknowledged that a staff white paper "left open the door a crack" for utility ownership. Staff said it "disagreed with IPPNY and others who suggest that allowing any level of utility ownership at all will necessarily expose consumers to greater price risk or chill the development of competitive markets."

"There may be situations where utility-owned generation would be appropriate," Weiner said, adding, "I can assure you there is no conclusion yet, certainly not at the commission level and not at the staff level."

Jones noted that the ISO has filed comments opposing both PPAs and utility-owned generation.

"You have my commitment, you have my staff's commitment, that we will be the supporters of markets. You will see us stand up for markets," he said.

"Our position on PPAs is similar to our position on utility-owned generation: We don't think we should head down that pathway."

| Year | Statewide Energy Need After Energy Efficiency (GWh) | Renewable Energy (GWh) | % of Load that is Renewable |
|---|---|---|---|
| 2017 | 159,894 | 42,832 | 26.8% |
| 2020 | 158,597 | 46,761 | 29.5% |
| 2030 | 150,017 | 75,008 | 50.0% |

Renewable energy goals *Source: New York PSC*

## IPPNY Spring Conference

# Overheard at IPPNY Spring Conference

Albany, N.Y. — More than 120 people attended the Independent Power Producers of New York's annual spring conference at the Desmond Hotel and Conference Center. Here are some highlights.

**John Reese**, IPPNY chairman and senior vice president at Eastern Generation, mused about the conference's theme, "Bolstering New York's Energy Markets in a Changing Landscape."

"The New York landscape changes so often it should be made of Play-Doh," he said, noting that both the former state Senate majority leader and the former Assembly speaker were sentenced to prison this month on corruption charges.

In addition, a former aide to Gov. Andrew Cuomo is the subjects of a wide-ranging federal influence peddling probe that has ensnared both SolarCity and Competitive Power Ventures. "We have every major energy agency in the state under subpoena by the U.S. attorney: the New York Power Authority, NYSERDA [New York State Energy Research and Development Authority] and the Public Service Commission," Reese said.

Independent Power Producers of New York CEO Gavin Donohue attempts to shield FERC Chairman Norman Bay from climate change protesters at IPPNY's annual spring conference. Bay's appearance was cut short when about a half dozen demonstrators took the stage, demanding that he answer for "FERC's rubber-stamp approval of fossil fuel infrastructure" and accusing FERC of complicity "in a strategy of white supremacy and genocide." State police eventually cleared the last of the protesters away, but not before a scuffle between one protester and one conference participant. © *RTO Insider*

Sen. Joseph Griffo, chairman of the Senate Committee on Energy and Telecommunications, said the Senate will be considering "reset legislation" for the state's energy service companies while monitoring PSC proceedings on the issue. (See *Retailers Ask for Rehearing of NY Guaranteed Savings Order*.)

"We're looking at things designed to protect customers, to weed out some of the bad actors, establish a more robust, legitimate ESCO market," Griffo said.

Assemblywoman Amy Paulin, chairman of the Assembly Committee on Energy, said she is backing legislation that would give electric vehicle owners discounted rates for charging their cars during off-peak times. She said she also supports a tax credit for farmers leasing land to solar developers and noted that a fuel cell sales tax exemption was included in the state budget.

Scott Weiner, deputy for markets and innovation at the New York Department of Public Service, said he initially thought the Supreme Court's ruling last month rejecting Maryland regulators' attempt to subsidize a combined cycle plant through a contract-for-differences was "very narrow." (See *Supreme Court Rejects MD Subsidy for CPV Plant*.)

"Nothing in this opinion should be read to foreclose Maryland and other states from encouraging production of new or clean generation through measures 'untethered to a generator's wholesale market participation,'" the court said.

But after rereading the order, Weiner said, he changed his mind.

"There will be a lot of lawyers spending a lot of time defining 'tethering,'" he said. "There's a lot that the order didn't say. That leaves white space for all of us to work our way through."

FERC Chairman Norman Bay gave his thoughts on continuing state-federal jurisdictional battles over the electric industry and calls for reregulation in states with retail choice.

"At FERC we clearly don't have the authority to tell a state that it can't be vertically integrated. We don't have the authority to tell a state that, if it chooses to do so, that it can't reregulate," he said. "The case to be made for a market-based approach to further important public policies has to be made. And I think that case is being made in RTOs and ISOs across the country."

> **"The case to be made for a market-based approach to further important policies has to be made. And I think that case is being made in RTOs and ISOs across the country."**
>
> **Norman Bay, FERC Chairman**

## NYISO NEWS

# NY Demands Probe of Tree Cutting on Pipeline Route

By William Opalka

New York Attorney General Eric Schneiderman on Friday demanded that FERC investigate Constitution Pipeline for alleged tree cutting and other construction activities in defiance of a commission order (CP13-499).

Schneiderman successfully petitioned FERC in January to delay construction along the New York segment of the 124-mile route until state environmental officials had issued a water quality permit. That permit, required under Section 401 of the federal Clean Water Act, was denied last month. (See *New York Environmental Department Rejects Constitution Pipeline*.)

The pipeline is intended to bring shale gas from the Marcellus region of Pennsylvania into the New York and New England markets.

"My office has found compelling evidence that Constitution not only ignored widespread, unpermitted construction along its pipeline right-of-way corridor, but even authorized, encouraged or condoned it. Constitution also did not report this activity to FERC or to the state. FERC must take strong enforcement action against Constitution to ensure that pipeline companies know they can't simply thumb their nose at laws that protect New York's landowners, communities and environment," Schneiderman said in a statement.

Schneiderman called for an investigation and an enforcement action by FERC for alleged violations of the Natural Gas Act that could subject the pipeline developers to fines of up to $1 million per day. He also asked for a stay of the FERC order from December 2014 that approved the pipeline.

In a two-month investigation, the attorney general's office said it collected evidence of widespread clear-cutting, road building and heavy equipment use adjacent to state-protected streams and wetlands along the pipeline's right of way in three counties. State environmental officials said the pipeline route includes about 250 stream crossings, dozens of which are critical to protecting trout.

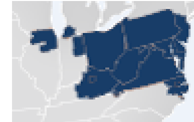
Constitution spokesman Tom Droege denied the allegations in a statement and suggested landowners may have cut trees on their own.

"Constitution received the complaint late Friday and is undertaking a careful review of the allegations made by the New York attorney general. Constitution intends to vigorously defend its actions in connection with the project, as such actions were conducted within the bounds of applicable laws and regulations," he wrote. "Constitution did not cut any trees in New York without permits, as FERC confirmed after it conducted an investigation of reports that trees were being cut. Constitution never advised nor encouraged landowners to cut trees on their properties. Landowners retain the right to use their properties after Constitution obtains easements, and Constitution only obtains the right to construct and operate its facilities."

On Jan. 29, FERC delayed tree cutting in New York, but Schneiderman said the developer did not inform landowners of that fact. Instead, it told them the following day that it intended to begin construction in the spring, "leading some New York landowners to reasonably conclude that pipeline construction on the right of way in New York was imminent and prompting them to prematurely harvest timber within the right of way on their property in order to save the timber's monetary value."

Constitution is a partnership of Williams Partners and its co-developers, Cabot Oil & Gas, Piedmont Natural Gas and WGL Holdings. The developers have said they intend to file a legal challenge to the denial of the water quality permit.

# PJM NEWS



# FERC Reiterates Support for PJM Capacity Performance

## *Orders Revisions on ARRs, Risk Premiums, 'Nonphysical' Constraints*

*By Rich Heidorn Jr.*

FERC late Tuesday rejected multiple rehearing requests on PJM's Capacity Performance rules, but ordered the RTO to revise Tariff language regarding auction revenue rights and clarify language on several other issues, including risk premiums and "nonphysical" constraints.

The ruling, on the eve of PJM's Base Residual Auction Wednesday, granted only one rehearing request, ordering the RTO to change its *force majeure* rules regarding load-serving entities' ARRs (ER15-623, EL15-29, EL15-41).

The commission rescinded its approval of Tariff language allowing the RTO to deny financial transmission rights awards for an "unanticipated event outside the control of PJM." The commission had agreed that PJM should have some discretion in determining when to relax a binding constraint in allocating FTRs. (FTRs can be purchased or converted from ARRs, which are allocated to network and firm point-to-point customers.)

American Municipal Power, Old Dominion Electric Cooperative and Southern Maryland Electric Cooperative complained that the change could affect LSEs' shares of stage 1A ARRs and thus their abilities to hedge transmission costs.

The complainants said the language was different from PJM's other *force majeure* changes because it applied to PJM's obligations to LSEs rather than market participants' performance obligations.

They argued the revised Tariff lacked any limits on PJM's exercise of its discretion. In most cases, they added, FTR allocations will have already been made or be underway before PJM makes its decisions, leaving them facing "the prospect of an unlikely post-settlement remedy."

FERC agreed.

"Upon further consideration, we agree that PJM has not adequately explained why its existing rules are unjust and unreasonable regarding its duties to load-serving entities as they relate to the allocation of ARRs and FTRs," it said, ordering the RTO to reinstate "its prior just and reasonable" Tariff language.

### Nonperformance Charges

The commission also required several revisions to PJM's July 29, 2015, compliance filing in response to FERC's June 9 order conditionally approving Capacity Performance. (See *FERC OKs PJM Capacity Performance: What You Need to Know*.)

One required change concerns whether a capacity resource will be subject to nonperformance charges if PJM does not schedule it solely because of operating parameter limitations in the resource's offer.

FERC said a literal reading of the Tariff suggests that a provision exempting resources from the nonperformance charge if the resource is not scheduled through PJM's security-constrained economic dispatch takes precedence — meaning a resource's undelivered megawatts would not be counted as a performance shortfall even if it would otherwise be needed.

"This outcome is inconsistent with the commission's finding in the Capacity Performance order," it said.

It directed PJM to revise the Tariff "to make clear that, notwithstanding PJM's determination that a scheduling action was appropriate to the security-constrained economic dispatch of the PJM region, any undelivered megawatts will be counted as a performance shortfall if such megawatts otherwise would be needed but for an operating parameter limitation specified in the market seller's energy offer."

### Fixed Resource Requirement Phase-in

The commission also found fault with PJM's proposal to apply the Capacity Performance rules to all fixed resource requirement (FRR) entities beginning with the 2019-20 delivery year.

FERC said the proposal to apply Capacity Performance rules to FRR entities with no ongoing five-year election commitment beginning with delivery year 2020/21 was "reasonable in concept."

But it said its intent was that the rules would not apply to an entity that was within its initial five-year FRR commitment period when the CP order was issued, meaning an entity that first elected to use the FRR option for delivery year 2015/16 would not become subject to the rules until delivery year 2020/21.

