RTO Insider
Your Eyes and Ears on the Organized Electric Markets
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FERC Hears Feedback on PURPA, Order 1000

FERC Conference Debates PURPA Costs, Purchase Obligations

By Robert Mullin

Nearly four decades after its passage, the Public Utility Regulatory Policies Act still generates controversy.

PURPA's supporters and critics sounded off at a June 29 FERC technical conference exploring the ongoing challenges of implementing the law, which Congress enacted in 1978 to diversify the country's energy supply, increase efficiency and develop a market for independent power producers. The session focused on PURPA's mandatory purchase obligation and the determination of avoided costs for those purchases (AD16-16).

"In my view, PURPA has held up reasonably well," Ken Rose, an economist representing the Independent Power Producers Coalition of Michigan (IPPC), told the conference. "It's hard to believe [that] 40 years on, we're still working on implementation."

FERC Commissioner Tony Clark said the law provided a "foot in the door" for the renewable resources now roiling the power industry and its markets.

He also pointed out the commission's motivation for revisiting the law, saying, "We're hearing anecdotally about some of the concerns, especially from the West."

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Five Years Later, FERC Takes Another Look at Order 1000

More Transparency Sought in Decision-making

By Rory Sweeney

FERC's technical conference last week on Order 1000's performance produced a mix of feedback, with some participants suggesting complete overhauls of the landmark rule and others saying it's too early to tell if any changes would be useful. But nearly every participant urged the commission to improve transparency in transmission planners' decision-making processes (AD16-18).

Issued in July 2011, Order 1000 sought to increase transmission development by eliminating incumbent utilities' monopolies and creating incentives for more innovative, cost-effective and efficient projects.

The order — and its 2012 sequels, 1000-A and 1000-B — have caused heated debate as well as confusion about how the order is to be applied.

FERC commissioners lead technical conference on Order 1000.

Transparency and 'Evaluation Risk'

George Dawe, vice president of Duke-American Transmission Co., said one of his biggest challenges as a competitive developer is what he called "evaluation risk."

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MISO, Monitor Release Negotiated Auction Redesign

MISO Still Considering Original Forward Proposal; Stakeholders Want Numbers

By Amanda Durish Cook

CARMEL, Ind. — MISO and its Independent Market Monitor have reached a compromise auction design calling for a prompt, single Planning Resource Auction with separate prices for competitive retail areas.

But that isn't stopping the RTO from also keeping its original forward auction proposal on the table.

"We don't believe there is one definitive solution forward, but we do believe we have two very good options in front of us," MISO executive director of market services Jeff Bladen said during a two-day Resource Adequacy Subcommittee meeting Wednesday and Thursday. "We're deep into the weeds of evaluating both for price stability."

Bladen said MISO has hired The Brattle Group to conduct an analysis on both proposals and will select a plan based on

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CAISO NEWS

FERC Order Prods CAISO to Allow EIM Intertie Bidding

By Robert Mullin

FERC on Thursday rejected CAISO's proposal to prohibit Energy Imbalance Market participants from implementing economic bidding at the market's external interties until the ISO can develop "appropriate rules and procedures" to manage the transactions (ER16-1518).

The ISO's Tariff currently stipulates that each balancing authority area (BAA) that joins the EIM can determine for itself whether to allow resources located outside the market to submit economic bids at the BAA's transmission seams.

CAISO sought to change its Tariff in part because EIM participants PacifiCorp and NV Energy had expressed concerns that implementing the practice would add complexity to their initial participation in the market.

The ISO cited another reason for the change: "The CAISO's experience with 15-minute bidding at its own interties suggests that the extent of the benefits from allowing such bidding is questionable," it said in an April filing with FERC that included a raft of other EIM-related Tariff changes. The ISO cited the low liquidity in the 15-minute market at the ISO's own seams — suggesting a lack of market interest — and the potential for EIM participants to incur increased transaction costs from external bids.

CAISO also envisioned a "problematic" scenario in which EIM transmission flows could shift as a result of only one EIM participant requesting economic bidding at its interties. While the market consists only of three BAAs today, Arizona Public Service and Puget Sound Energy are scheduled to begin participating later this year, while Portland General Electric will join next year.

The Western Power Trading Forum (WPTF) — an industry group representing power marketers — filed the only protest against the proposal, calling the revision an "attempt to codify" an "effective roadblock to market evolution" that discriminated against third-party participation in the EIM. The organization accused CAISO and the other EIM participants of resisting making the changes required "to incorporate external resources [into] the EIM with efficient, flexible market-based mechanisms."

The group also criticized the open-ended nature of the Tariff change, asking the commission to dismiss the proposal until the ISO provided a plan to implement EIM intertie bidding by a specific date. The organization suggested that FERC direct the ISO to undertake an "open and transparent" stakeholder process to develop the necessary rules and commit to implementation within a year.

Although the WPTF didn't win the one-year deadline it sought, the group's arguments largely found support with the commission.

"As an initial matter, we find it inappropriate for CAISO to include in its Tariff an indefinite placeholder," the commission wrote, referring to CAISO's failure to propose a timeline for resolving the intertie issue.

While acknowledging that CAISO "identified issues that warrant further evaluation," the commission ruled that the ISO had not "sufficiently described" those issues or met its burden under the Federal Power Act to alter the Tariff in a way that would remove from EIM participants the discretion for implementing intertie bidding.

"Moreover, WPTF raised concerns about unduly delaying the ability of external resources to participate — concerns that CAISO does not full address," the

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Correction

In an article June 19, *RTO Insider* incorrectly identified the owner of the 524-MW Frontera combined cycle plant in Texas as Direct Energy. (See *ERCOT Board OKs Rio Grande Valley Fixes*.) Direct Energy sold the plant in January 2014 to Viva Alamo, a subsidiary of The Blackstone Group.

CAISO NEWS

CAISO Board Appoints Western EIM Governing Body

By Robert Mullin

CAISO's Board of Governors on Tuesday appointed five members to serve on the newly established governing body of the western Energy Imbalance Market.

Candidates were selected after being vetted by a nominating committee representing five industry sectors, including EIM entities, ISO participating transmission owners, power suppliers and marketers, publicly owned utilities and state regulators.

"It was a consensus-driven process," said CAISO board member Angelina Galiteva, a nonvoting committee member. "It was a successful outcome and can serve as a basis for a larger expansion" of the ISO itself.

PacifiCorp Transmission Vice President and General Counsel Sarah Edmonds, who headed the committee, said the new governing body demonstrated the "diversity of expertise" and independence necessary to oversee the EIM. She also noted its regional diversity.

"In terms of geography, we have the Pacific Northwest, California [and] the desert Southwest" represented on the body, Edmonds said.

The members of the EIM's new governing body are:

- **Valerie Fong** — Recently retired after serving as the director of utilities for Palo Alto, Calif., from 2006 to 2015. Fong previously had a 20-year career at Pacific Gas and Electric and served on the boards of the Power Association of Northern California, Transmission Agency of Northern California and the Northern California Power Agency.

- **Doug Howe** — A Ph.D. in mathematics who has authored or co-authored more than 30 papers and presentations covering industry subjects such as energy efficiency in the European Union and utility regulation in the U.K. Howe previously served as a New Mexico state regulator and executive with GPU Inc., which was acquired by FirstEnergy in 2001.

- **Carl Linvill** — Principal at the Vermont-based Regulatory Assistance Project, which produces white papers on energy and environmental issues. Linvill previously served as a utilities commissioner in Nevada and still acts as technical adviser for the Western Interstate Energy Board.

- **John Prescott** — Retired earlier this year after 10 years as CEO of the Portland-based Pacific Northwest Generating Cooperative, a member-owned policy advocate for utility cooperatives in seven Western states. Prescott previously worked at Idaho Power and Seattle City Light and served on the Pacific Northwest Utility Conference Committee and the National Rural Electric Cooperative Association's Regulatory Standing Committee.

- **Kristine Schmidt** — President of Dallas-based Swan Consulting, which provides advisory services to businesses entering or expanding in the electricity and natural gas sectors. Schmidt was previously a vice president at ITC Holdings and director at Xcel Energy. She also worked as a commissioner adviser at FERC.

Members are appointed for three-year terms, but because this was the first governing body, the ISO board established staggered terms by randomly selecting names. Fong and Prescott will serve until June 30, 2019, Howe and Linvill until June 30, 2018, and Schmidt until June 30, 2017. In the future, all nominations will be subject to approval by the governing body.

FERC Order Prods CAISO to Allow EIM Intertie Bidding

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commission said.

WPTF won another concession: The commission called for further discussion of the issue, directing FERC staff to convene a technical conference to gather information about the challenges of implementing economic bidding at the EIM's interties — with an eye to determining how to overcome impediments. Details for the conference will be set out in a subsequent notice.

The commission's June 30 ruling did approve CAISO's other proposed EIM-related Tariff revisions, which included:

- Modification of the ISO's method for assigning congestion revenues to EIM participants to more accurately reflect those participants' contributions to congestion at an intertie. The current rule allocates revenues based on the number of participants that share ownership of the intertie.
- A provision allowing CAISO to submit outage information to the regional reliability coordinator on behalf of each EIM participant.
- An alteration to the calculations underpinning the start-up/minimum load costs and default energy bids for EIM generators that would exclude CAISO's grid management charge, which EIM-only generators do not pay. Instead, they pay EIM administrative charges, which they can continue to include in their costs.
- A requirement that EIM participants accept approved, pending and adjusted e-Tags as the only valid means to convey an import/export base schedule to another participant for the purposes of imbalance settlement.

CAISO NEWS

CAISO Regulation Costs Quadruple as Prices, Procurement Jump

By Robert Mullin

CAISO's regulation costs have quadrupled since the ISO increased requirements to help balance variable output from renewable resources.

Daily payments to regulation service providers jumped from about $100,000 to more than $400,000 after CAISO increased the requirements in late February, according to a report from the ISO's Department of Market Monitoring.

Regulation prices more than doubled as the ISO increased its daily procurement to as much as 800 MW from 400 MW or less.