"PJM's proposed compliance to apply the Capacity Performance requirements to all fixed resource requirement entities beginning with the 2019/20 delivery year is therefore not consistent with the commission's intent," it said.

### Quantifiable Risk

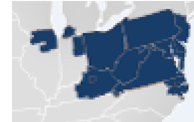
NRG Energy, Dynegy, Public Service Enterprise Group, the PJM Power Providers Group and the Independent Market Monitor won their requests for clarification of Tariff language regarding "quantifiable risks" of becoming a capacity resource.

The commission said it disagreed with complaints that PJM's language narrowed sellers' ability to include quantifiable,


PJM's growing cost of capacity *Source: Norman Bay (based on PJM data)*

Continued on page 14

## PJM NEWS



# FERC Reiterates Support for PJM Capacity Performance

Continued from page 13

reasonably supported risks in their offers.

But it required the RTO to clarify that the method it described for justifying such risks was not all-inclusive "and that a capacity market seller may use other methods or forms of support for a risk premium to meet the 'reasonably supported' threshold."

"The risk that market sellers face from becoming capacity resources under the new capacity market construct requires a complex calculation that depends on the company-specific nature of valuing performance risk," the commission said.

PJM had said a risk would be considered reasonably supported "if it is based on actuarial practices generally used by the industry to model or value risk and … used by the capacity market seller to model or value risk in other aspects of the capacity market seller's business."

### Nonphysical Constraints

FERC also said PJM went too far in requiring that gas generators seeking to qualify for consideration of "legitimate, constraints unrelated to the characteristics of the unit" — which PJM calls nonphysical constraints — must obtain the most flexible gas pipeline transportation contract.

The commission said PJM's filing went beyond the scope of its compliance directive requiring the RTO to allow parameter limitations for operational constraints.

"PJM's proposal also is unclear since operational constraints imposed by a gas pipeline may have little relationship to the underlying flexibility of a transportation contract, but are related to pipeline operational characteristics, and cannot be eliminated by contract term or service choice," the commission said.

"Furthermore, we find that provision unduly discriminatory as it establishes a prerequisite applicable only to gas generators. We also agree with protesters that the language is vague and would require PJM to exercise significant discretion in determining whether a generator has obtained the most flexible contract available."

It ordered the RTO to remove the offending language from its Operating Agreement and Tariff and to "make explicit that the revisions here do not preclude resources other than natural gas generators from establishing legitimate, nonphysical constraints."

### Bay Again Dissents

Chairman Norman Bay, who voted against the original Capacity Performance order, also opposed the latest ruling, issuing an 11-page dissent reiterating his position that the construct's "multi-billion-dollar cost to consumers exceeds the benefits."

"Furthermore, and equally important, the market design itself is flawed. Compensation for capacity resources is so generous, and the penalties for nonperformance are so weak, that resources can profit even if they are unable to perform when they are most needed, thereby undercutting the very purpose of the program," he said.

## PJM NEWS

# PUCO Grants FirstEnergy Rehearing on PPA; Opponents File Protests

*By Ted Caddell*

FirstEnergy's Davis-Besse nuclear plant

The Public Utilities Commission of Ohio agreed Wednesday to hear FirstEnergy's arguments for why it should be able to withdraw its controversial power purchase agreement and substitute a new plan.

It also granted all of the applications for rehearing sought by opponents of the PPA, including the Electric Power Supply Association, the Ohio Consumers' Counsel, the Environmental Defense Fund, the Sierra Club, the Retail Energy Supply Association and the PJM Power Providers Group.

"Because of the number and complexity of the assignments of error raised in the applications for rehearing, as well as the potential for further evidentiary hearings in this matter, we find that it is appropriate to grant rehearing at this time," the commission said (14-1297-EL-SSO). "This will allow parties to begin discovery in anticipation of potential further hearings."

Although its rehearing request also was granted, the EDF protested the ruling.

"So, without listening to the arguments against the deal, the PUCO rubberstamped [FirstEnergy's] request for a rehearing," the EDF's Dick Munson wrote in a blog post that went up within minutes of PUCO's order.

Both FirstEnergy and American Electric Power were granted eight-year PPAs after more than a year of legal wrangling. But their victories were short lived, as FERC ruled that the agreements would require a review that could nullify them.

### Opponents Sound Off

On Thursday, PUCO received a stream of filings against the modified FirstEnergy plan, including those from the Ohio Energy Group, the Northeast Ohio Public Energy Council, the Sierra Club, the PJM Power Providers Group (P3) and the Electric Power Supply Association.

P3 and EPSA accused FirstEnergy of doing an end-around play to avoid review by FERC. FirstEnergy, they said, is wrongly "attempting to use the commission's application for rehearing process to circumvent the FERC order."

"FirstEnergy, however, has made a mistake in how it presented its new PPA proposal to this commission," they wrote. "FirstEnergy did not include or mention its new proposal in its application for rehearing, robbing the commission of jurisdiction over the proposal in this proceeding. This means that the commission cannot grant rehearing on the proposal and, contrary to its May 11, 2016, action, cannot reopen this proceeding to allow discovery on the proposal. The proposal is dead on arrival and the commission must follow the law by not exercising jurisdiction through rehearing."

The Sierra Club also filed in opposition to the FirstEnergy plan.

"While FirstEnergy is trying to put old wine in a new bottle to escape review under federal customer protection standards, its latest shareholder bailout proposal is the same bad deal for Ohio customers," said Shannon Fisk, managing attorney at Earthjustice, which represents the Sierra Club. "FERC smartly put a hold on FirstEnergy's bailout so that customers would not be losing money while the legality of the bailout is fully reviewed. PUCO should not sign off on FirstEnergy's brazen effort to evade FERC's order."

Thursday was also the deadline for arguments against AEP Ohio's request to modify its PPA, and that docket also swelled with filings from opponents.

FERC 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 after FERC's ruling that 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*.)

Both utilities then filed for rehearing with PUCO. FirstEnergy asked the commission to withdraw its PPA and replace it with a

*Continued on page 16*

**"While FirstEnergy is trying to put old wine in a new bottle to escape review under federal customer protection standards, its latest shareholder bailout proposal is the same bad deal for Ohio customers."**

**Shannon Fisk, Earthjustice**

## PJM News

# PUCO Grants FirstEnergy Rehearing on PPA; Opponents File Protests

Continued from page 15

customer charge that would still protect its aging power plants. Munson called FirstEnergy's new plan "sleight of hand" and said PUCO's decision Wednesday "suggests commissioners care more about appeasing a politically connected company than protecting customers or considering both sides of an argument."

### AEP Request

AEP scaled back its original request for PPAs for all of its 3,100-MW Ohio merchant fleet, asking PUCO for an agreement 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.

On Thursday, the Office of the Ohio Consumers' Counsel and the Appalachian Peace & Justice Network jointly filed a memorandum urging PUCO to deny AEP's request to change its "electric security plan" (ESP).

"Even though AEP Ohio appears to have shuttled its plans for an affiliate PPA, in light of FERC's rulings, it nonetheless has come up with another way to extract money from customers," the two organizations wrote.

They said AEP Ohio's idea to seek a PPA covering only the OVEC portion of its generating fleet was already denied once by PUCO in a 2015 decision. "There is no reason to stray from that decision," they wrote. PUCO at that time, they said, ruled that a OVEC-only PPA rider "would not provide a sufficiently beneficial financial hedge, or other commensurate benefits, to AEP Ohio's customers to justify approval."

"The PUCO should also consider that when AEP Ohio negotiated the OVEC contract, it agreed to an allocation of risk regarding Capacity Performance penalties and bonuses," the groups argued. "The PUCO should not undo the deal that AEP Ohio itself struck by bailing it out from the agreed-to risk allocation and imposing the risk on customers."

The groups also argue that PUCO's rules don't allow AEP Ohio to modify the ESP. It only allows it to accept PUCO's modifications or withdraw and terminate its entire request, they said.

P3 and the Electric Power Supply Association also argued that AEP's rehearing request and "rehashed proposal" should be denied, also noting PUCO's 2015 ruling.

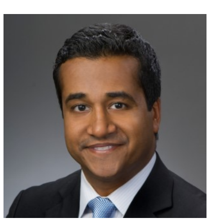
"With the affiliate PPA removed from the PPA rider, AEP Ohio is left with only its OVEC entitlement — a construct this commission expressly rejected in 2015," they wrote. "The commission should deny AEP Ohio's application for rehearing, reverse its approval of the stipulation and terminate this hearing."

The Mid-Atlantic Renewable Energy Coalition filed a memo supporting AEP's rehearing request, saying it is necessary to "preserve the significant public policy benefits" of the original renewable energy agreements.

**"Even though AEP Ohio appears to have shuttled its plans for an affiliate PPA, in light of FERC's rulings, it nonetheless has come up with another way to extract money from customers."**

**Office of the Ohio Consumers' Counsel & Appalachian Peace & Justice Network**

# Kasich Nominates Asim Haque for PUCO Chair



Gov. John Kasich on Monday named Public Utilities Commission of Ohio Vice Chair Asim Haque to replace outgoing Chairman Andre Porter.

Porter announced last month that he would be leaving the commission on May 20. While Porter, who served little more than a year, hasn't said where he would be going, industry speculation has him taking a position with MISO. The RTO has declined repeated requests to comment on the speculation.

Haque, appointed to the commission three years ago by Kasich, will be the fourth PUCO chairman in four years. Haque will be guiding the commission through the ongoing controversy over power purchase agreements for American Electric Power and FirstEnergy.

"Throughout his three years of service on the PUCO, Commissioner Haque has demonstrated an exceptional command of the issues and challenges facing Ohio's energy markets. No one is better prepared to apply that level of expertise and independent judgment to the role of chairman," Kasich said.

"I am honored by the governor's confidence in my ability to lead the commission, and I look forward to working with my fellow commissioners and the talented PUCO staff to foster energy policies that further strengthen Ohio's job growth with affordable, reliable power," Haque said.

Haque has bachelor's degrees in chemistry and political science from Case Western Reserve University and a law degree from the Ohio State University Moritz College of Law.

A nominating council will now have to come up with four names to submit to Kasich for consideration to fill Haque's old seat, a process that could take months.

*— Ted Caddell*

# PJM NEWS

## Analysts Expect Lower Clearing Prices in 2019/20 PJM Capacity Auction

*By Suzanne Herel*

Analysts are predicting lower clearing prices for PJM's 2019/20 Base Residual Auction, which began Wednesday and concludes today. Results are to be published May 24.

Last year's auction, held in August, saw prices of $164.77/MW-day for Capacity Performance in most of the RTO, with the ComEd zone at $215/MW-day and Eastern MAAC hitting $225.42. Base capacity priced about $15/MW-day lower. (See PJM Capacity Prices up 37% to $165/MW-day.)

Morningstar analyst Jordan Grimes forecasts a price of $160/MW-day for the Capacity Performance product in the RTO and MAAC regions and $180/MW-day in EMAAC and SWMAAC. He predicts base capacity will price at a discount of $10/MW-day.

Julien Dumoulin-Smith of UBS Securities reduced his forecast CP price from $140/MW-day to $125/MW-day for the RTO region, with prices higher in EMAAC, DPL-S, PS-N and PSEG ($200/MW-day) and ComEd ($225/MW-day).

Grimes took note of ISO-NE's Forward Capacity Auction 10 in February, in which prices dropped by more than a quarter. (See Prices Down 26% in ISO-NE Capacity Auction.)

"PJM participants fear a similar fate," Grimes wrote. "We believe this fear is unwarranted. PJM will have to clear a significant amount of coal and peaking gas capacity in the upcoming auction."

In a note to investors last week, Dumoulin-Smith said new gas generators, a lower load forecast and the Supreme Court ruling upholding FERC jurisdiction over demand response compensation will likely keep prices from rising in most of the region.

| | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18* | 2018/19* | 2019/20* (projected) |
|---|---|---|---|---|---|---|---|
| RTO | $27.73 | $125.99 | $136.00 | $134.00 | $151.50 | $164.77 | $125.00 |
| EMAAC | $245.00 | $136.50 | $167.46 | $134.00 | $151.50 | $225.42 | $200.00 |
| SWMAAC | $226.15 | $136.50 | $167.46 | $134.00 | $151.50 | $164.77 | $125.00 |
| MAAC | $226.15 | $136.50 | $167.46 | $134.00 | $151.50 | $164.77 | $125.00 |
| DPL-S | $245.00 | $136.50 | $167.46 | $134.00 | $151.50 | $225.42 | $200.00 |
| PS-N | $245.00 | $225.00 | $167.46 | $134.00 | $151.50 | $225.42 | $200.00 |
| PSEG | $245.00 | $136.50 | $167.46 | $134.00 | $151.50 | $225.42 | $200.00 |
| PEPCO | $247.14 | $136.50 | $167.46 | $134.00 | $151.50 | $164.77 | $125.00 |
| ATSI | $27.73 | $125.99 | $357.00 | $134.00 | $151.50 | $164.77 | $125.00 |
| ComEd | $27.73 | $125.99 | $136.00 | $134.00 | $151.50 | $215.00 | $225.00 |
| PPL | $226.15 | $136.50 | $167.46 | $134.00 | $151.50 | $164.77 | $125.00 |

PJM capacity prices ($/MW-day) *Source: UBS, PJM*
*Includes Capacity Performance

Dumoulin-Smith also said he expects a larger differential between CP and base capacity than last year. "We believe we could well see a base print for the RTO region below $100/MW-day. This pricing pressure could help limit any increase in demand response product availability."

The RTO plans to acquire 157,092 MW of capacity for delivery year 2019/20, 80% of it Capacity Performance. This year's price cap is $448.95/MW-day, compared with $450.86/MW-day for the 2018/19 auction.

This is the second and last year that the auction will offer two products. The base product will be eliminated beginning in the 2020/21 delivery year.

UBS predicts "price compression" in EMAAC, with Talen Energy's Sapphire portfolio clearing at least partially.

Morningstar's model predicts Exelon's Quad Cities nuclear plant will not clear. Exelon CEO Chris Crane said earlier this month that the company will close Quad Cities if it doesn't clear the auction and Illinois legislators don't approve measures to shore up the money-losing plant. (See Absent Legislation, Exelon to Close Clinton, Quad Cities Nukes.)

UBS predicted disappointment for "more RTO-exposed generators" such as Dynegy, NRG Energy and FirstEnergy. It said that although it expects new capacity resources to clear the auction, their ability to obtain financing is in question.

"We have noted a meaningful slowing in development activity in recent months. Banks appear to be increasingly cautious to lend against assets given the wider pullback in power valuations and cumulative exposures to merchant PJM increasing. We expect this slowing to principally impact the 2020/21 auction next May 2017."

## PJM LMPs Drop 47% in Q1

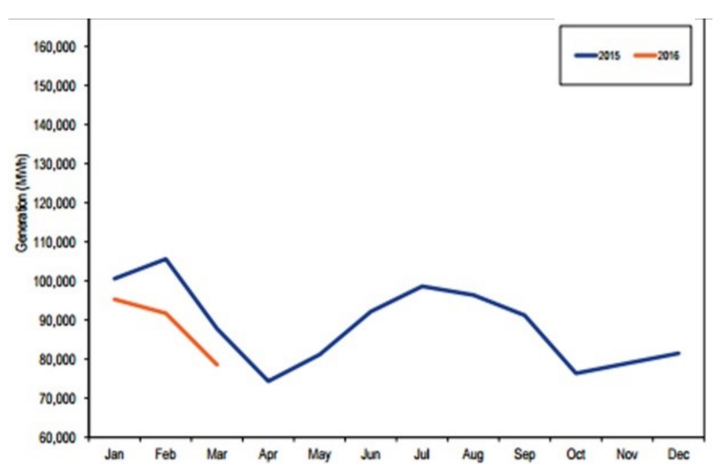
PJM energy market prices dropped 47.4% in the first quarter compared with a year earlier because of lower fuel prices and demand, the Independent Market Monitor reported in its quarterly State of the Market report.

LMPs averaged $26.80/MWh for the quarter versus $50.91/MWh in the first three months of 2015.

Net energy revenues — a measure of market performance and investment incentives — decreased by 62% for a new combustion turbine, 51% for a new combined cycle plant, 38% for new wind and 62% for a new solar installation.

Mild weather and low fuel prices contributed to a 79% drop in uplift costs, to $39.1 million from $186.4 million in 2015. Congestion costs decreased by almost 54% to $292.2 million.

*— Rich Heidorn Jr.*




Average real-time generation by month (2015 vs. 2016) *Source: Monitoring Analytics*

## PJM NEWS

# Operating Committee Briefs

### EPA Guidance Could Affect 1,900 MW of BTMG, DR

VALLEY FORGE, Pa. — About 1,900 MW of behind-the-meter generation may be unavailable because of tightened environmental rules, PJM told the Operating Committee last week.

PJM shared with the committee new EPA guidance issued in response to an appellate court decision last year that voided a rule exempting diesel generators providing demand response from air emissions limits.

EPA had exempted reciprocating internal combustion engines providing "emergency demand response" from emissions limits for up to 100 hours each year. The D.C. Circuit Court of Appeals ruled that the agency had "cavalierly sidestepped its responsibility to address reasonable alternatives" to the use of the generators. (See *Appellate Court Rejects EPA Rule on Back-Up Generators*.)

As a result of the ruling, EPA said such an engine "may not operate … for any number of hours per year unless it is in compliance with the emission standards and other applicable requirements for a nonemergency engine."

That means behind-the-meter generation may only be used if it can respond when dispatched by PJM and comply with local, state and federal laws, including environmental permits, PJM said. Demand response that fails to perform when dispatched by PJM will be penalized, and there are no exceptions for the status of environmental permits.

"We have reached out and talked to our [curtailment service providers], and virtually everyone we talked to has made arrangements so they can meet their commitment for the summer," PJM's Pete Langbein said. "We at PJM do not see an impact going into the summer on capacity."

### Generators Employing Best Practices for Winterization

ReliabilityFirst Corp. gave the Operating Committee a lessons learned presentation resulting from its plant winterization visits since 2014.

PJM members have deployed "inventive solutions," including additional enclosures to prevent freezing, portable heaters and a downspout system to divert rain and moisture away from inlet air filters, ReliabilityFirst said.

Temporary heaters and ducting *Source: ReliabilityFirst Corp.*

It identified just three areas for improvement: routinely operate any idle or standby equipment; make sure heat "tracing" or freeze protection is installed on any vulnerable equipment; and ensure the plant instrument air system is continuously supplying moisture-free air.

### PJM Proposes to Sunset SIS, Move Topics to DMS

PJM is proposing to sunset the Systems Information Subcommittee and move some of its discussion topics to the Data Management Subcommittee, whose charter would be expanded.

Those topics relate to inter-control center communication protocol data links, Manual 01 changes and phasors.

The proposal also includes creating an "implementation forum," which will be the primary venue for PJM to communicate technical changes to members and vendors.

### Summer Base Case Study Yields No Reliability Issues

No reliability issues were identified in the 2016 summer base case study.

Off-cost generation re-dispatch and switching was required to control local thermal or voltage violations in some areas.

All voltage violations on networked transmission were controlled by capacitors, and all other such violations were caused by radial load, PJM said.

*— Suzanne Herel*

# Members Committee Preview

Below is a summary of the issues scheduled to be brought to a vote at the Members Committee on Thursday during PJM's Annual Meeting. Each item is listed by agenda number and description, followed by a summary of the issue and links to prior coverage in ***RTO Insider***.

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

### 4. Consent Agenda

B. Members will be asked to approve revisions to Manual 34: PJM Stakeholder Process as a result of a periodic review. The changes update language and formatting for clarification and graphics for better readability.

C. Revisions to the governing documents involve non-substantive reorganization and relocation of definitions.

D. PJM proposes to change the emergency energy default customer baseline (CBL) from the "hour before" methodology to the current default economic CBL. (See "Members Endorse New Way to Measure Emergency DR," *Market Implementation Committee Briefs*.)

### 5. PJM Board of Managers Nominating Committee

Members will be asked to elect members to the Board of Managers. The committee is recommending Terry Blackwell for re-election and nominating two newcomers, Dean Oskvig, retired CEO of Black & Veatch, and Mark Takahashi, CFO of Ascendant Group. (See *Committee Recommends 2 Industry Vets for PJM Board*.)

*— Suzanne Herel*

## PJM NEWS

# Market Implementation Committee Briefs

### Day-Ahead Scheduling Reserve Eligibility to be Studied

VALLEY FORGE, Pa. — The Market Implementation Committee unanimously approved a problem statement and issue charge to consider changes to rules governing day-ahead scheduling reserve eligibility.

Current rules allow resources to clear DASR even though some — nuclear, run-of-river and self-scheduled pumped hydro, wind and solar units — cannot fulfill their obligations in real time. If such units are made ineligible, cleared DASR megawatts will be able to reliably fulfill their obligations in real time.

The issue will be worked at the MIC and is expected to result in updated language to Manual 11.

### Price Floor for Incremental Auctions?

Jeff Whitehead of Direct Energy suggested PJM establish a price floor for incremental auctions and said he will return to the MIC with a problem statement.

The large amount of capacity released in incremental auctions has led to low clearing prices — giving supply resources the opportunity to buy out of their obligation and net profits that are financed by load, he said.