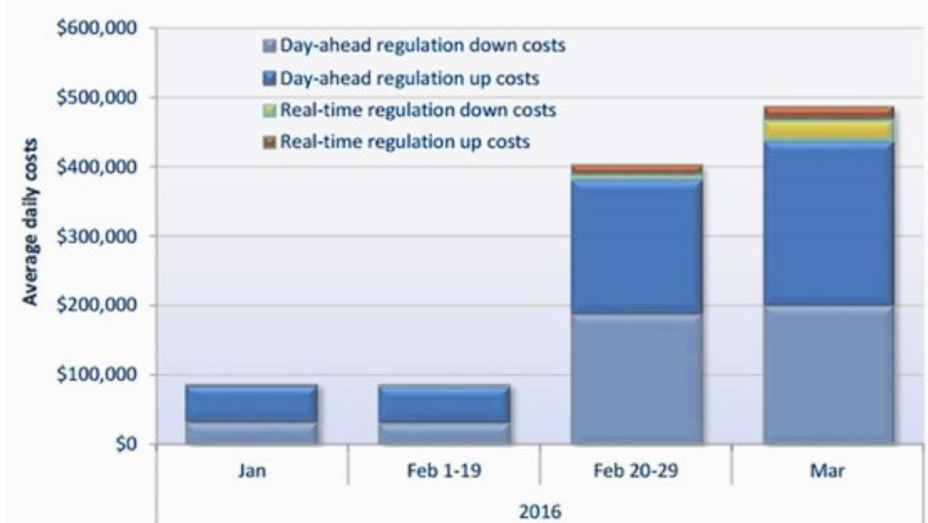
The department discounted the likelihood that market manipulation was behind the increase. "We did look at bid behavior and didn't see it [had] changed," Gabe Murtaugh, a department senior analyst, said during a call to discuss the report. "We don't see any evidence of market collusion or anticompetitive behavior."

CAISO implemented the change Feb. 20, increasing regulation requirements in both the day-ahead and real-time markets to 600 MW. Prior to that, day-ahead requirements were set in the 300-400 MW range, while real-time requirements were consistently pegged at 300 MW.

The Monitor said the ISO procured an average of 617 MW of regulation up and 619 MW of regulation down in the day-ahead market between Feb. 20 and March 31. Procurements reached as high as 800 MW on days when forecasts predicted high variability from renewables.

During that period, day-ahead prices for regulation up and down averaged $14.81/MWh and $12.92/MWh, respectively, compared with $6.50 (up) and $4.16 (down) before the change was implemented. Real-time gained in similar proportion, with regulation up averaging $17.18 and regulation down averaging $21.34.

Regulation up and down are two of the four ancillary services products the ISO procures through "co-optimization" with the energy market, meaning that resources can bid into both markets simultaneously. Most regulation capacity is acquired in the day-ahead market, with the real-time market run used to cover additional needs or replace unavailable resources.



Average daily regulation procurement costs increased sharply after CAISO increased regulation requirements in late February. *Source: CAISO*

In addition to receiving a capacity payment, resources that provide regulation service are also eligible for a performance — or mileage — award for in the event they are dispatched. Payments for mileage have historically represented just a fraction of those for capacity.

California Energy Commission analyst Christopher McLean questioned the rationale behind the volume of regulation service the ISO is acquiring.

"Is all that's being procured being utilized?" McLean asked. "Did it offset any [spinning reserve] procurement?"

Keith Collins, ISO manager of monitoring and reporting, responded that expanded regulation reserves did not reduce the acquisition of spinning reserves — nor could he provide estimates for utilization.

"That's not something we reported, but we can look into that," Collins said.

McLean pressed his point, asking if the ISO was using "any sort of formula" to set the regulation requirement, something the Monitor could not confirm.

"So you're saying there is not any formula," McLean said. "We'll be interested in any justification for the change in the procurement level."

ERCOT NEWS

Texas PUC Takes Slow Approach with LP&L Integration

By Tom Kleckner

The Public Utility Commission of Texas said it will invite stakeholder comments as it takes a cautious approach to Lubbock Power & Light's planned integration into the ERCOT grid.

"I think this is an incredibly complicated situation. I'm not sure it's even clear how … we evaluate it," PUC Chair Donna Nelson said during the commission's June 29 open meeting. "I do have concerns about the FERC jurisdiction aspect of it … I'm concerned about [Lubbock] having generation that flows outside of Texas."

"We need to be mindful of the precedent it sets," Commissioner Ken Anderson agreed. "I believe there might be other entities in Texas — other regions, groups — that look with envy on ERCOT, and for good reason."

LP&L announced last September it planned to disconnect from SPP and join ERCOT by 2019. Xcel Energy, whose Southwestern Public Service subsidiary serves LP&L's load, asked FERC in May for an $88.7 million interconnection switching fee should the municipal utility proceed with its plan. (See *Xcel Asks for $88.7M Fee for Lubbock Switch to ERCOT*.)

Nelson, Anderson and Commissioner Brandy Marty Marquez all said they would like to see LP&L's integration turned into two separate cases, one involving the move from SPP's grid to ERCOT's, and the other involving a cost-benefit analysis of the transfer on ratepayers. Nelson said she would issue a memo outlining the parameters on further studies before the PUC's next open meeting July 20 (Docket No. 45633).

An ERCOT study completed in June indicated it would cost $364 million and take 141 miles of new 345-kV right of way to incorporate LP&L into ERCOT. (See "LP&L Integration Could Unlock More Panhandle Wind Energy," *ERCOT Board of Directors Briefs*.)

The City of Lubbock has told the PUC it would prepare an impact analysis of the LP&L load that would migrate to ERCOT, using the Texas grid operator's report as a starting point. It said its report will be "holistically framed around three key areas of study": the effects on existing ERCOT stakeholders, on existing SPP stakeholders and on Lubbock customers.

From left to right: Commissioners Ken Anderson, Donna Nelson and Brandy Marty Marquez © *RTO Insider*

"I think it's appropriate to allow people to file responses to the ERCOT filing and to what Lubbock has filed," Nelson said. "We have to make sure ERCOT [and] the ratepayers of Texas are treated fairly. I think SPP and the ratepayers in SPP should be treated fairly too."

Marquez said one of her concerns is "what happens to the communities that are left behind, and what kind of rates do they absorb?"

Anderson said he wants more "clarity" from ERCOT on the available integration options, saying the ISO's preferred option "seems to be predicated on the assumption that most of what they are recommending will be needed anyway."

"If two years later we have to go back and approve what ERCOT recommended," Anderson said, "by then, we may have way overpaid."

The municipality has said it faces time constraints in meeting its 2019 timeline, but the commissioners said that wasn't their primary concern.

"I'm not going to take on that responsibility," Nelson said. "We need to avoid putting ourselves in a position where we're there to rescue the day if people have put themselves in that position."

"These are Texans, but these are Texans that didn't want us," Marquez said. The SPS region opted out of Texas' competitive market before it opened in 2002.

Municipal utilities Austin Energy and CPS Energy of San Antonio, both ERCOT members, also opted out of competition.

ERCOT NEWS

NextEra Said to be Leading Candidate for Texas' Oncor

By Tom Kleckner

NextEra Energy is said to have offered Energy Future Holdings a combination of cash and debt for its Oncor subsidiary and leads the list of potential suitors for Texas' largest transmission and distribution utility, according to a *Bloomberg* report.

Bloomberg quoted "people familiar with the talks" as saying Florida-based NextEra, which had made an unsuccessful bid last year for Oncor, "is closest to reaching a deal" among at least seven companies that have expressed an interest. The sources said an agreement could be reach by early July.

Bloomberg also said Warren Buffet's Berkshire Hathaway and Edison International are among the other companies eyeing Oncor. Spokespersons for the various companies either declined comment or didn't respond to requests for comment last week.

Dallas-based Hunt Consolidated in May withdrew its year-long application to buy Oncor but filed a lawsuit last month against the Public Utility Commission of Texas asking it to reverse a March order that set conditions on the deal. (See *Hunt Reopens Oncor Bid in Lawsuit Against PUCT*.)

Bloomberg's sources said NextEra's proposal is higher than the Hunt bid.

Oncor is EFH's regulated subsidiary and said to be valued at $17 billion to $18 billion. EFH, which has been working to emerge from bankruptcy for two years, has a July 8 deadline to file an amended reorganization plan.

Whoever comes up with a new deal for Oncor would have to seek approval from the Delaware bankruptcy court hearing EFH's case and the Texas PUC, among others.

NextEra is also involved in an attempted acquisition of Hawaiian Electric, a deal announced in December 2014 and valued at $4.3 billion. A state representative told a Hawaii TV station last week that NextEra's pursuit of Oncor does raise some concerns.

"Clearly some of the financial [analysts] have speculated that if the company is going to be investing there significantly, that it may change the kind of investment and the plans they make out here," Rep. Chris Lee said.

TAC Cancels Meeting; Approves Measure on Reserves via Email Vote

ERCOT's Technical Advisory Committee canceled its scheduled June 30 meeting but held an email vote to unanimously approve a nodal operating guide revision request removing references to the provision of responsive reserves across DC ties.

NOGRR 156 became effective July 1.

The operating guides have included the references to responsive reserves — operating reserves ERCOT maintains to restore system frequency within the first few minutes of an event that causes a significant deviation — since at least 1997. Staff said there are no systems or procedures in place to award ancillary services to the DC ties, and no project to add this functionality has ever been proposed.

Staff said that without any funding for the necessary system changes, ERCOT has no mechanism for allowing the provision of responsive reserves over the DC ties.

— Tom Kleckner

ISO-NE NEWS

Eversource, Hydro-Quebec File 20-Year Contract for Northern Pass

By William Opalka

Hydro-Quebec and Public Service Company of New Hampshire (PSNH) filed a 20-year power purchase agreement with New Hampshire regulators on Tuesday that promises to deliver at least 100 MW of energy during peak hours over the Northern Pass transmission line (DE 16-693).

PSNH parent Eversource Energy hopes to build the line to deliver Canadian hydropower into the ISO-NE market to reduce power price volatility and promote fuel diversity.

The company has cited the PPA as one of the benefits of the Northern Pass, along with economic development and clean energy. The Tuesday filing begins the formal review process before the New Hampshire Public Utilities Commission, which must determine whether the PPA is in the public interest.

The 192-mile project from the Canadian border to Deerfield would have a capacity of 1,090 MW. Officials said New Hampshire consumes about 9% of the electricity used in ISO-NE, so a proportionate share of its capacity is targeted to the state's customers.

"This agreement is great news for New Hampshire electricity customers who have been struggling to pay some of the highest rates in the country," Bill Quinlan, president of Eversource New Hampshire Operations, said in a statement.

Eversource says the PPA will save customers $1 billion over the first 10 years.

"The $1 billion in savings includes the $800 million in savings over a 10-year period as a result of market price suppression brought about by Northern Pass being in the regional market," spokesman Martin Murray told *RTO Insider*. "In addition to that savings, the 20-year PPA will provide additional cost savings, and New Hampshire ownership of all the environmental [renewable energy credits] associated with the 100 MW of hydropower."

Eversource said the PPA will provide its New Hampshire utility with 400,000 MWh of energy per year, Monday through Friday from 7 a.m. to 11 p.m.