Whitehead raised the issue following a PJM presentation on the release of base capacity for delivery year 2017/18.

In the third incremental auction for delivery year 2016/17, PJM released 4,556 MW of prior capacity commitments. PJM said more than double that amount — 10,000 MW — would be included in the third incremental auction for the 2017/18 delivery year. (See *PJM Transition Auction Capacity not Included in Incremental Auction*.)

### PLS Exception Process Proposal Presented

PJM presented the first read of a proposed parameter-limited schedule (PLS) exception process.

The revisions would allow for exception requests to be submitted after the Feb. 28 deadline and for a temporary exception to be extended to a period exception under certain circumstances.

The changes would give PJM and the Independent Market Monitor more time to review requests and provide determinations to market sellers. The persistent PLS exception option would be eliminated. (See "Manual Changes to Detail Unit-Specific Operating Parameter Adjustment Process Under CP," *PJM Operating Committee Briefs*.)

### PJM Seeks to Clarify Terms of Auction Specific Bilateral Transactions

Members will be asked at the next MIC meeting to endorse rule clarifications to preserve the physicality of auction-specific bilateral transactions.

The changes clarify that performance bonus payments related to such transactions accrue to the buyer, and the obligation to perform remains with the seller. In addition, the buyers would be required to indemnify PJM Settlement against seller performance defaults.

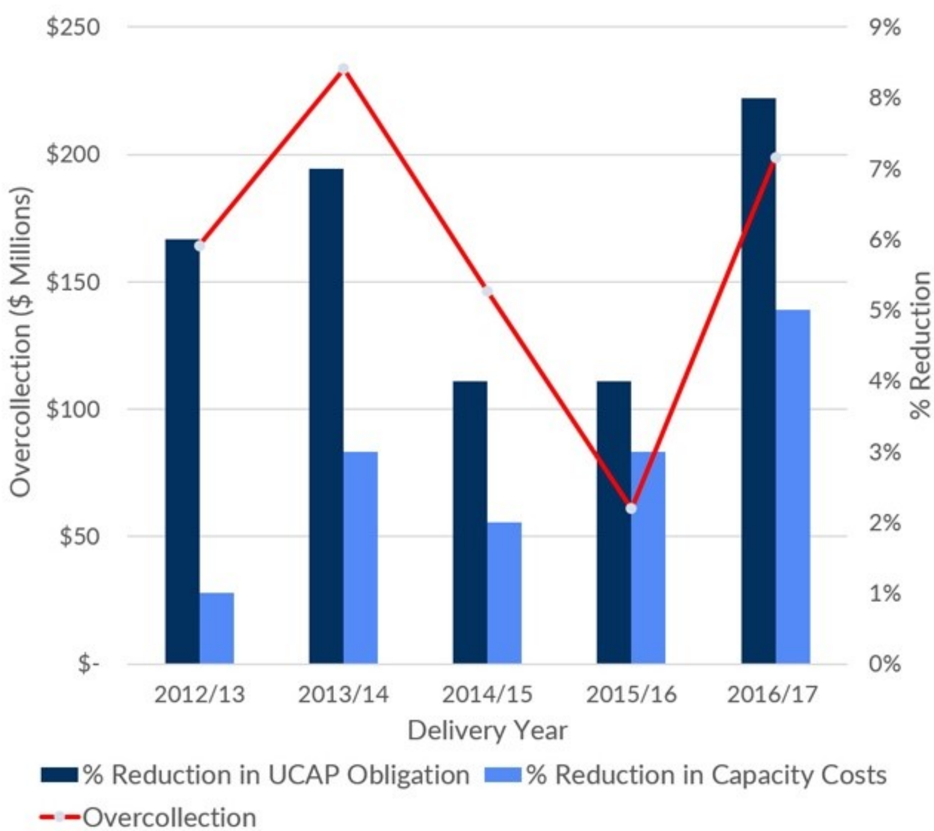
The buyer would be the party to enter into a replacement transaction if desired, and there would be no restrictions on the source of replacement.

### CPower Proposes to Study Necessity of DR Registration Submission Deadline

Bruce Campbell presented a problem statement and issue charge on behalf of CPower to review the demand response registration submission deadline.

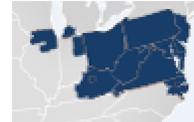
Currently, DR may only register for capacity auctions from Jan. 1 to May 15 and only for

Continued on page 20




Supply resources are profiting at the expense of load by buying out of their obligations in incremental auctions, according to Direct Energy. Since delivery year 2012/13, the company says, load's unforced capacity (UCAP) obligation has declined by an average of 6% between the Base Residual Auction and the final incremental auction, while load has received an average credit of only 3%. For DY 2016/17, PJM "overcollected" almost $200 million, the company says. (DY 2016/17 costs do not include the Capacity Performance transitional obligation costs.) *Source: Direct Energy*

## PJM NEWS



# PC/TEAC Briefs

## New Project Submittal Process to Require Earlier Filing of Documents

VALLEY FORGE, Pa. — Interconnection customers would face a stricter submittal process for their projects beginning Nov. 1 under Tariff changes unanimously approved Thursday by the Planning Committee.

The revisions were recommended by the Earlier Queue Submittal Task Force, which was convened to figure out ways to incent earlier participation in the process after current rules failed to influence behavior. (See "Stricter Rules Proposed for Queue Submittal Process," *PJM Planning Committee and TEAC Briefs*.)

In general, the changes require earlier submittal of documentation in order to secure a place in the project queue. PJM would perform a deficiency review only after all elements, aside from site control, were in hand.

Applications would have to clear their deficiencies by the close of the queue window or be terminated.

The revisions also would allow project deposits to become chargeable immediately, and PJM would spend the refundable portions first.

In addition, the opening of queue windows would be moved up to April from May and to October from November, which will improve the chances for large generators to participate in the May Base Residual Auction.

## Typical TO Upgrades Would be Excluded from Competitive Window Under Proposal

PJM is proposing to exclude typical transmission substation equipment violations from the Order 1000 competitive window process. The Planning and Markets and Reliability committees will be asked to approve new Operating Agreement language in June.

A historical look at the Regional Transmission Expansion Plan revealed that such fixes rarely yield greenfield proposals. If analysis showed that a greenfield project is possible, PJM would open a proposal window.

The exclusion would not apply to supplemental or market efficiency projects. (See "Proposal Would Exclude TO Upgrades from Order 1000 Window," *PJM Planning Committee and TEAC Briefs*.)

## IRM Study Assumptions Presented for First Read

The Resource Adequacy Analysis Subcommittee is recommending that PJM retain its current load model selection process for the installed reserve margin (IRM) study with one minor change: The procedure will be modified to recognize that the annual peak can only occur in the peak summer week.

PJM's Tom Falin said that had the change been implemented for the 2015 reserve requirement study, it would have resulted in the same load model being chosen and produced the same IRM and forecast pool requirement.

The Planning Committee will be asked to endorse the study assumptions at its next meeting.

"It's really a minor change with no

*Continued on page 21*

# Market Implementation Committee Briefs

*Continued from page 19*

the delivery year that follows the May 15 deadline. That prevents customers who may be willing to contribute to reliability during the delivery year but after the deadline from participating as a demand resource, Campbell said.

The registration window is a legacy of seasonal performance requirements and penalty structures, he said.

"The implementation of [Capacity Performance] has changed demand resource obligations and penalties, which may allow for more flexible registration submission timeline requirements," Campbell said.

Widening the registration window could increase reliability and reduce provider risks and customer costs, he said.

The goal would be to present proposed changes to the Markets and Reliability Committee in November.

## Exelon, Direct Energy Suggest Studying Residual ARR Process

Direct Energy's Whitehead and Sharon Midgley of Exelon presented a problem statement and issue charge to discuss potential enhancements to the residual auction revenue rights process.

**"The current residual ARR process poses a risk that's unhedgeable."**

**Sharon Midgley, Exelon**

"The current residual ARR process poses a risk that's unhedgeable," Midgley said.

Currently, PJM may allocate residual ARRs that become feasible after the annual allocation process in specific months where transmission capability becomes available to accommodate them, according to the problem statement. Market participants have no choice regarding whether to accept or reject them.

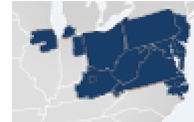
Residual ARRs for a portion of the planning year can have vastly different values from the same ARRs allocated across the entire planning year; in some cases they can be negatively valued.

"As a result, LSEs may be saddled with an undesired, unexpected and unhedgeable reduction in expected ARR credits," the problem statement said.

"We're looking to firm up ARR credits to what it was three or four years ago so you can know what kind of cash flow you can expect," Whitehead said.

*— Suzanne Herel*

## PJM News



# PC/TEAC Briefs

*Continued from page 20*

consequence," Falin said.

Planners will continue to model a 2,500-MW ambient derating in the summer period.

The RAAS met six times over five months to study all of the assumptions used in the IRM study after PJM's methodology was questioned. (See "IRM, FPR Rising; PJM Methodology Challenged," *PJM Planning Committee Briefs*.)

The group identified three assumptions that warranted in-depth investigation: the load model selection process, world modeling and the capacity benefit of ties, and the ambient derating of generators in the summer period.

"It's essentially the same as last year, but the subcommittee is more comfortable with those assumptions after having drilled into them," Falin said.

### PJM-MISO to Create 'Targeted Market Efficiency Projects'

PJM and MISO are working to revise their joint operating agreement to create a category of "targeted market efficiency projects" that could be undertaken quickly and relatively inexpensively to remedy historical congestion. These would be treated separately from traditional market efficiency projects, which look at projected model conditions under future assumptions, said PJM's Chuck Liebold.

"These projects would be very targeted in nature," he said. They probably would consist of upgrades to terminal equipment, and an aggressive in-service date would be assigned to them.

The upgrades would be recommended on an annual basis, with proposals going before the boards of each RTO in December.

He said the study process will be similar to an effort the RTOs undertook last year, when they were unable to approve any projects. (See *MISO-PJM 'Quick Hit' Projects Shrink to Two*.)

The projects would be evaluated based on five years of benefits at a benefit-cost ratio of 1.0.

**"We've been [evaluating proposals] for more than a year now, and I am confident with what we're proposing now."**

**Tim Horger, PJM**

### Planners Choose Project to Relieve APSouth Congestion

Planners intend to recommend a $340.6 million APSouth market efficiency project to the Board of Managers, despite some stakeholders' recommendations that they take another look at three other proposals.

LS Power's Sharon Segner said that the 9A (without capacitors) proposal is not necessarily the most feasible and that it faces permitting problems.

"We've been [evaluating proposals] for more than a year now, and I am confident with what we're proposing now," PJM's Tim Horger said.

He said the project provides the most congestion savings to PJM and APSouth as well as the most production cost savings.