Prices are redacted from the contract for competitive reasons, although the document says prices are "based on the MA Hub NYMEX forwards adjusted for delivery to the delivery point."

Eversource said that New Hampshire retains "most favored nation" rights under the agreement. If Hydro-Quebec negotiates a PPA with another party over the first 10 years for at least 100 MW at more favorable terms, PSNH could demand similar prices.

Three New England states — Connecticut, Massachusetts and Rhode Island — have solicited clean energy proposals from regional suppliers for long-term contracts. Northern Pass is one of more than 30 respondents that are undergoing review, which is expected to be completed in about a month. (See *New England States Combine on Clean Energy Procurement*.)

Northern Pass has proposed to deliver energy to the three states in the second quarter of 2019, which could be ambitious given the several hurdles it has to overcome. It previously said construction would take two years once all permits were obtained.

The project has been opposed for its visual impacts on tourist-dependent northern New Hampshire, which has led to longer-than-expected reviews. Northern Pass is now before the state's Site Evaluation Committee. It is also facing a legal challenge from conservationists. (See *Northern Pass Challenge Headed to NH Supreme Court*.)

ISO-NE NEWS

FERC Accepts ISO-NE Sloped Zonal Demand Curves

By William Opalka

After more than two contentious years of ordering ISO-NE and the New England Power Pool to design sloped zonal demand curves for its constrained zones, FERC last week accepted a compliance filing that does that and also modifies the systemwide demand curve.

The changes will be effective for February's 11th Forward Capacity Auction for delivery year 2020/21 (ER16-1434).

The RTO and NEPOOL filed Tariff revisions April 15 in response to a commission order Dec. 28, which said the use of vertical demand curves in constrained zones failed to address concerns over price volatility and market power.

The commission had approved the RTO's systemwide sloped demand curve in May 2014, conditioned on its promise to develop sloped zonal curves in time for FCA 10 in February 2016. The commission granted extensions as the RTO, NEPOOL and stakeholders attempted to reach consensus. But it grew tired of the delays after the RTO said last year that it would be unable to institute sloped zonal curves for the 2016 auction. (See *FERC Orders Sloped Zonal Curves for FCA 11*.)

The April 15 filing asked the commission to approve both the zonal curves and changes to the systemwide demand curve.

The parties said the new demand curves will significantly improve the performance of the Forward Capacity Market by setting prices that more accurately reflect the locational marginal reliability impact of capacity — how an increment of increased capacity affects the risk of falling short of demand, as measured in hours per year.

The new design relies on two steps: an assessment of the reliability improvement from procuring incremental capacity for each possible capacity level in each zone, and establishment of the prices for each demand curve proportional to the improvement.

Generators opposed the introduction of the systemwide change, arguing it was beyond the scope of the proceeding. They also said that frequent changes in the FCM, including the Pay-for-Performance program that begins in 2018, introduced uncertainty.

"We appreciate desire for certainty of market design as expressed by" generators, the commission wrote. "We balance it with our stated concerns regarding the potential exercise of market power and unnecessary price volatility, while also meeting ISO-NE's own objectives to achieve reliability, sustainability and cost-effectiveness in its capacity procurement."

FERC also said that even if the proposed Tariff changes were found to be outside the scope of the proceeding and filed separately, they would have been accepted.

New Hampshire PUC Approves Sale of Merrimack Station

By William Opalka

State regulators on Friday approved Public Service Company of New Hampshire's divestiture of the Merrimack Station and other generation assets, ending a 20-year odyssey that began with the state's Electric Utility Restructuring Act of 1996 (DE 11-250, DE 14-238).

The New Hampshire Public Utilities Commission's order approves a settlement negotiated last year between the utility and regulators in which PSNH, a subsidiary of Eversource Energy, would recover $415.5 million from ratepayers for the cost of a scrubber at the 439-MW coal-fired plant.

Eversource shareholders would forego $25 million in deferred equity. (See *Eversource to Sell New Hampshire Plants*.) The order also said the company "prudently incurred" the costs associated with the installation of the scrubber, which was approved by legislators in 2014.

The order also approves the sale of all Eversource generation assets in the state through an auction, which is expected to net $165 million in customer savings from 2017

through 2021.

More than a year ago, a state report said the Merrimack plant sale could net $225 million. In the meantime, however, cheap natural gas has strengthened its position as the dominant fuel source in ISO-NE and power prices have dropped dramatically. (See *ISO-NE: Power Prices Fell by One-Third Last Year*.)

In addition to Merrimack, and nine hydroelectric plants totaling 69 MW, the sale includes the 400-MW oil-gas Newington Station, built in 1974, and the 63-year-old, 150-MW Schiller Station, which burns coal, oil and biomass.

The plants are the last utility-owned generators in the state. PSNH challenged the 1996 restructuring law, which required retail choice and the divestiture of all utility generation, resulting in years of litigation. In 2003, the state legislature approved a bill delaying PSNH's sale of its fossil or hydro assets until 2006.

Eversource must transition to competitive procurement for default energy service within six months of the sale of the assets. The agreement also calls for the company to provide tax stabilization to the host communities of the sold plants for three years if the plants sell for less than their assessed values.

The settlement also approves the sale of rate reduction bonds, which will finance the stranded cost balance at a lower interest rate lower than the return on equity that Eversource would receive if its generation remained in rate base. Eversource shareholders will also contribute $5 million to establish a clean energy fund for initiatives throughout the state.

The PUC said the settlement "involved a balanced compromise and resolved technically complex issues arising from the divestiture of Eversource's generation assets."

MISO NEWS

Regulators OK Duke's $1.4B Indiana Grid Modernization

By Amanda Durish Cook

The Indiana Utility Regulatory Commission on Wednesday accepted a settlement negotiated between Duke Energy and local consumer groups on a statewide infrastructure upgrade plan.

The seven-year, $1.4 billion plan results in an average 0.93% increase in Duke Energy Indiana customer rates annually over the next seven years. Individually, the year-long increases range from 0.58% to 1.35% until 2023.

2017	0.58%
2018	1.10%
2019	1.35%
2020	1.20%
2021	0.86%
2022	0.69%
2023	0.75%

Average annual retail rate impact *Source: IURC*

The IURC found that "public convenience and necessity require" Duke's planned transmission, distribution and storage improvements.

The settlement was reached in March among the Indiana Office of Utility Consumer Counselor, Duke Energy Indiana, steelmaker Companhia Siderurgica Nacional, Steel Dynamics, Wabash Valley Power Association, Indiana Municipal Power Agency, Hoosier Energy Rural Electric Cooperative and the Environmental Defense Fund.

"We are happy with the settlement," said Anthony Swinger, director of external affairs for the IOUCC. "We believe the settlement strikes the right balance between ratepayer protection and the utilities' need to make infrastructure improvements in order to provide safe, dependable service."

"We have an aging energy grid — some equipment that is decades old — and our work will focus on replacing some older infrastructure to reduce power outages," Duke Energy Indiana President Melody Birmingham-Byrd said. "We'll also be building a smarter energy structure with technology to provide the type of information and services that consumers have come to expect."

Duke plans to invest in line sensors and "self-healing" systems, as well as replace aging substations, utility poles, power lines and transformers.

A little over a year ago, the IURC denied Duke Energy Indiana's original proposal, causing the utility to trim $400 million from the plan, including the elimination of a $192 million project to install smart meters. The company now says that if it pursues smart meters using the settlement, it is "committed to exploring energy efficiency pilot programs that are now possible with smart meter technology."

Market Subcommittee Briefs

Monitor Brings State of the Market to Stakeholders

MISO Independent Market Monitor David Patton went before the Market Subcommittee last week to begin building stakeholder support for his eight new recommendations in the 2015 State of the Market report. (See *Monitor's State of the Market Report Seeks Changes to MISO ELMP*.)

The Monitor reiterated his suggestion that MISO and PJM scrap pseudo-ties in favor of firm flow entitlements, advice that PJM has recently turned down.

"I don't know how anyone who understands dispatch could think this is a good idea, but there seem to be a lot of people on the other side of the border that think this is a good idea," said Patton, who added he'd be interested in checking in with PJM "in a few months" to see if their footprint is weary from high prices.

Dynegy's Mark Volpe asked Patton if MISO's pseudo-ties "far from the seam" are a main contributor to higher congestion.

"The farther you are from the seam, the more constraints you're going to impact, and it's harder for PJM to model all those constraints," Patton said. He said MISO's $302.2 million worth of real-time congestion in the first quarter is up 51% from winter but still down 17% from spring 2015.

Stakeholders asked if MISO could list all pseudo-tied units. Jeff Bladen, executive director of market services, said the RTO doesn't publicly post information on which resources are pseudo-tied, but market participants could access the nonpublic information using MISO's commercial model, which provides inputs to the real-time and day-ahead markets.

Patton also told stakeholders the RTO should "close some loopholes" in the Planning Resource Auction design by applying physical withholding thresholds on a company basis, rather than a market participant basis, to address companies with affiliates.

Stakeholders asked if the recommendation would break up local resource zones; Patton said that would be an entirely different recommendation.

Patton also suggested MISO apply a "reasonable" transfer capability in the next PRA. He said the binding transfer constraint of 874 MW between MISO South and Midwest used in the April auction caused the uniform $72/MW-day clearing prices in zones 2, 3, 4, 5, 6 and 7. Patton wants the limit set "based on the expected ability to reliably transfer power in real-time operations."

Subcommittee Chair Kent Feliks said the session was the beginning of stakeholders' review. "I think the point of this today was to get the recommendations on the table to start picking them apart," he said.

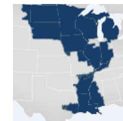
MISO, Monitor Seek Change to Contingency Reserve Selection

MISO may change the economic selection and dispatch behind contingency reserves in an effort to reduce uplift charges.

Akshay Korad, an engineer with MISO's

Continued on page 10

MISO NEWS



MISO, Monitor Release Negotiated Auction Redesign

Continued from page 1

the results.

The hybrid competitive retail solution marries elements from earlier proposals by the Monitor and MISO. With it, the RTO could abandon its proposed three-year forward auction for deregulated sections of the footprint in favor of the IMM's multi-stage prompt auction in which only merchant supply could receive competitive retail pricing set by a systemwide sloped demand curve.

Assets controlled by a load-serving entity whose demand is outside a competitive retail zone would be precluded from clearing at the competitive retail price. MISO's forward proposal would allow non-merchant generators to offer into the separate, retail choice auction.

Two-Stage Auction

The hybrid proposal would deliver the auction in two stages: Immediately after the competitive retail stage of the auction is cleared, the PRA, with traditionally rate-regulated supply and demand, would take place. The PRA would be referred to as the "legacy" stage of the auction and would continue using the current vertical demand curve.