The project would tap the Conemaugh-Hunterstown 500-kV line and build a new 230-kV double circuit line between Rice and Ringgold. The plan also calls for building a new 230-kV double circuit line between Furnace Run and Conastone and rebuilding the Conastone-Northwest 230-kV line. (See "Planners Select Dominion-Transource Project to Address APSouth Congestion," *PJM Transmission Expansion Advisory Committee Briefs*.)

It is projected to be in service by 2020.

### Two Dominion Zone Reliability Projects Recommended

PJM presented two reliability projects it intends to recommend to the Board of Managers out of more than two dozen it received in the first proposal window of the year.

Both are in the Dominion transmission zone in Virginia, with projected in-service dates of June 1, 2020.

One addresses the overload of the Chesterfield-Messer Road-Charles City Road 230-kV circuit. The $22 million project consists of rebuilding 21.3 miles of existing line between Chesterfield and Lakeside.

The other addresses the overload of the Carson-Rogers Road 500-kV circuit. The $48.5 million project would rebuild the circuit.

### Cogentrix Hopewell Units to be Deactivated

PJM has received a deactivation notice from James River Genco for Units 1 and 2 of Cogentrix Hopewell in the Dominion zone.

Together, the units represent 92 MW. The requested deactivation date is May 31, 2017.

PJM is conducting a reliability analysis.

### Preliminary CPP Compliance Analysis Presented

PJM presented some of the first findings of its study of Clean Power Plan compliance to Transmission Expansion Advisory Committee members.

The review continues to indicate that regional compliance is cheaper. In addition, it showed that mass-based compliance provides more certainty in emissions levels than rate-based but that the latter approach can lead to fewer retirements.

Rate-based compliance also reduces wholesale energy market prices. (See "Reference Model for CPP Study Introduced," *PJM Planning Committee and TEAC Briefs*.)

*— Suzanne Herel*

# SPP News

## Omaha PPD Recommends Closing Fort Calhoun, Nation's Smallest Nuclear Plant

*By Tom Kleckner*

Omaha Public Power District is recommending that its Fort Calhoun Nuclear Generating Station end operations by the end of 2016 and begin the decommissioning process.

CEO Tim Burke told OPPD's Board of Directors on May 12 that an economic analysis concluded that Fort Calhoun "is not financially sustainable."

"The analysis considered market conditions, economies of scale and the proposed Clean Power Plan," Burke said in a statement.

The board is expected to vote on the recommendation at its June 16 meeting.

At 478.1 MW, the Fort Calhoun plant is the smallest nuclear unit in North America, lacking economies of scale. It is located on the Missouri River in eastern Nebraska and became operational in 1973. In 2003, the Nuclear Regulatory Commission extended its operating license through 2033.

Fort Calhoun nuclear plant *Source: Omaha PPD*

The plant was surrounded by flood waters in 2011, when the reactor was idled for a scheduled refueling. Safety and security violations discovered after the flooding prevented it from returning to service until December 2013, following more than $140 million in repairs.

It has been managed since 2012 by Exelon Nuclear Partners. When operational, it provides 30% of OPPD's net generation.

Burke said the decision was a difficult one and was "not reflective of employee or Exelon performance."

"OPPD would make every effort to absorb as many employees as possible into other areas of the district, based on qualifications and open positions," Burke said. "Retraining would be made available in cases where there would be strong potential for success."

OPPD serves more than 310,000 customers in southeastern Nebraska. It has 3,080 MW of generating capacity, with two baseload coal-fired plants, one fueled by landfill gas and three peaking plants. It also purchases output from several wind farms.

The utility said it will consider constructing or purchasing additional gas, wind and solar generation "as necessary."

## SPP Asks for Clarification on MISO Settlement Order

SPP asked FERC last week to resolve a "Catch-22" situation facing the RTO regarding the handling of settlement revenue stemming from a dispute with MISO (ER16-791).

A March FERC order conditionally accepted SPP's proposal to distribute to its members $16 million in funds reached in a settlement with MISO over the latter's use of SPP's transmission system to transfer power freely between its North and South regions. The order also set the docket for hearing and settlement procedures to resolve factual issues in dispute. (See "MISO Settlement Funds Held Up," *SPP RSC Briefs*.)

SPP said it has begun distributing settlement revenue to members with its May invoices, but only to those members who signed on to the settlement agreement. At issue, the RTO says, is what to do with transmission-owning members not subject to FERC jurisdiction that have not agreed to a voluntary refund commitment as part of the commission's final order on allocation.

The RTO asked FERC to confirm it can hold those members' "allocated shares" until the hearing and settlement procedures end. It also requested the commission clarify SPP will not owe interest on any revenues not distributed to any non-jurisdictional TO that has not signed the refund commitment.

The clarification, it said, "will resolve the 'Catch-22' facing SPP, whereby SPP cannot … disburse funds to entities over which the commission cannot order refunds in the event of overpayment by SPP; yet, on the other hand, SPP lacks any explicit authority to hold funds on behalf of these entities."

SPP said "many, but not all" of its impacted TOs have provided the requested voluntary refund commitment. The proceeding's first settlement conference was held April 21, with a second scheduled June 16.

*— Tom Kleckner*

## SPP Sets Z2 Review Session for June 28-29

SPP will hold a two-day review session for the Attachment Z2 credit-settlement system June 28-29 at its Little Rock headquarters. The session will run 9 a.m. to 4:30 p.m. each day.

The review session was initially planned for late May, but conflicts with a number of stakeholder meetings pushed the date back.

The Z2 settlement system is being used to help resolve years of incorrect credits for transmission upgrades; the Board of Directors last month approved a payment plan that will begin in November. (See "Board Approves Z2 Level Payment Plan," *SPP Board of Directors Briefs*.)

Staff said attendees will gain an understanding of how the settlement system was designed and built and how its calculations are performed.

SPP is asking attendees to complete the Z2 online course on SPP's Learning Center, review a Z2 white paper and sign a nondisclosure agreement, which will be sent after registering for the review session.

*— Tom Kleckner*

## SPP NEWS

# SPP Forecast Report Focuses on 'Big Events'

By Tom Kleckner

Boston Pacific's 2016 "Looking Forward" report to SPP's Board of Directors focuses on "big events."

"What's surprising is the number of big events that have occurred here in just the past year," said Boston Pacific founder and director Craig Roach, who presented the report to the board last month.

The firm's sixth annual report for SPP focuses on "broad market and regulatory events" that could significantly impact its markets or require the board's attention:

- The shale gas "revolution";
- EPA policies;
- Federal-state jurisdiction disputes;
- Challenges to the utility business model;
- Industry consolidation; and
- Electric vehicles.

### Shale Gas Risk Narrowed

Roach cited as one "big event" EPA's June 2015 draft assessment, which found no evidence that fracking was having a "widespread, systemic impact on drinking water resources."

The report represented a "significant narrowing of risk" for shale gas supplies, Roach said. "The question is whether that abundance will continue in the future."

Assuming continued technological advances, Boston Pacific believes it will, noting U.S. Energy Information Administration forecasts that shale gas production in the continental U.S. will increase by 73% by 2040, accounting for 55% of total U.S. natural gas production.

Gas is important to SPP, Roach said, because gas-fired power often sets the price in the RTO's energy markets and because the flexibility of combined cycle power plants complements intermittent wind and solar generation.

Boston Pacific categorized the risks facing gas supplies as "above-ground" (regulatory) and "underground" (extraction). In other words, Roach asked: "Is the gas there? Can it be recovered at a reasonable cost?"

### EPA's 'Environmental Campaign'

A second big event, Roach said, was the Supreme Court's February stay of the Clean Power Plan. The report refers to EPA's "continued environmental campaign," saying it has "pushed along multiple fronts to drive the electricity business to reduce a broad range of air pollution emissions and other environmental impacts."

Boston Pacific said the high court's stay gives SPP's board, members and states an opportunity to "collaborate" on their views. "The SPP markets have been, and will continue to be, the path to cost-effective reductions in carbon dioxide emissions," the report says.

### State-Federal Jurisdiction

Roach also took note of the Supreme Court's April ruling rejecting Maryland regulators' attempt to subsidize a power plant. (See *Supreme Court Rejects MD Subsidy for CPV Plant*.)

Based on the court's January ruling upholding FERC's jurisdiction over demand response compensation, Roach said he expected the court to support the state's contract-for-differences with Competitive Power Ventures' combined cycle plant.

"If the Supreme Court took the same principles as it did in the [DR] ruling … it would have reversed the lower court and restored state rights," he said. "The Supreme Court did nothing like that. It said, 'We're going to rule very narrowly.'"

The report says the Maryland decision could result in state programs being "pre-empted under similar reasoning."

### Distributed Resources

Boston Pacific Managing Director Vincent Musco said the company hasn't changed its view on the impact of distributed energy resources on the utility business model. "Consistent with the past, we see no evidence" that DER will displace the grid and centralized generation, he said.

The report notes that residential rooftop solar is much more expensive than utility-scale solar. "If costs alone drove technology choice, utility-scale would win," it said. "Notably, utilities have made considerable investments in utility-scale solar and wind resources and are projected to continue to do so."

The report points to customer pushback over growing transmission costs, citing complaints challenging the earnings of SPP members American Electric Power and Westar Energy.

Calling for "substantial grid investment," the report says the challenge will be allocating expansion projects in a manner "considered fair."

### Industry Consolidation

The one new topic added in this year's report is industry consolidation, which it said is being driven by the search for "growth and increasing operational efficiency through scale."

The report says the number of investor-owned utilities has dropped by 52% over the last two decades, from 100 in 1994 to 48 in 2014. Average market capitalization has increased from $9.4 billion in 2004 to $16.2 billion in 2014 (measured in 2014 dollars).

"If there are fewer competitors, that can impact the competitiveness of the market," Musco said. "It can affect governance, with fewer people around the table and fewer and [weaker] voices."

| Purchaser | Seller | Details | Cost | Regulatory Status |
|---|---|---|---|---|
| Exelon Corp. | Pepco Holdings | Acquisition of Seller | $12.6 bn | All needed approvals received |
| Algonquin | Empire Electric District | Acquisition of Seller | $2.4 bn | Needs AR, KS, MO, OK approvals plus FERC, FCC, others |
| Fortis, Inc. | ITC Holdings | Acquisition of Seller | $11.4 bn | Needs FERC approval |
| Duke | Piedmont | Acquisition of Seller | $6.6 bn | Needs NC, TN approvals |
| NextEra | Hawaii Electric | Acquisition of Seller | $4.6 bn | Needs HI Commission approval |
| Macquarie/BCIMC | Cleco | Acquisition of Seller | $4.7 bn | Needs LA Commission approval |
| NextEra | Energy Futures Holdings | Purchase of 2 Generators | $1.6 bn | Approvals received; closing expected Spring 2016 |
| ArcLight | Tenaska | Purchase of 5 GW of generation | Undisclosed | Complete |
| Calpine | Granite Ridge | Purchase of 745 MW NGCC unit | $500 mn | Complete |
| Duke | NCEMPA | Purchase of interest in 5 generators from NC municipal | $1.3 bn | Complete |
| Entergy | Union Power | Purchase of 2 GW AR generator | $948 mn | Needs approvals, including New Orleans City Council |

Selected pending transactions involving SPP members or neighbors *Source: Boston Pacific*

# FERC News


## Generators, Tx Operators Spar over Interconnection Processes Before FERC

Continued from page 1

interconnection procedures that it argued are outdated, "unduly discriminatory and unreasonable" (RM16-12, RM15-21).