Fixed resource adequacy plans remain the same under the two proposals; LSEs would have to create plans on a forward basis to opt out of serving retail-choice load.

"I think the hybrid prompt proposal would work," Monitor David Patton said after multiple stakeholders asked for his opinion. "I'm confident the forward proposal would produce more volatility than the hybrid proposal."

Patton said the hybrid proposal's sloped demand curve could be adjusted by MISO to correct instances of over- or under-procurement.

Dynegy's Mark Volpe asked for Patton's view on both proposals.

"It may not surprise you that I don't think the forward proposal is not a viable proposal. … We're going to be providing some information of the price that you get under both scenarios at the next meeting," Patton said.

Bladen countered that the hybrid approach could produce volatility. He also said MISO's Tariff would have to undergo extensive revision to implement the hybrid proposal.

"While it has theoretical elegance, the practical application is questionable," Bladen said. "FERC is the ultimate judge."

Stakeholders asked if either proposal had been reviewed by FERC staff.

Bladen said although commission staff has been following MISO's deliberations "FERC would never give advance notice on what they would approve."

Bladen also said he didn't have an estimate on when draft Tariff language would be in front of stakeholders, but he did say it would be "very difficult to achieve"

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Market Subcommittee Briefs

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market evaluation and design department, told stakeholders MISO historically experiences "significant uplift" when contingency reserves are deployed. The current logic seeks to minimize scheduling costs and not production costs.

Type I demand response providing spinning reserves received about $900,000 per year in uplift charges from 2010 to 2015 because of high curtailment costs — which are not accounted for when the RTO selects the resources.

Offline supplemental generators deployed for contingency reserves were paid an average of $275,000 per year in uplift from 2010 to 2015, with last year's costs totaling $720,000. Korad said offline resources are selected based solely on their reserve capacity offer. "Minimum runtime and commitment costs are not considered in the selection," he said.

MISO and the Monitor are proposing different solutions, but both would add deployment-cost considerations.

The Monitor advocates the creation of a supply curve for contingency reserves with a deployment risk adder for each resource. The approach would require a Tariff change to ban negative contingency reserve offers.

MISO proposes adding deployment cost considerations to its scheduling logic.

Thomas Sikes of WPPI Energy asked if MISO could offer deployment cost historical data with its proposal. Korad said such information hadn't been collected. Other stakeholders pointed out that work on dispatch of contingency reserves has consistently been rated a low priority on MISO's project selection process.

Stakeholders were asked to provide input on the two proposals within a few weeks.

MISO Moving to 3-Hour Clearing Window by November

MISO's David Savageau said the RTO is on track to "consistently" solve the day-ahead market within three hours.

The RTO is reducing the clearing window from the current four hours in order to post day-ahead results earlier under FERC Order 809. (See *FERC Orders MISO to Shift Electric Schedule*.)

Savageau said work will continue on the day-ahead and reliability assessment commitment software over the next four months. MISO is "confident it will meet the three-hour window in November," he said.

MISO Sends Out Customer Survey

MISO has sent its 2016 customer satisfaction survey to 1,200 potential respondents, MISO spokesperson Jay Hermacinski told stakeholders, urging their participation. The survey, independently administered by Opinion Dynamics, is open for responses until Aug. 5.

"We take the results seriously. We analyze the data geographically, we share results with the Board of Directors, we post results to our website," Hermacinski said.

— Amanda Durish Cook

MISO NEWS

MISO, Monitor Release Negotiated Auction Redesign

Continued from page 10

implementation in time for the 2017/18 planning year.

"I wish I could give an exact date when we're going to walk into the room and announce the selected proposal," he said.

Forward Proposal Still Unfinished

MISO has yet to offer a demand curve shape for its forward proposal for deregulated areas. Bladen said the final shape is "pending further Brattle Group analysis," but the resulting shape would most likely resemble shapes used by other RTOs. MISO has asked Brattle to look at broader, New York-style demand curves that have more megawatt breadth, as well as the narrower PJM-style demand curve, he said.

The RTO's forward proposal also has yet to identify the "hurdles" rate-regulated supply could face when electing to participate in deregulated areas. Bladen said MISO is working with Brattle on restrictions.

"MISO does not want to be a party to any LSE selling itself short," Bladen explained.

Stakeholders: Give Us the Evidence

Stakeholders sought more evidence that either proposal would work, with several asking MISO to run simulations using the 2016/17 planning year offers.

Indianapolis Power and Light's Ted Leffler asked if simulations have been run at all.

"We're working on it. The short answer is it's complicated," Bladen said. He said both MISO and the IMM would come back with simulations and concrete examples, but their results could differ.

Bladen also said there has been "a high lack of understanding [among stakeholders] on how these proposals would work."

Susan Satter, public utilities counsel for the Illinois attorney general's office, asked at what point regulated suppliers would supply load in Zone 4 using a hybrid model. Bladen responded that regulated suppliers would influence the competitive retail price by contributing to the systemwide demand curve. He added the systemwide demand curve is needed so deregulated areas contribute to footprint-wide resource adequacy.

"In a sense, [rate-regulated load-serving entities] are providing a moderating service on the competitive retail price," Bladen said. While they're not being explicitly committed to serving load, they're implicitly moderating the price … versus if there was only merchant generator participation."

Stakeholders asked if MISO's forward proposal would guarantee lower prices.

"I'm hesitant to say anything in life is a guarantee," Bladen responded. But he added that the forward proposal's price mechanism should produce lower prices. "We think the proposal has legs."

Design Element	MISO Forward Proposal	Hybrid Prompt Proposal (w/ IMM Recommendations)
Pricing Mechanism	Procurement of all economically efficient merchant resources and limited, regulated utility resources based on their contribution toward meeting the Competitive Retail Areas (CRA) reserve margin.	Procurement of all economically efficient merchant resources based on price identified via system-wide sloped demand curve. Regulated utility resources excluded.
Demand Curve	Similar to other RTO sloped demand curves; final shape pending Brattle analysis	CRA price setting via modified system-wide sloped demand curve (reverts to a partial vertical curve under certain conditions); Traditional rate-regulated supply/demand receive price from vertical demand curve under all conditions.
Term	Three years forward	Prompt procurement
Auction Structure	Separate three-year forward auction; does not change existing Planning Resource Auction (PRA).	Revises PRA into multi-stage auction based on all resource offers and full representation of system needs.
Demand Participation	Bright line test limits participation to CRA demand.	Bright line tests limits CRA stage prices to CRA loads. All other Demand limited to Legacy stage.
Supply Participation	All supply may participate, with hurdles.	Only merchant supply receives CRA stage prices; all other supply receives Legacy stage prices.

Source: MISO

Initial stakeholder feedback on the hybrid and forward proposals is due July 7.

An additional special meeting of the RASC will take place July 14, at which stakeholders are again expected to discuss the hybrid proposal. Bladen promised Brattle representatives would be on hand to explain their analysis of both proposals and answer questions.

"One of these proposals will fall by the wayside, unless they're miraculously merged, which I don't think will happen," said RASC Chair Gary Mathis.

MISO Contemplates Outages in Seasonal Capacity Accreditation

MISO Manager of Resource Adequacy Coordination Laura Rauch also continued discussion at the RASC last week on how outages might be handled under seasonal capacity accreditation. (See *MISO Moves Forward on Auction Design; Seasonal Filing Delayed Again*.)

Stakeholders have said some planned outages during peak hours are appropriate under certain circumstances: when a unit is undergoing a one-time upgrade, when a unit hasn't cleared the capacity auction or when weather is mild.

Currently, MISO's planning reserve margin does not make room for any planned or maintenance outages during peak times. Rauch said the RTO is weighing increasing the reserve margin or reducing individual units' capacity accreditations to reflect the risk of outages during peak hours.

"We're still trying to get the point where we identify and clear what's needed under a two-season construct," said Rauch.

MISO's locational filing, which would create external resource zones, is still being examined.

"One of the things stakeholders requested is more transparency and more clarity on how local resource zones would be run in the auction," Rauch said. "Our homework is to come back with some better examples."

Further discussion on MISO's seasonal and external zone constructs is expected at the August RASC meeting. Rauch said an updated design document on the constructs will be released in September.

NYISO NEWS

NY Green Bank Sets $200 Million Goal for Coming Year

By William Opalka

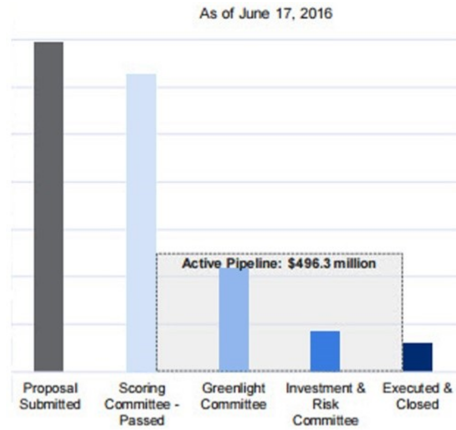
The New York Green Bank wants to increase its portfolio by two-thirds over the next year, mostly by investing in larger clean energy projects.

In its annual business plan released last week, the state's clean energy investment arm said it wants to invest $200 million, or $50 million per quarter, in projects that otherwise might not attract enough private capital on their own.

The bank invested $120.5 million in nine transactions over the past year, which was leveraged into a project portfolio valued at $518.3 million. These commitments are expected to result in 128 MW of new capacity.

The Green Bank is administered by the New York State Energy and Research Development Authority as part of the state's $5.3 billion Clean Energy Fund. (See *NYPSC OKs $5.3B Clean Energy Fund*.) The bank has a short-term goal of deploying private capital at a rate of 3-to-1 above its own funds, with a longer-term goal of an 8-to-1 ratio when the fund ends in 2025.

The bank is seen as a way to jump-start projects to achieve New York's goal of obtaining 50% of its energy from clean sources by 2030.



Transaction status and active pipeline ($ millions)
Source: New York Green Bank

So far, the bank has received $220 million from the state. Now it wants to scale up the project pipeline.

"NYGB has identified two potential opportunities to accelerate market transformation via the creation and introduction of targeted financial products. In both cases, the market is potentially large, but currently suffers from fragmentation, lack of standardization and lack of scale," the plan says.

Based on input submitted by project developers, financiers and other stakeholders in response to a recent request for information, the Green Bank expects to issue two requests for proposals. Its new targets are commercial real estate and multi-family solar and/or energy efficiency systems that would be owned by the building owner instead of third parties, and ground-mounted solar systems for corporate or industrial end users.