Paul Kelly, director of federal regulatory policy for Northern Indiana Public Service Co., spoke on behalf of MISO transmission owners. He said that risk should be balanced between developers and owners.

"There's a difference between improving a process and driving efficiencies versus shifting risks onto different parties," he said. "There are inherent risks for certain business activities, and there can't be a guaranteed insurance policy."

Alan McBride, director of transmission strategy and services at ISO-NE, gave Maine as an example of a small region that has experienced a large number of requests. "The problem we do have is in a specific part of the system that is already at its performance limits, we have a significant number of interconnection requests, pretty much exclusively for renewable interconnection," he said.

The situation is further complicated, transmission operators explained, when projects drop out during the review process, causing a restudy and reshuffling of the queue.

### Location, Location, Location

Developers defended their concentration of requests, saying wind farms' profitability is dependent on location.

"It matters tremendously in terms of the



overall cost per unit of production," said Dean Gosselin, NextEra Energy's vice president of business management. "The more windy it is, the lower the cost. Price matters in the marketplace, so clustering usually happens because of that."

Transmission operators were unified in assuring that they are working on solutions to the delays, but they argued that "speculative" projects are clogging the queue. Developers said all projects can be viable until they've gone through studies and received accurate information about the cost and timing of the interconnection.

Omar Martino, director of transmission for EDF Renewable Energy, argued that a 12-month target for completion of studies would solve the issue. He said interconnection customers crowd into the queue "because they understand they will not be able to do anything for the next five to six years."

Rick Vail, PacifiCorp's vice president of transmission, said one of the biggest concerns is the time and effort needed to restudy when higher-queue projects drop out.

"A majority of the generation in our system is hundreds, if not many hundreds, of miles away from a load center. So you certainly have different areas where you have transmission constraints, but those also continue to be the areas where developers are requesting to connect to the system," he said. "A lot of the requests we get seem to [be] a fishing expedition of trying to determine where in the transmission system is the most appropriate place to attach generators."

Tim Aliff, MISO's director of reliability


planning, said "one size does not fit all for the interconnection queue process," pointing out, for example, that each of the states in MISO has its own renewable portfolio, which requires flexibility with interconnection requests.

### Developer Requests

Developers said more transparency would help them determine the viability of their projects before they apply.

"Better access to cases, both economic cases and the transmissions cases. Better understanding of assumptions, more accurate assumptions in cases. Pretty much any information that can help us make a better decision," said Jennifer Ayers-Brasher, director of transmission and market analysis for E.ON Climate & Renewables NA. "We feel there should be more commonality across the board."

They also requested a limit on the number of performance markers projects must meet to stay in the queue. "Introducing more milestones introduces more uncertainty," Martino said. "Introducing more uncertainty introduces the likelihood of a cascading effect with the cost estimates and schedules because projects affect each other."

Steven Naumann, Exelon's vice president of transmission and NERC policy, took a holistic perspective on congestion, saying the entire process needs to be overhauled to forecast and address issues in advance. "There needs to be a serious look at how congestion is dealt with in the interconnection process up front. That is a coordination issue."

Continued on page 25

# FERC NEWS


## Generators, Tx Operators Spar over Interconnection Processes Before FERC

*Continued from page 24*

He called for processes to handle risk-inclined developers who don't want to pay for upgrades that aren't mandatory even if it affects the reliability of the interconnection. "You've got to deal with this fundamental … disconnect between the 'I will take my chances' and the big energy market, which doesn't recognize 'I will take my chances.' … This is not an incremental fix. This is something major that has to be set up upfront and done right and thought about how it's going to be done."

### Balancing Accuracy and Speed

Throughout the conference, developers pushed for both greater accuracy in estimates and faster delivery of results. MISO's Aliff said the situation is a tradeoff: Transmission operators can't provide the requested level of accuracy until later phases of the study, but they can't start the studies earlier because they don't know which projects will drop out. He said he wasn't aware of any projects that withdrew because the process was taking too long.

At CAISO, it's a two-phase process that takes two years, said Stephen Rutty, the ISO's director of grid assets.

NextEra's Gosselin said developers need to know about the overloaded transmission elements that need to be upgraded. "We have a saying in our world of development, which is 'time kills all projects.' The longer it takes, the more unlikely it is the project will be valid and go to fruition," he said.

ISO-NE's McBride said preparing construction estimates is a time-consuming process. "It takes weeks, if not months. [It] involves site surveys and getting bids from equipment suppliers and those kinds of endeavors."

"One of the responsibilities as a transmission provider is to make sure we're not passing on some of the costs to the connected generation, especially if it's not required for load service," Vail said.

At PJM, cost also plays into the timeliness of studies, explained David Egan, the RTO's manager of interconnection projects. Egan said PJM found through its stakeholder process that generators preferred having upgrade costs "socialized" between all of the projects in the queue that caused it, not just leaving the last one to pay.

"The problem is that now you have to wait for the queue to close to be able to study everyone," Egan said. "Where before, the smaller generators could have been moved along quicker … now you are bundled together. It is a clash of cost-sharing versus timeliness, at least on the smaller distributed generators."

### Connection Disputes

FERC staff asked about the prevalence of disputes between developers and transmission owners.

Kelly said the parties often work with the RTO, but he noted that there are dispute-resolution procedures available inside the interconnection processes.

Aliff said that MISO doesn't see many disputes, but when they occur, the RTO plays an important role. "The fact that we don't have a dog in the fight is a reason we should play a part," he said. "We are making sure the reliability of the system is maintained. … If you start allowing individual interconnection customers to deviate from planning standards, you end up with a previous customer built to a level that a later customer did not build to … which could have a reliability impact down the road. Also, from an efficiency standpoint, building substations that have future ability to expand may be a cheaper alternative down the road for all other customers."

That didn't sit well with Gosselin, who described an incident in which NextEra and the transmission owner had different cost estimates because the owner expected the generator to prepare land for the owner's potential future expansion. "There is a gap in expectations right there. … When we are building it, we are building it for us and only us and our future," he said. "Ultimately, we resolved that piece of it fairly simply by saying we will option the rights for the land for them if want to expand in the future, and it's their cost, not ours."

### Estimating Inconsistencies

Developers acknowledged that estimate overruns are rare but can be devastating when they happen.

"We have had several epic fails where the actual costs came in multiples of what the estimate was," Gosselin said. "If we make a decision and that changes it significantly on subsequent restudies, we have either made a bad decision or we got lucky. Neither are good."

"I have to say, they are rare, but they do happen," Martino said. "On one particular occasion, we saw cost deviations of almost 100%."

### Energy Storage

In the final panel of the day, participants discussed energy storage.

"It's a very creative market right now," Rutty said. "Lots to look forward to."

Transmission operators said they need a way to control how much power each resource is withdrawing to store or injecting into the grid. "What we would want is that they would install a power relay to limit the output," Egan said. "The problem you have is, if you … exceed the thermal capabilities we've studied, you could cause damage."

Developers urged regulators to look at storage differently and not try to wedge it into an existing group.

"Storage is very much its own asset class that touches just about every other asset class that hits the grid," said John Fernandes, the director of policy and market development for RES Americas. "Let's stop talking about storage as generation storage, storage as negative gen. I get it, but those are still dangerous semantics. … If we really want to be able to accommodate storage at a large scale five or 10 years from now, those rules need to start going into place now."

**"We have had several epic fails where the actual costs came in multiples of what the estimate was."**

**Dean Gosselin, NextEra Energy**

## FERC NEWS


# CFTC to Add 'Private Rights' to RTO Exemption

*By Tom Kleckner*


The U.S. Commodity Futures Trading Commission said last week that it is amending its 2013 order exempting RTO energy transactions from certain provisions of the Commodity Exchange Act to clarify that it does not bar private rights of action.

The proposed amendment, approved in a 2-1 vote, would "explicitly" provide that the RTO-ISO order does not prevent private parties from filing lawsuits.

CFTC said the private right of action's existence is "not inconsistent with or detrimental to cooperation between the CFTC and FERC." Preserving that right, the commission said, "will not cause regulatory uncertainty or duplicative or inconsistent regulation."

"Moreover, conflicting judicial interpretations regarding the nature of the covered transactions would not affect the jurisdiction of FERC or any relevant state regulatory authority."

The amendment stems from CFTC's April 2013 order, which exempted financial transmission rights and other electricity transactions subject to tariffs approved by FERC or the Public Utility Commission of Texas from most of the CEA's provisions, while retaining its general anti-fraud and anti-manipulation authority.

SPP was the only grid operator not party to the order, as its day-ahead market did not become fully operational until March 2014. The RTO sought the same exemptions that the commission granted the others, but the commission's May 2015 draft order on SPP included a preamble stating its intent to preserve private rights of action under Section 22 of the CEA.

Although the commission said it did not intend to exclude private suits in its 2013 order, the 5th Circuit Court of Appeals ruled in February that it had done so. The appellate court upheld a 2015 ruling by the U.S. District Court for the Southern District of Texas dismissing a lawsuit alleging that some generators in ERCOT were intentionally withholding electricity and manipulating prices in the derivatives commodities market (*Aspire Commodities v. GDF Suez Energy N. Am.*, No. H-14-1111). The court said that the private right of action was "unavailable to [p]laintiffs" due to the CFTC's exemption order.

In March, the ISO/RTO Council, the Texas PUC, the Edison Electric Institute and other witnesses asked the commission to reverse its position, saying the SPP order could undermine the broad exemptions earlier granted to the other grid operators. PJM, ERCOT and CAISO also raised objections last year.

Last month, U.S. Sen. John Boozman (R-Ark.) introduced an amendment to CFTC's reauthorization bill that would prevent the agency from adding the private rights option to the 2013 order. (See *Congress May Order CFTC to Back Down on Private Rights*.)

CFTC Chairman Timothy Massad said he appreciated "the desire of businesses to have as little regulatory uncertainty as possible" but that the commission must also ensure "there is adequate recourse" for market participants.