On the same day the business plan was released, the Green Bank closed a $25 million loan for residential solar installer Sunrun. The loan is intended to accelerate construction of more than 5,000 solar projects across the state. It comes on the heels of a separate $25 million loan from the Green Bank in May that was part of a $340 million credit facility Sunrun executed over the past several months.

The bank has been capitalized at $1 billion with support from ratepayer funds and New York's proceeds from its participation in the Regional Greenhouse Gas Initiative. It has a goal of becoming self-sustaining by 2018 through returns from its project portfolio. (See *Project Interest Overwhelms New York's Green Bank*.)

NYISO NEWS

NY Power Trends Report Cites Tx Needs, Seeks Support for Markets

By William Opalka

Dynamic. Changing. Challenging.

Those words, which NYISO CEO Brad Jones uses frequently, are themes echoed throughout the 2016 NYISO Power Trends report.

New York's Reforming the Energy Vision, the Clean Energy Standard (CES), distributed generation and customer engagement also feature prominently in the report, which was released today.

"The power market is changing as much or more than I've seen it in the last 20 years," Jones told *RTO Insider* in an interview. "It's a fantastic place for the NYISO to be in, in the middle of all this dramatic change.

"We wring our hands around here all the time, but I feel very good that we have the capabilities here to meet these challenges," Jones continued.

Nuclear Power

Part of the hand-wringing concerns the possible loss of much of the nuclear fleet, which is unable to earn sufficient revenues in an energy market dominated by cheap natural gas. New York's average wholesale electric energy price last year was $44.09/MWh, the lowest in the 15-year history of the state's competitive markets.

Without a financial lifeline, three nuclear plants in western New York are under threat of closure in early 2017. State regulators are considering a zero-emission credit to subsidize the upstate plants.

"The real key is that we do not properly value the carbon in our markets," Jones said. (See *Lack of Carbon Pricing Distorting RTO Markets, CEOs, Ex-Regulator Say*.)

Clean Energy Standard Requires Transmission

The CES requires the state to procure 50% of its energy from renewable resources by 2030. That would require 75,000 GWh of renewable power annually, according to an estimate by the state Public Service Commission. By themselves, that goal would require either 25 GW of solar, 15 GW of wind or 4 GW of hydro, most of that in northern or western New York, far from the load centers in and around New York City.

The city, Long Island and the Lower Hudson Valley use 58% of the state's electricity. But while more than 80% of the new generation since 2000 has been downstate, the region still produces only 40% of the state's total, the report notes.

"What this speaks to is the need for more transmission," Jones said. "Transmission is the key for us to be able to move green power from remote areas to the high-demand areas of the state."

Flat Load Growth

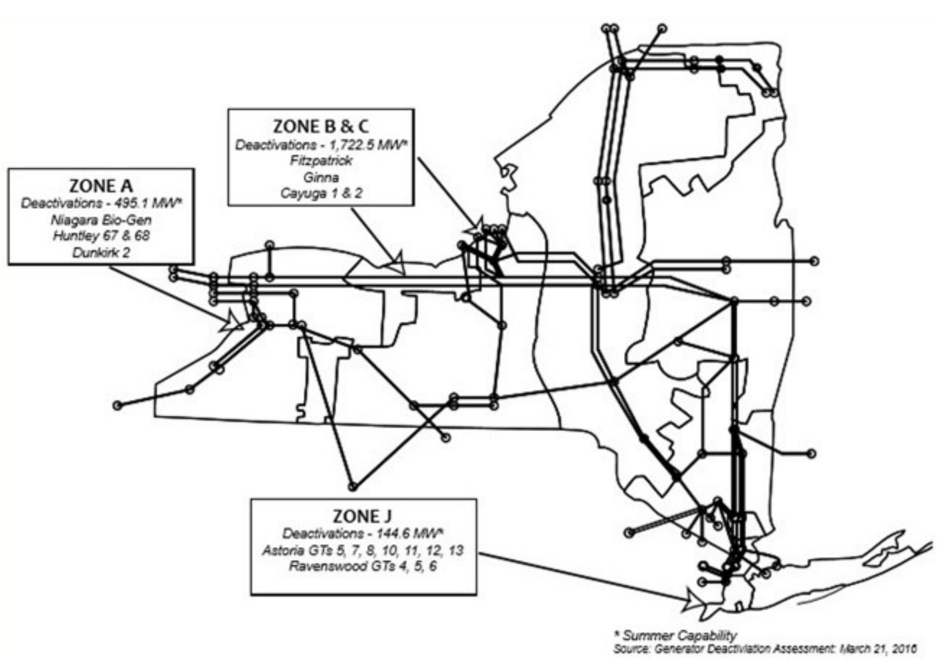
The increasing shift to renewables will come during a period of flat load growth. "Year-over-year growth in the overall usage of electric energy from New York's bulk electric system is expected to flatten or decline slightly over the next decade," the report says.

Other trends highlighted in the report include:

- Shifting patterns of electricity demand because of energy efficiency and distributed energy resources: "Distribution-level solar photovoltaics, in 2016, have an estimated summer capability of more than 250 MW. That total is expected to triple by 2026."
- Aging infrastructure requiring replacement and upgrades: "More than 80% of New York's high-voltage transmission lines went into service before 1980. Of the state's approximately 11,000 circuit-miles of transmission lines, nearly 4,700 circuit-miles will require replacement within the next 30 years, according to New York's transmission-owning utilities and power authorities."
- Increasing choices for customers as a result of public policies aimed at reducing emissions and expanding renewable power.

The report concludes with a plea to continue the state's commitment to competitive markets — a commitment some observers say could be undermined by generation subsidies and long-term contracting for clean power.

The report notes that five of the seven reliability assessments the ISO has conducted since 2005 identified emerging reliability needs. "In each case, markets responded with resources to address those needs, avoiding the need to call upon regulatory solutions," the report notes.



Generator deactivations, 2016-2018 *Source: NYISO*

PJM NEWS

MRC/MC Briefs

Markets and Reliability Committee

Members Prepped for Problem Statement on Settlement Intervals, Shortage Pricing

WILMINGTON, Del. — The PJM Markets and Reliability Committee will be asked to approve a problem statement on first read next month regarding rule changes to comply with FERC Order 825, which requires RTOs to align their settlement and dispatch intervals and implement shortage pricing during any shortage period.

PJM has until Jan. 17 to file its compliance with the June 16 order, PJM's Adam Keech said. After that, the RTO has four months to implement shortage pricing provisions and 12 months for settlement provisions.

While FERC did not order the changes be implemented simultaneously, members may consider requesting coincident start dates because the issues are related, he said. (See *FERC Issues 1st RTO Price Formation Reforms*.)

Charter for Underperformance Risk Management Senior Task Force Presented

Members heard the first reading of a draft charter for the Underperformance Risk Management Senior Task Force. The committee will be asked for its approval at the July meeting.

The charter reflects two separate issue charges. The first, managing the risk of underperformance under Capacity Performance, was approved in December. (See "Ways to Mitigate Risk in CP Market to be Studied," *PJM Markets and Reliability Committee Briefs*.) The task force will seek to develop ways that CP resources can manage their risk during performance assessment hours.

The second, concerning external CP enhancements, passed in May. (See *MRC Approves Charter for Seasonal Capacity Effort*.) The group will seek to better align the requirements for internal and external resources.

PJM's Rebecca Carroll said the task force is looking to implement changes for the 2020/21 Base Residual Auction next May.

The task force expects to return to the MRC with recommendations by September.

On a related issue, CEO Andy Ott urged the Seasonal Capacity Resource Senior Task Force to be realistic about changes to allow seasonal resources to participate in CP. In particular, he discouraged them from moving to a seasonal product from an annual one.

"We need to work on aggregation, work on verification standards," he said. "But to try to completely revamp the definitions would distract from the goal of trying to make change that is attainable," he said.

More Flexible PLS Process Approved

The MRC approved a proposal to make the parameter-limited schedule exception process more flexible.

With the change, generators can request exceptions after the Feb. 28 deadline. They also will be permitted to seek extensions of a temporary exception (to a period or persistent exception) after that date.

It also gives PJM and the Independent Market Monitor more time to review requests and respond to market sellers. (See "More Flexible Parameter Limited Exception Process Approved," *PJM Market Implementation Committee Briefs*.)

PJM Delays Endorsement of Manual Changes

PJM delayed an endorsement vote on two manual changes in response to members who wanted more time to discuss the issues.

Regarding Manual 14C: Generation and Transmission Interconnection Facility Construction, the tie line issue will be lifted out and returned to the Planning Committee for discussion, PJM's Jason Shoemaker said. The changes were sought to support the inclusion of Order 1000 processes.

As for proposed revisions to Manual 15: Cost Development Guidelines, PJM delayed asking for endorsement to give members more time to discuss aspects related to the fuel cost policy approval process. The issue is expected to return to the Market Implementation Committee next month before being presented again to the MRC.

Manual Changes

Members unanimously endorsed the following manual changes:

- Manual 7: Protection Standards. Clarifications were recommended by the Relay Subcommittee as part of its biennial review of the manual.
- Manual 10: Pre-Scheduling Operations. Changes make clear that outage reporting rules apply to both capacity and energy resources.
- Manual 11: Energy & Ancillary Services Market Operations. Conforming changes align with Manual 12: Balancing Operations (rev. 34), adding attachment F.
- Manual 14B: PJM Region Transmission Planning Process. Critical Energy Infrastructure Information section of the introduction is replaced.
- Manual 14B: PJM Region Transmission Planning Process. Updates light load and winter peak reliability analyses to align with current practices, among other updates.
- Manual 18: PJM Capacity Market. Changes are the result of a periodic review; conforming changes relate to Capacity Performance and the "deploy all resources" action.
- Manual 28: Operating Agreement Accounting. New details, clarifications are the result of a periodic review.

Members Committee

Members Committee Adopts Project Queue Submittal Changes, Elects Finance Committee Member

The Members Committee approved Tariff revisions requiring earlier submittal of documentation in order for projects to secure a place in the interconnection queue.

Applications that have not cleared deficiencies by the close of the queue window will be terminated and withdrawn.

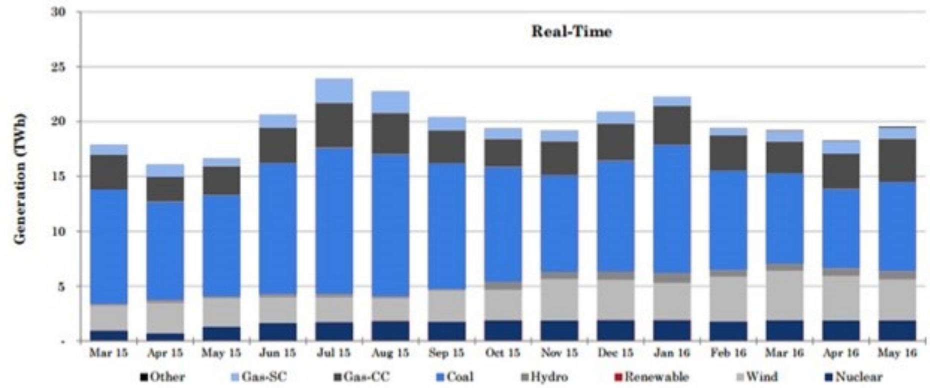
The committee also elected Gary Greiner of Public Service Enterprise Group to the Finance Committee. He will take the place of Frank Czigler, who retired from PSEG.

— Suzanne Herel

SPP NEWS

SPP Report Shows Continued Drop in Coal Generation

Coal's share of SPP's energy production continues to slide in the face of low gas prices and increased wind generation, according to the RTO's latest State of the Market report.



SPP generation by fuel type *Source: SPP Market Monitoring Unit's spring 2016 State of the Market report*

The SPP Market Monitoring Unit's spring report says coal-fired generation accounted for just 41% of the RTO's energy production between March and May, its lowest percentage ever and a stunning 31% drop from spring 2014, when coal resources provided 59% of the RTO's energy. Coal generation accounted for more than 65% of total generation in 2007, SPP's first year as an organized market.

Coal's diminished market share is largely attributed to the continuing drop in gas prices. Prices at the Panhandle Hub have dropped 64% since spring 2014, from $4.66/MMBtu to $1.68/MMBtu, and 32% since spring 2015, when the price was $2.46/MMBtu.

That contributed to average real-time LMPs of $17.37/MWh (compared to $34.72/MWh in 2014) and day-ahead LMPs of $17.07/MWh (versus $37.03/MWh in 2014). The Monitor said it is the first time since the Integrated Marketplace opened in March 2014 that day-ahead prices were below real-time.

Coal-fired resources were also backed down by the ready availability of wind energy, which accounted for 21.5% of all energy produced this spring, compared to 15% last year. SPP's wind penetration has risen from the 30% range to a new high of 49.17% of total generation this year.

The Monitor also said cleared virtual transactions are approaching the levels of other RTOs, at about 10% of reported load. It said gross virtual profits for the Integrated Marketplace's most recent 12 months totaled nearly $78 million, with gross virtual losses totaling nearly $58 million.

Virtual trades have shown net profits every month since the Integrated Marketplace began, with the exception of May 2014.

— Tom Kleckner

FERC NEWS

FERC Conference Debates PURPA Costs, Purchase Obligations

Continued from page 1

FERC Chairman Norman Bay and Commissioners Cheryl LaFleur and Tony Clark, seated behind FERC staffers, listen during a technical conference on PURPA.

'Gaming' the System

Paul Kjellander, president of the Idaho Public Utilities Commission, said his state's biggest concern is developers disaggregating large wind projects into smaller units in order to obtain the most favorable avoided cost rates for qualifying facilities.

Kjellander referred to the practice as "gaming" the system.

PURPA requires utilities to pay QFs the cost a utility would incur for supplying the power itself or by obtaining supplies from another source. The law leaves it to each state's utility commission to formulate those rates, depending on project size.

At one time, Idaho's rules allowed for projects of 10 MW or below to qualify for the state's most favorable avoided cost — or standard — rate. As in all other states, projects were subject to FERC's "1-mile rule," which requires developers to maintain a 1-mile buffer between projects in order to qualify them as separate QFs. The commission implemented the provision to prevent disaggregation.

In 2010, the Idaho PUC received applications for 500 MW of PURPA projects. The minimum system load for the state's largest utility, Idaho Power, is about 1,100 MW.

Each project submitted that year came under the 10-MW threshold, and most met the 1-mile standard. Kjellander pointed to an instance in which a developer divided the 151-MW Cedar Creek Wind Farm into five projects, each spaced 1 mile apart.

The Idaho PUC reduced the eligibility cap for the QF standard rate to 100 kW later that year in response to requests from the state's three investor-owned utilities. The regulator last year reduced contract terms from 20 to two years.

Still, Kjellander said his agency observed what it considered another type of gaming when a PURPA developer moved a proposed project across the state line to Idaho Power's territory in neighboring Oregon, where avoided cost rates were higher. The Oregon Public Utility Commission approved the project, which had also been broken into five units. Despite the project's location, Idaho customers will foot nearly all the costs for that project, he said.

"We're looking at an ugly border war with the state of Oregon," Kjellander said.

'Manageable Issue'

"This is a manageable issue — it's not something that can't be resolved," countered **Robert Kahn**, executive director of the Northwest and Intermountain Power Producers Coalition. "To say [PURPA] is easily gamed is to understate the capacity of [state] commissions."

Kahn called PURPA a "keystone" in facilitating competition. He said that in Oregon — which he said was "a model for PURPA" — small power producers have built just 5% of the resources used to serve the state's electricity customers.

Without PURPA's mandatory purchase obligation, he said, small producers in the Northwest are unable to interconnect with the regional market.

"We advocate for organized markets," Kahn said. "We are not there yet."

"The argument that the [Western Energy Imbalance Market] negates PURPA is nonsense," he added.

Organized Markets not Enough

Laura Chapelle, an attorney with law firm Varnum who represented Michigan's IPPC, said that even a fully organized market is insufficient to support the financial viability of most QFs in the state, most of which is located within MISO. She contended that the RTO fails to provide a long-term market for smaller generating resources, given that most states in the footprint retain regulated markets.

"Utilities [receive a state-regulated] rate of return to pay for their resources but want to require that QFs use MISO to get compensated," Chapelle said.

The power purchase agreement is "the single most important component for a project not owned by a utility," said **Todd Glass**, an energy attorney with Wilson Sonsini Goodrich & Rosati, who represented the Solar Energy Industries Association at the conference.

Wind projects are becoming more challenging to finance and develop, according to Glass. He also contended that "the utilities

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FERC NEWS

Five Years Later, FERC Takes Another Look at Order 1000

Continued from page 1

"I have no idea what the RTO is going to do. I have a general framework for how they plan to evaluate my project after I've spent 'X' amount of dollars, but no real idea because they're not being real specific. We need that kind of clarity to keep the developers engaged."

Those on the customer side also called for transparency.

Donald L. Gulley, president of the Southern Illinois Power Cooperative, said his members are not only asking for transparency but also the opportunity to review the results so they can understand what is working and what isn't. "What it comes down to for us is ... what is the consumer ultimately going to pay?" he said.

However, increased transparency poses a litigation risk for RTOs, said **Craig Glazer**, PJM vice president of federal government policy.

"Order 1000 is driving transparency, so it is driving us to put more and more things in our Tariff. We'll have to sort of step back when trying to balance between transparency and specificity in the Tariff with not so much specificity that we have taken away the judgment and discretion part of planning," he said. "When we document every part of the process, that, to me, is creating the 'gotchas' that we will have to deal with."

CAISO Deputy General Counsel **Anthony Ivancovich** added that "a wrong decision that can be corrected by litigation is much better than a wrong decision that's embedded in your tariff and can't be resolved by litigation because it's the filed rate."

Cost Containment

Another recurrent topic during the two-day conference was cost caps. **Noman Williams**, the chief operating officer and senior vice president of engineering and operations for GridLiance, said caps change the standard transmission development process by transferring the risk of overruns from ratepayers to the builder. "It brings value back to the consumer," he said. "It is incumbent on us, when we say we want those opportunities and we don't want to have structure, that we also explain how the cost-containment, cost-cap bids can be applied."

Sharon Segner, vice president of LS Power Development, lauded PJM and CAISO for figuring out "how to make the cost caps enforceable and not just a PowerPoint presentation." Developers who fail to stay within their caps risk both the project and the approved rate, she said, and "that is a lot."

Kim Hanemann, senior vice president for delivery projects and construction for Public Service Enterprise Group, said cost-containment provisions "are of limited value." PSEG "does not view Order 1000 right now as improving the transmission planning process or bringing value to our customers" because it focuses too exclusively on costs, she said.

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FERC Conference Debates PURPA Costs, Purchase Obligations

Continued from page 16

are becoming harder to deal with" with respect to negotiating contracts, and that interconnection processes are "very difficult and discriminatory."

"You should do no harm to the mandatory purchase obligation," Glass advised FERC commissioners.

Jeff Burleson, vice president of system planning for Southern Co., countered that "QF contracts that are based on long-term avoided costs pose a risk to our customers."

Burleson said resources acquired through requests for proposals can be dispatched — or not — depending on power prices. "We fix the capacity price, so we can dispatch around it," he said.

QF resources, on the other hand, cannot be curtailed, even when their costs exceed market prices, Burleson said.

Michael Wise, senior vice president with Golden Spread Electric Cooperative, noted that his members operate in both SPP and ERCOT and said those markets are "best positioned" to set avoided cost rates for their utility market participants. He suggested that FERC narrow the purchase obligation to cover projects of just 1 MW or less in order to prevent "unfair advantages."

At the very least, Wise said, the commission should reduce the terms of PURPA contracts.

"QFs of all sizes have what we believe are unfettered access to these markets," Wise said.

John Hughes, CEO of the Electricity Consumers Resource Council, said forcing QFs to become experts in RTO market design violates the spirit of PURPA. He also contended that the industry is trending toward the elimination of long-term contracts.

"We already have that in the organized markets and now we're attempting that in the unorganized," Hughes said. "This is a very serious situation that we're going to have to look at."

FERC NEWS

Five Years Later, FERC Takes Another Look at Order 1000

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"Projects with the greatest overall value may be more expensive in the short term, but they might provide other ancillary benefits, such as reducing congestion and replacing aging infrastructure," she said. "Simply put, the project with the lowest bid-cost is not necessarily the best project or value for our customers."

In 2014, PJM planners recommended PSEG's Public Service Electric and Gas to construct a stability fix for the company's Artificial Island nuclear complex in New Jersey. However, the PJM board reopened the bidding and ultimately awarded much of the project to LS Power, citing the developer's lower cost and inclusion of a cost cap.

Richard S. Mroz, president of the New Jersey Board of Public Utilities, said cost and cost caps shouldn't factor into decision-making until the end of the process.

The process must focus on the scope of the project and what needs to get done, he said, before it can determine how much that will cost. "That's something that can get lost in the process. That sense of cost consciousness is what drives me and what should drive the process for everyone."

John Lucas, general manager of transmission policy and services for Southern Company Services, who was also representing Southeastern Regional Transmission Planning, asked that the region — which isn't overseen by a grid manager — be excused from any rules on cost-containment.