"Private rights of action have been instrumental in helping to protect market participants and deter bad actors," Massad said in a statement. "These actions can also augment the limited enforcement resources of the CFTC and serve the public interest by allowing harmed parties to seek damages in instances where the commission lacks the resources to do so on their behalf."

In a lengthy dissent, Commissioner J. Christopher Giancarlo said the amendment "manages to simultaneously toss legal certainty to the wind and threaten the household budgets of low- and middle-income ratepayers by permitting private lawsuits in heavily regulated markets that are at the heart of the U.S. economy."

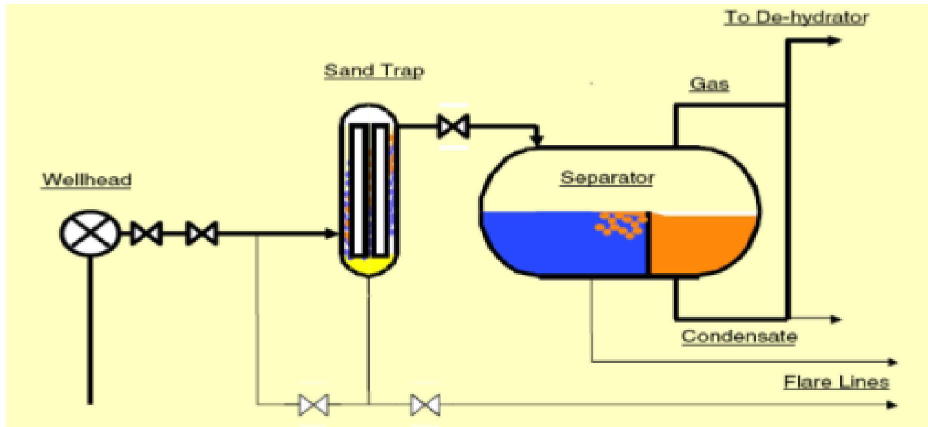
The proposed amendment will be open for public comment for 30 days once it is published in the *Federal Register*.

> **"Private rights of action have been instrumental in helping to protect market participants and deter bad actors."**
>
> **Timothy Massad, CFTC Chairman**

## FERC NEWS


# EPA: Methane Rules to Have Minimal Impact on Natural Gas Costs

*By Rory Sweeney*




Gas separator *Source: EPA*

EPA said rules it issued Thursday to reduce methane emissions from oil and gas development will raise wholesale natural gas prices by less than 1%, but the industry's leading trade group warned the "unreasonable and overly burdensome" regulations could depress shale gas development.

The agency said the rules will cost a net $320 million annually through 2020, with a $390 million total cost reduced by $70 million in revenue from sales of methane now lost into the atmosphere. By 2025, the estimated total cost increases to $640 million, offset by gas sales of $110 million, for a net cost of $530 million. The estimates, in 2012 dollars, assume a price of $4/Mcf.

EPA estimated that the rules will reduce gas well drilling by about 0.17% and production by about 0.03% between 2020 and 2025, compared to the baseline. The agency estimated wellhead prices for onshore lower-48 production will increase during that period by about 0.2% and net imports will rise by about 0.11%.

### Reduced Innovation?

The American Petroleum Institute said the costs will be more than twice EPA's estimate, pegging them at $806 million per year in 2025.

"It doesn't make sense that the administration would add unreasonable and overly burdensome regulations when the industry is already leading the way in reducing emissions," Kyle Isakower, API's vice president of regulatory and economic policy, said in a statement. "Imposing a one-size-fits-all scheme on the industry could actually stifle innovation and discourage investments in new technologies that could serve to further reduce emissions."


Infrared image of emissions from a natural gas storage tank *Source: Texas Commission on Environmental Quality*

The new rules are designed to reduce fugitive methane emissions from compressor stations, gas processing plants and well sites, including fracking operations. The rules also cover pneumatic pumps and controllers, centrifugal compressors and reciprocating compressors. Well site compressors are exempt.

### Monitoring

The rules — which cover new and modified operations — are stringent, requiring substantially greater monitoring and emissions control than before across all areas of the extraction and production process. Well sites will be required to conduct biannual monitoring using either an infrared camera or a vapor "sniffer" and must repair leaks within 30 days. Compressor stations must be checked quarterly. Natural gas processing plants are already checked this way for other emissions, but they now must include methane.

After fracking a well, operators will need to install equipment that separates gas from the fluid that flows back to the surface and collect or combust it. Wildcat, exploratory and low-pressure wells are required to have combustion devices but not the separation equipment.

Many of these operations were already regulated for volatile organic compounds (VOCs) and hazardous air pollutants (HAPs) — but not methane — under the 2012 New Source Performance Standards, which regulate pollutant emissions from new or modified sources. The new rules also include several edits to the NSPS, including how flares can be done, leak detection and repair, and monitoring and testing of storage-vessel control devices.

EPA said the rules are justified because the costs will be outweighed by "monetized climate benefits" of $360 million in 2020 and $690 million in 2025. Such benefits were calculated in relation to greehouse gas emissions only, but the agency said there will be additional benefits from the associated reductions in VOCs and HAPs.

Methane is second only to carbon dioxide in its overall contribution to global warming. A ton of methane traps 25 times as much heat in the atmosphere as the same amount of $CO_2$ over a 100-year period.

The changes to the NSPS were released along with two other rules affecting the industry. One requires emissions reductions for operations on certain Native American lands. The other clarifies what equipment should be grouped together to calculate whether a site is a major or minor emissions source.

EPA estimates about 270 full-time equivalent workers will be needed to meet compliance. The agency estimates that will increase to about 1,800 in 2025.

# Company Briefs

## Exelon Wind Turbine 'Basically Shook Itself Apart'

A 485,000-pound Exelon Generation wind turbine that toppled in February "basically shook itself apart" after a mechanism meant to control its speed failed, according to a company investigation.

All three cylinders of the pitch system in the eight-year-old Vestas V82 1.65-MW turbine in Oliver Township, Mich., suffered oil leaks, according to an investigation by Exelon. The failed pitch system, and 45-mph winds, pushed the blades to rotate at 18 rpm, far more than the 14.4 rpm nominal speed. Nobody was injured, but the $1.5 million turbine was destroyed when it fell to the ground.

All of the other turbines of that model were inspected, and none showed problems with more than one cylinder. It is the only recorded instance of a catastrophic failure of the Danish-designed turbine, officials said.

More: *Huron Daily Tribune*

## Will Talen Energy Be Taken Private?

Riverstone Holdings, Talen Energy's largest shareholder at 35%, reportedly is leading an effort to take the independent power producer private.

Bloomberg cited anonymous sources in its report, which said Talen has not decided whether to accept that or other offers.

Talen, which spun off from PPL last June, reported a first-quarter profit of $151 million.

More: *Bloomberg*; *The Morning Call*

## Duke to Build $55M 21-MW Plant at University

Duke Energy will build a 21-MW combined heat and power plant at Duke University that will cut the university's carbon emissions by 25%. The natural gas-fired plant will fuel a turbine that will turn a generator, and the waste heat will be captured to produce steam for buildings. The project still needs approval from the North Carolina Utilities Commission.

It will be the company's first foray into heat plants in the Carolinas. The university will sign a 35-year operations contract with the utility.

More: *Charlotte Business Journal*

## Talen to Pay More than $1M for 2005 Fly Ash Spill

Talen Energy will pay more than $1 million to agencies in Pennsylvania, Delaware and New Jersey to settle a claim stemming from a 2005 fly ash spill at its Martins Creek Power Plant on the Delaware River.

Under the ownership of Talen's predecessor company, PPL, a containment basin burst, spilling about 100 million gallons of fly ash and water into local fields, Oughoughton Creek and the Delaware River.

The Martins Creek coal-fired units stopped running in 2007, and the plant was converted to natural gas.

More: *LehighValleyLive.com*

## Six Energy Companies Launch Grid Assurance Sparing Program

Six energy companies have launched Grid Assurance, a company providing shared transmission parts inventory to restore service during emergency outages more quickly.

American Electric Power, Berkshire Hathaway Energy, Duke Energy, Edison International, Eversource Energy and Great Plains Energy worked together over a year to form the independent company this month. Kansas City Power & Light Senior Vice President Michael Deggendorf was named Grid Assurance CEO.

Grid Assurance is a subscription-based service open to transmission providers where large transformers, circuit breakers and other system components are stored in warehouses around the U.S., available for quick dispatch in case of a catastrophic event.

More: *American Electric Power*

## ATC Restructures to Facilitate Expansion

The Wisconsin Public Service Commission last week approved American Transmission Co.'s reorganization plan that will allow the company to more easily take on transmission work in other states.

Under the plan, the Wisconsin-based ATC will create a separate holding company specifically for out-of-state investments. The company still needs approval from the Illinois Commerce Commission, whose decision is expected later this year.

ATC spokeswoman Anne Spaltholz said the company is focusing on a string of potential Midwestern projects, in addition to possibly building a line to connect a Wyoming wind farm to California. ATC is also eyeing the formation of a separate transmission utility in Alaska.

More: *Milwaukee Journal Sentinel*

# Federal Briefs

## EIA Excludes CPP, Paris Agreement from Projections


Sieminski

The Energy Information Agency did not include the effects of the Clean Power Plan, the Paris climate agreement or any federal policy changes when it projected a 33.9% worldwide increase of $CO_2$ emissions between 2012 and 2040, even though nearly 200 countries have resolved to cut greenhouse gas emissions.

EIA Administrator Adam Sieminski said that the agency's projections shouldn't be considered actual predictions, saying it doesn't "have a huge amount of confidence what those endpoint numbers are." Changes are coming too fast to predict future energy use and technological advances, he said.

"We're going to have the wrong economic numbers," Sieminski said. "We're not going to get the climate policies thing right. The technology — something is going to happen with batteries in the year 2030 that we didn't expect, that we didn't build into this. Something is going to happen in Iraq."

More: *Morning Consult*

## Yucca Mountain Opponents Question NRC Impact Statement


Halstead

Native American tribes and officials from the Nevada Commission on Nuclear Projects are questioning the Nuclear Regulatory Commission's environmental impact statement on the now-suspended Yucca Mountain underground repository project. The commission recently issued the environmental report, concluding that it would be safe to store spent fuel in the mountain.

While the commission determined that the release of radioactivity from a spent fuel dump there would be minimal, Nevada scientists believe it would violate the so-called 1 million-year standard after 2,000 years and contaminate groundwater used by the Timbisha Shoshone tribe.

Nevada's Agency for Nuclear Projects Executive Director Robert Halstead said the NRC report is flawed because it is based on unverified computer calculations.