"We would note that [cost caps are] voluntarily adopted processes … that were not required in Order 1000," he said. "Therefore, if the commission feels the need to make adjustments in those regions, we would just ask that you direct changes to the regions where those processes have been adopted."

Debate over Incentives

There was also debate regarding project incentives, with consumer advocates saying some should be eliminated while industry members asked for more and said they wanted several — including construction work in progress and abandonment incentives — standardized for all projects.

That brought strong opposition from **Peggy Bernardy**, staff counsel with the California Department of Water Resources. "The commission should resist the urge to standardize incentives that might be calcified and set in stone for perpetuity," she said. "That is a risk to us."

"The commission is perhaps unwittingly complicit in creating an investment environment in which nothing gets done without some form of 'incentives' — but which, in reality, are subsidies that only create the illusion of success," said **John Hughes**, CEO of the Electricity Consumers Resource Council (ELCON). "Subsidies to promote responses by independent transmission companies to the competitive solicitations mandated under Order No. 1000 do not achieve competitive markets."

Developers, however, said the potential revenue offered by incentives are key in larger companies getting projects supported by their executives.

Sponsorship or Competitive Model?

Raja Sundararajan, vice president of transmission finance, strategy and siting for American Electric Power, said the order is largely working well, containing both necessary flexibility and transparency. Of the two project-selection methods — sponsorship or competitive bidding — he greatly favored the latter.

CAISO, MISO, SPP and WestConnect have adopted the competitive bidding model, in which transmission planners, with stakeholder input, identify the projects they want and then solicit bids from developers. The winners are eligible for regional cost allocation.

Under the sponsorship model, in contrast, transmission planners and stakeholders identify transmission needs and allow developers to propose potential solutions. PJM, ISO-NE, NYISO, South Carolina Regional Transmission Planning, Florida Reliability Coordinating Council, Southeastern Regional Transmission Planning, Northern Tier Transmission Group and ColumbiaGrid have adopted the sponsorship model.

CAISO's competitive solicitations have a six-month window that allows time to put together a "real" proposal, Sundararajan said. The sponsorship model is "great for generating ideas" but "doesn't lend itself" to preparing a comprehensive proposal because it doesn't allow enough time for the necessary research, he said.

"When the rules are known and the methodology is consistently applied, business works best," said **Michael Sheehan**, executive director of NextEra Energy Transmission. California is "getting repeated bidders coming back to competitions in that market because it is clear, transparent, consistently applied and you're getting feedback."

ELCON's Hughes called the project-approval process "nothing more than a food fight" within the RTOs, saying that his membership is seeing transmission costs rise each year without any benefits to show for it.

Southern Co.'s Lucas said there hasn't been enough information gathered yet to suggest any changes to the order, while Omar Martino, director of transmission for EDF Renewable Energy, said there are many changes that need to be implemented. RTOs are holding onto "historical ways of doing

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FERC News

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things" that are increasing congestion and hampering grid efficiency, he said.

Planning vs. Regulation

PJM's Glazer said that by factoring cost into their project approvals, RTOs are effectively setting rates. That movement into a regulatory role "is what makes us nervous," he said, suggesting the RTO be allowed to take tough decisions to FERC for a second opinion.

PSEG's Hanemann said grid operators don't have adequate proficiency in several project development considerations, such as environmental permitting requirements, industry practices, local regulations and equipment procurement.

CAISO's Ivancovich warned against installing rigid mathematical formulas for decision-making, saying it doesn't allow for evaluating each proposal on its facts. "You need to establish integrity and credibility that we will be fair in looking at" each proposal, he said.

The entire proceeding was guided by the FERC commissioners' questions on the positive and negative impacts of the order. Commissioner **Cheryl LaFleur** said she attempts to follow what she called the "regulatory Hippocratic Oath: Don't make things worse."

In a statement before the hearing, LaFleur noted that FERC has dealt with ratemaking and incentive issues resulting from the order on a case-by-case basis and asked for feedback on whether it should issue a policy statement or rulemaking to address the issues generically. "I also hope to address how to harmonize requests for incentives, particularly regarding return on equity, with competitive proposals that include cost caps or other limits on a developer's ability to recover costs," she wrote.

Previous Coverage

Below is a sample of *RTO Insider's* prior coverage of Order 1000's implementation:

Artificial Island Generates Sparks in OPSI Discussion

Seventh Circuit Court Upholds FERC Order 1000 ROFR Provisions

Tx Developers Challenge NYISO, SPP, ISO-NE Order 1000 Filings

Developers Lament Lack of Tx Competition, Interregional Projects under Order 1000

COMPANY BRIEFS

Westar, Great Plains Ask For $12.2B Acquisition Approval

Great Plains Energy and Westar Energy filed a joint application with the Kansas Corporation Commission to approve the $12.2 billion sale of Westar to Great Plains.

The companies estimated pre-tax savings and efficiencies from the merger at about $65 million in the first year. The sale also is expected to generate $60 million in transaction costs through 2020. If approved, the transaction will close in spring 2017.

The deal is also subject to FERC approval, and the Missouri Public Service Commission is still evaluating whether it should have jurisdiction.

More: *The Topeka Capital-Journal*

Wisconsin Co-op Using 4-Legged Vegetation Management System

The Eau Clair Energy Cooperative has hit upon an energy-saving, green method of controlling the vegetation at its solar farm in Fall Creek: sheep.

The co-op turned loose 15 three-month-old lambs to control the grass and weeds at the facility, the largest community solar facility in the state. "It's all about sustainability," Eau Clair spokeswoman Mary Kay Brevig said. "It's kind of funny, they kind of stay in a group; they're fairly timid."

The co-op obtained the sheep from member Lambalot Acres. "They've got solar panels, which is a very green source of energy, and we've got sheep, which just eat the greens," Dylan Klindworth of Lambalot Acres said.

More: *WEAU*

DTE Installs First Mini CHP At Michigan Residence

DTE Energy has installed a natural gas-burning residential combined heat and power system at a Northern Michigan home, footing the $27,000 price tag in exchange for monitoring the unit for a year.

The PowerAire by Houston-based M-TriGen is a three-cylinder engine that produces 4 to 8 tons of thermal energy for heating, 2 to 10 tons of cooling capacity and 5 to 10 kW of electricity. Robert P. Fegan Jr., principal market technical consultant for DTE, said the unit can fully power the 3,200-square-foot house if needed.

DTE is performing viability tests on the unit, the first of its kind to be installed in Michigan. M-TriGen Vice President of Sales Randy Erwin said around 50 PowerAire units are in service in several states.

More: *Traverse City Record-Eagle*

Korean Firm, Alliant Complete Wisconsin's Largest Solar Plant

Alliant Energy has put Wisconsin's largest solar installation, built on top of a coal-ash landfill, into service.

Korean solar energy firm Hanwha Q Cells built the 7,700-panel, 2.2-MW plant on Alliant's landfill property near the Wisconsin-Illinois border. Alliant said it will purchase power from the project for the next 10 years and have an opportunity to purchase the $5 million installation after that.

The new solar plant is part of Alliant's recent settlement with EPA over pollution from its coal-fired fleet.

More: *Milwaukee Journal Sentinel*

PSEG's Lopriore Retiring After 43 Years in Generation

Rich Lopriore, whose career in electricity generation has spanned more than four decades, is retiring as president of PSEG Fossil.

Lopriore came to Public Service Enterprise Group from Exelon during an aborted attempt at a merger between the two companies. He previously served as plant manager at Exelon Nuclear's Byron Station and then senior vice president in charge of Mid Atlantic Operations for Exelon nuclear. He also worked at Duke Energy's Brunswick Nuclear Plant.

Lopriore will retire to Massachusetts. A replacement has not been named.

More: *NJBiz*

Energy Transfer Calls off Acquisition of Williams

Pipeline giant Energy Transfer Equity has called off its proposed acquisition of Williams Co., following a Delaware judge's ruling that the transaction could be terminated. The deal was valued around $38 billion, including debt, when it was reached in September.

Dallas-based Energy Transfer has sought for months to kill the cash-and-stock deal following a sharp decline in the energy markets last year. Tulsa-based Williams and Energy Transfer had accused each other of breaching the terms of the agreement, and the deal's value declined as a fall in oil prices hurt the financial prospects of their customers.

The fight over the deal may be far from over. Williams shareholders approved the transaction during a special meeting June 27, and the company filed papers to begin the appeal process in the Delaware Supreme Court.

More: *The New York Times*

GridLiance, KPP to Explore Joint Projects

GridLiance and the Kansas Power Pool announced a collaboration to improve the transmission infrastructure in KPP's service area.

GridLiance's South Central Region within SPP will work with KPP's 31 member cities to jointly plan, construct and operate transmission infrastructure. GridLiance will also manage NERC compliance and assist KPP in navigating SPP's processes, providing greater participation in transmission planning, rate determination and other key functions.

More: *GridLiance*

SDG&E Hits Net Energy Metering Cap

San Diego Gas and Electric is the first California investor-owned utility to meet its cap under the state's original net energy metering (NEM) rule, which restricts projects eligible for net metering to 5% of a utility's peak load.

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Company Briefs

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The company will now shift future distributed energy customers to NEM 2.0, a revised rule issued earlier this year by the California Public Utilities Commission in anticipation of the continued rapid growth in rooftop solar.

The new rule requires continued compensation for customers who export energy to the grid while also subjecting them to an interconnection fee, time-of-use rates and new fees to support low-income and energy efficiency programs.

More: *Solar Industry*; *SDG&E*

APS Elevates Company Veteran To Head Nuclear Operations

Arizona Public Service last week announced that Bob Bement has been appointed executive vice president for nuclear operations at the utility's Palo Verde nuclear generating station.

Bement will take over as chief nuclear officer on Oct. 31, replacing Randy Edington, who will assume a role as an adviser to company CEO Don Brandt.

Bement has overseen nuclear operations at the plant since 2007, having previously held senior positions with Exelon and Arkansas Nuclear One.

More: *Arizona Public Service*

OG&E Puts $69.5M Rate Increase into Effect

Oklahoma Gas and Electric implemented a $69.5 million interim rate increase last week as it awaits a decision from the Oklahoma Corporation Commission in its rate case.

OG&E filed for a $92.5 million rate increase in December. An administrative law judge heard arguments in hearings that ended in May. Oklahoma law allows utilities to establish interim rates if the three-member OCC hasn't issued a final order within 180 days.

The utility said the increase, subject to refund, would be offset by a lowering of the fuel-adjustment charges that it is required to pass along to consumers.