More: *Las Vegas Review-Journal*

## Feds Label 2013 Texas Plant Explosion as Arson

Federal investigators have determined that the 2013 explosion at a Texas fertilizer plant was an act of arson. About 30 tons of ammonium nitrate exploded at the West Fertilizer Co. facility, killing 15 people, injuring 160 and laying waste to much of the town of West.

After ruling out other causes, investigators of the Bureau of Alcohol, Tobacco and Firearms determined the blast must have been intentionally set. "The only hypothesis that could not be eliminated is incendiary," an ATF agent said. ATF did not say whether they had any suspects.

More: *The Hill*

## TVA Files Application For Clinch River SMRs

The Tennessee Valley Authority has filed an early site permit application with the Nuclear Regulatory Commission to determine the potential to build and operate small modular nuclear reactors at its Clinch River site near Oak Ridge, Tenn.

It is the first time such a permit has been filed with the intention of building small modular reactors, which are seen as a way to keep down costs and provide "cookie-cutter" designs that could be used at many different sites.

"It's a significant event for us as we continue exploring potential SMR technology as a way of expanding our diverse portfolio to ensure a safe, reliable supply of energy for those we serve," TVA Chief Nuclear Officer Joe Grimes said. NRC will use the permit to examine the site's safety, environmental conditions and emergency preparedness if TVA decides to go forward.

More: *TVA*

## DOE Suspends Funding For Texas CCS Project

The Energy Department has pulled back from another carbon capture and storage project. The department stripped the $240 million it had pledged to the Texas Clean Energy Project and asked that the money be put toward other research and development projects.

Project developer Summit Texas Clean Energy was denied an $11 million advance earlier this year. A department audit also criticized the project's shaky financing.

The Obama administration has invested $4.8 billion in six CCS storage projects. Four of those projects have been cancelled or suspended.

More: *Inside Climate News*

## Power Generation Emissions Lowest Since 1993

Carbon emissions from U.S. electricity generation are at their lowest levels since 1993, according to the Energy Department.

The department attributes the decrease to the retirement of coal units, replaced by renewable energy and cleaner-burning natural gas.

Carbon emissions in 2015 totaled 1,925 million metric tons, the lowest since 1993 and down 21% from 2005 levels, the department said. It also noted that in the past 10 years, generation from coal dropped from 51% of the nation's total to 34%. In the same 10 years, natural gas' share rose from 18% to 32%. While nuclear remained steady at 20%, renewables rose from 8% to 13%.

More: *FuelFix Blog*

# STATE BRIEFS

## COLORADO

### Boulder Continues to Consider Municipalization

Xcel Energy is expected to present new data to the city of Boulder this week to try and persuade the City Council to nix plans to acquire the utility's assets and operate as a municipal entity.

City Attorney Tom Carr told the council that if the city is unable to come up with a plan that maintains service reliability and competitive customer rates, while also reducing greenhouse gas emissions at the pace mandated by the city charter, he would recommend abandoning municipalization plans.

The state's Public Utilities Commission ruled in November that Boulder cannot acquire Xcel facilities that exclusively serve customers outside city limits. The commission declined to force Xcel to share its facilities with the city.

More: *Daily Camera*

## DISTRICT OF COLUMBIA

### OPC: Don't Spend Merger Money Just Yet

The Public Service Commission should not spend $21.55 million from the merger agreement between Exelon and Pepco Holdings Inc. in case the decision is returned to the courts, the Office of the People's Counsel said in a filing last week.

The public advocate, along with district government and several clean energy groups, is asking the PSC to reconsider its decision allowing the $6.8 million deal.

The $21.55 million that Exelon provided the district is part of a $78 million public investment fund. (See *Exelon Closes Pepco Merger Following OK from DC PSC*.)

More: *Washington Business Journal*

## ILLINOIS

### Peoples Gas to Pay $18.5M Over Misleading Costs

Peoples Gas and parent company Integrys Energy Group will pay customers $18.5 million for allegedly withholding information about its $8 billion program that replaces 2,000 miles of old iron gas mains beneath Chicago streets.

The settlement reached last week ends investigations by Attorney General Lisa Madigan and the Commerce Commission into allegations that project leaders failed to disclose $3.5 billion in cost overruns to regulators until Wisconsin Energy acquired Integrys last June. Peoples Gas maintains it did nothing wrong.

The settlement involves a combination of bill credits, legal reimbursements and grants to provide relief to low-income households for heating expenses.

More: *Chicago Tribune*

## KANSAS

### State Suspends Clean Power Plan Compliance Work

The state will officially suspend its work devising a plan to comply with the federal Clean Power Plan on May 19. It is at least the third state to take such a step after a U.S. Supreme Court ruling in February staying the rules until legal challenges are resolved.

Republican Gov. Sam Brownback signed the measure into law last week after the GOP-dominated Legislature approved it by wide margins late last month. The law prohibits state agencies from conducting studies or doing other work toward drafting a compliance plan until the U.S. Supreme Court's stay is lifted.

Kansas was among 27 states challenging the rules, finalized by President Obama's administration last year.

More: *The Associated Press*

## MARYLAND

### Morris Schreim to Take Walter Hall's Place at PSC


Schriem

The Public Service Commission has appointed Chief Engineer Morris Schreim to senior commission adviser. He takes the place of Walter Hall.

Schreim, who has been with the commission since 2013, will advise it on matters related to PJM and FERC.

Andrew Dodge will assume the position of chief engineer and director of emergency management. Dodge retired in December as vice president of technical services at Baltimore Gas and Electric.

More: *Maryland PSC*

## MONTANA

### Colstrip Owners Discuss Future with Governor


Bullock

The CEOs of three of the Colstrip plant's owners sat down with Gov. Steve Bullock last week to discuss what will happen to the aging coal-fired complex as out-of-state political forces push toward the eventual closure of its two older units.

Kimberly Harris of Puget Sound Energy, Paul Farr of Talen Energy and Bob Rowe of NorthWestern Energy represented half the plant's ownership. Talen owns 50% of Units 1 and 2 and a 30% share of Unit 3. It also operates the entire four-unit Colstrip complex.

Farr made it clear that Talen wants to sell its stake in the plant. He suggested that industrial customers sign a power purchase agreement with the plant to keep it operational.

More: *Billings Gazette*

## NEW HAMPSHIRE

### Eversource Predicts Increase In Service Charge in July

Eversource Energy is predicting an increase in its energy service charge starting in July at the same time that three other state utilities, which purchase power from regional markets, are expecting lower prices.

The company filed a price forecast with regulators but is not formally requesting the rate change. It is predicting that it will request a rate of 10.94 cents/kWh, a 9.5% increase from the current 9.99 cents/kWh. Utilities in the state adjust their rates

*Continued on page 31*

# STATE BRIEFS

Continued from page 30

every six months to reflect shifting generation prices.

Eversource, which produces its own power, is allowed to pass through the cost of operating coal-fired power plants that it owns into its rate. Three other utilities buy power on the wholesale market, and their rates have dropped because of historically low natural gas prices.

More: *New Hampshire Union Leader*

## NEW MEXICO

### State Passes 1,000-MW Wind Capacity Mark

The state surpassed 1,000 MW of installed wind capacity last year, and analysts say the state is well positioned to expand its renewable power output.

Industry experts say the state has excellent wind resources, and investors already have put almost $2 billion into developing turbines in the state. Wind power accounted for 6.3% of all power generated in the state, according to John Hensley, manager of industry data and analysis for the American Wind Energy Association. An additional 300 MW of capacity is expected to come online this year.

The state currently has 14 wind projects that support more than 1,000 jobs and generate enough power for 189,000 homes.

More: *Public News Service*

### Judge Allows Lawsuit Over City Munies to Proceed

A state judge last week denied the city of Farmington's motion to dismiss the city of Bloomfield's breach of contract lawsuit, filed in August as part of its attempt to purchase an electric utility from Farmington.

"A municipality must be able to control the utilities within its jurisdictional boundaries and acquire the necessary property and equipment to do so," Judge Bradford Dalley said. "It cannot be said that the passage of time extinguishes that role, especially when the right has been recognized in an agreement preserved in a court order."

The city of Bloomfield alleges that a 1960 court case and the subsequent judgment and decree served as a contract between the two cities that recognized Bloomfield's right to purchase the utility from Farmington at any time. Farmington argues that the 1960 decree, known as the Culpepper Decree, was not a contract and was subject to the statute of limitations.

More: *Farmington Daily Times*

## NEW YORK

### SolarCity Subpoenaed In Lobbying Probe

SolarCity acknowledged it has been subpoenaed in a federal probe of improper lobbying and undisclosed conflicts in state contracts.

The company is developing a state-funded "gigafactory," the centerpiece of Gov. Andrew Cuomo's "Buffalo Billion" initiative. U.S. Attorney Preet Bharara is investigating how certain vendors were selected to construct the projects, including SolarCity's. A company spokeswoman said it is complying with the investigation and that the company had no say in the selection process.

The governor's office, the state economic development agency, the State University of New York Polytechnic Institute, the Public Service Commission's Department of Public Service and the New York State Energy Research and Development Authority also have been subpoenaed.

More: *Newsday*

## RHODE ISLAND

### $700 Million Gas-Fired Power Plant Opposed

At a packed public hearing, the state Energy Facility Siting Board heard opposition to a new $700 million natural gas-fired power plant that would be built in the western part of Burrillville.

Residents told the board that Invenergy's proposed facility does not belong in an area surrounded by woodlands, including protected lands in the Buck Hill and George Washington management areas.

About one-half of the plant's 1,000-MW capacity was successfully bid into the ISO-NE Forward Capacity Auction for the 2019/20 commitment period. A decision from the siting board is expected early next year.

More: *Providence Journal*

## SOUTH DAKOTA

### City OKs State's Largest Solar Project

The Pierre City Commission last week approved leasing 5 acres at the Pierre Regional Airport to Geronimo Energy in what is expected to be the state's largest solar energy project.

Minnesota-based Geronimo will install the 1-MW facility this summer. The power will be distributed into Pierre's municipal electrical system.

It also will be first solar project for Missouri River Energy Services, which provides 43% of the city's electrical power. The city gets the remaining 57% of its electricity from the Western Area Power Administration, which is not part of the project.

More: *Capital Journal*

## WISCONSIN

### Watchdog Calls out $138M School Energy Overruns

A little-known exemption has allowed 147 school districts to exceed state-imposed revenue limits by spending a combined $138 million on energy efficiency measures.

The Wisconsin Taxpayers Alliance says that a 2009 law allowed state school districts to exempt energy efficiency expenditures from state rules that require voter approval if revenue limits are exceeded. The Wisconsin Association of School Boards said the exemption encourages school districts to make investments in energy efficiency to achieve long-term operating savings.

A bill to end the exemption, sponsored by two Republican legislators, was stalled in the Legislature last session.

More: *Wisconsin Watchdog*