More: *The Oklahoman*

Federal Briefs

FERC EIS Schedule Delays Mountain Valley Pipeline

FERC pushed back the timeline for an environmental impact statement on the Mountain Valley Pipeline, delaying construction of the $3.5 billion shale gas pipeline crossing Virginia for at least six months.

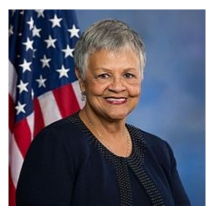
The developers of the 301-mile pipeline project applied for the environmental certificate in October, but FERC staff has repeatedly asked for more information, and now it says the EIS won't be ready until March. The commission has 90 days after that to decide whether or not to issue final permits. That means construction is more likely to get underway in June of next year, rather than December 2016.

More: *The Roanoke Times*

Congresswoman to Propose Stiffer FERC Pipeline Reviews

In a move applauded by pipeline foes, U.S. Rep. Bonnie Watson Coleman (D-N.J.) said she will introduce a bill in the House requiring FERC regulators to be more critical when reviewing proposed pipelines.

Her proposal will introduce stiffer environmental reviews of pipeline projects and require them to explore "less environmentally disruptive alternatives."


Coleman

Coleman is wading into controversy surrounding the PennEast Pipeline, a project that would deliver shale gas from Pennsylvania primarily to New Jersey utilities. Opponents have cited PennEast an example of lax FERC review. The 119-mile, $1.2 billion pipeline is currently under review by FERC, but opponents said the commission is allowing PennEast to use routing and construction methods that are harmful to the environment.

More: *The Philadelphia Inquirer*

Monthly Coal Generation Falls To Lowest Level Since 1978

The Energy Information Administration reported that coal use for electric power generation in April fell to its lowest level since 1978, while natural gas was the top fuel for the third straight month.

Plants fueled by coal generated 72.2 million MWh in April, the lowest since 1978. Natural gas-fired plants produced 100 million MWh in April.

Gas accounted for 34% of total generation in April, while coal came in at 31%, nuclear at 20% and renewables at 7%. Ten years ago, coal-fired plants produced 50% of the nation's electricity and natural gas only 19%.

More: *Reuters*

Panama Canal Can Now Handle 90% of LNG Tankers

The newly expanded Panama Canal locks will be able to handle 90% of the world's LNG tankers, reducing shipping time and expense for shipments to Asia from Gulf Coast terminals, according to the Energy Information Administration.

Before Panama recently opened the widened canal last month, the waterway could only accommodate 30 smaller LNG tankers, representing about 6% of the global fleet of tankers equipped to handle the

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FEDERAL BRIEFS

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super-cooled fuel.

The widened canal means it will take 20 days for shipments to reach Asian markets from Gulf Coast terminals, compared to the 34 days previously when large vessels to Asia were required to round Cape Hope or transit through the Suez Canal.

More: *Energy Information Administration*

Ostendorff Leaving NRC To Teach at Annapolis

Having completed his second term at the end of June, Nuclear Regulatory Commissioner William Ostendorff is leaving the commission to teach at the U.S. Naval Academy in Annapolis.

Ostendorff, former director of the commission's Committee on Science, Engineering and Public Policy, was first named to the commission in 2010. He began his second term in 2011.

Ostendorff's departure creates a second vacancy on the five-member commission. Allison M. Macfarlane resigned as chair in December 2014, and that slot has remained open. President Obama nominated Jessie Roberson, a Democrat who serves as vice chairman of the Defense Nuclear Facilities Safety Board, a year ago. Senate Environmental and Public Works Chairman James Inhofe (R-Okla.) said in April he wanted to wait until Obama nominated a Republican so both vacancies can be filled at the same time.

More: *Morning Consult*

Interior Changes Rules on Federal Coal Lease Payments

Jewell

The Interior Department will change the rules on how it collects royalties on coal mined on federal land to more accurately reflect its market value.

The rule change eliminates a loophole that allowed mining companies to pay royalties calculated on the price they charged their own subsidiaries, which often resold the coal at higher prices to end users. Coal mined from federal lands accounts for 44% of all coal mined in the U.S and generates about $1 billion annually in royalty revenue, but critics said that is artificially low.

"These improvements were long overdue and urgently needed to better align our regulatory framework with a 21st century energy marketplace," Secretary of the Interior Sally Jewell said. The new rules take effect Jan. 1.

More: *The Associated Press*

Senate Committee Approves $500 Million for Climate Fund

Merkley

The Senate Appropriations Committee approved $500 million for a fund that provides money for poor nations to combat climate change, a reversal of an earlier proposal that blocked the State Department from spending any money on the program.

The committee approved the funding through an amendment that removes language from the bill authorizing the State Department's budget. The Obama administration had promised $3 billion for the program, called the Green Climate Fund, by 2020.

"We know we can't take on this challenge by ourselves, so it's part of the partnership in global leadership to address this … global issue," said Sen. Jeff Merkley (D-Ore.), who led the effort to approve the amendment. "This is a real effort in bipartisan cooperation to present this amendment before the committee."

More: *The Hill*

ND PSC Commissioner Kalk Named to National Coal Council

North Dakota Public Service Commissioner Brian P. Kalk has been named to the National Coal Council by U.S. Secretary of Energy Ernest Moniz. The council provides the secretary with advice on policy on coal and the coal industry.

"It's important to remember that while renewable energy presents unique opportunities, coal is a strategic resource that heats millions of homes and provides low-cost reliable power," Kalk said. "If the United States hopes to have true energy security, coal must be in the resource mix."

More: *North Dakota Public Service Commission*

Appeals Court Rules in Favor of Enbridge Pipeline

The 6th U.S. Circuit Court of Appeals, rejecting a Sierra Club challenge, has ruled that an Enbridge oil pipeline that crosses a national forest in Michigan doesn't need a new permit to keep operating.

The Sierra Club sued the U.S. Forest Service, saying it should have required Enbridge to prepare an environmental analysis before renewing the company's right-of-way permit for Line 5. The 30-inch pipeline starts in Wisconsin and ends in Canada.

The court determined that there was nothing that required a new look at the pipeline, which runs through the Huron-Manistee National Forest.

More: *WEMU*

TVA Aims to Cut 3,500 Jobs Through Voluntary Reductions

A month after the Tennessee Valley Authority celebrated the start-up of its new Watts Bar 2 nuclear reactor, it has announced plans to offer 3,500 nuclear staff members the option to voluntarily leave.

Employees at four locations — the Brown's Ferry, Sequoya and Watts Bar nuclear stations and the nuclear services group in Chattanooga — have between July 11 and 29 to apply. Anyone who has been with the nuclear unit for at least a year can apply.

TVA said the workforce reductions are just the latest step in its ongoing effort to cut operation and maintenance costs, which has led to reducing 2,000 positions across all business units in the past three years. "This is a continuation of TVA's efforts to ensure we have the right number of people for the roles we currently have," a spokesman said.

More: *Nooga.com*

STATE BRIEFS

REGIONAL

Govs. Speak Against Artificial Island Cost Allocation

Maryland Gov. Larry Hogan and Delaware Gov. Jack Markell stepped up their complaints that the cost allocation for New Jersey's Artificial Island nuclear project disproportionately affects customers in their states.

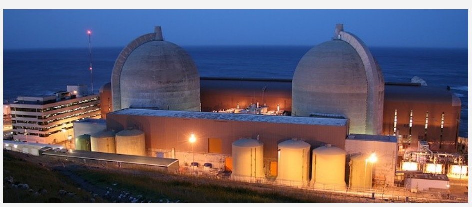
The two held a news conference at a waterfront restaurant on their states' border, insisting they'll do "whatever it takes" to reverse the cost allocation scheme.

FERC has agreed to rehear its decision approving the cost allocation for a stability fix at the complex that houses the Hope Creek and Salem nuclear reactors. (See *FERC Taking Second Look at Cost Allocation for 2 PJM Projects*.)

More: *The News Journal*

CALIFORNIA

State Renews Diablo Lease Through 2025



The State Lands Commission has given Pacific Gas and Electric permission to lease the site of the Diablo Canyon nuclear plant through 2025 without an environmental review.

Until the recent announcement of a settlement to retire the plant, environmental organizations and labor leaders had been urging the state to deny the company a lease beyond its previous 2018 expiration. As part of the settlement, the groups said they would back a move by the state to extend the lease. The plant's operating license with the U.S. Nuclear Regulatory Commission ends August 2025.

The land commission unanimously approved extending the lease after staff assured it that an environmental review was not required for extension. The threat of a review, first raised by state officials last year, was one of the factors that pushed PG&E to seek an agreement.

More: *San Francisco Chronicle*

DISTRICT OF COLUMBIA

Pepco Seeking 5.25% Residential, Business Hike

Two weeks after the Public Service Commission denied a final challenge to Exelon's $6.8 billion acquisition of it, Pepco has asked for a 5.25% rate increase for its 282,000 customers in the district. (See *District, OPC Ask PSC to Reconsider Exelon-PHI Merger*.)

Pepco said it needs the $85.5 million increase to help pay for the $658 million it has spent on reliability improvements over the past three years. The increase would cost district customers about $50 a year when it takes effect next summer.

More: *The Washington Post*

INDIANA

IPL Files for Rate Hike For Coal Plant Clean Up

Indianapolis Power & Light has filed for a rate hike to pay for the installation of $100 million in emissions-control technology at its coal-fired Petersburg Generating Station.

The utility filed petitions with the Utility Regulatory Commission to increase customer bills by 20 cents a month in 2017. The amount would rise until 2021, when customers would pay $1.40/month more for the pollution-control measures at Petersburg, which are aimed at reducing sulfur dioxide emissions and coal ash.

IPL has financed $450 million in pollution controls at Petersburg in recent years, but some environmentalists say continued investment is wasted as environmental regulations become more stringent. "IPL continues to throw good money after bad," said Jennifer Washburn, an attorney at utility watchdog Citizens Action Coalition of Indiana.

More: *Indianapolis Business Journal*

MASSACHUSETTS

Edgartown Tidal Project Drifts Closer to Reality

A plan to install a pilot tidal energy project in the Cape Cod Canal is gaining momentum with a collection of grants, including funding

from the state Seaport Economic Council.

The Marine Renewable Energy Collaborative is gathering the funds, permits and technology to install a tidal generator capable of producing up to 5 MW from the swift currents in the canal. The collaborative has identified a site, in the Muskegat Channel off Wasque Point, which has already received a preliminary permit from FERC.

The project has garnered more than $2 million in state and federal funds, and now needs about $300,000 to complete the final permits and conduct an underwater archeological study of the site. It would be the first of its kind in the U.S.

More: *Vineyard Gazette*

MICHIGAN

MSU 13-MW Solar Project To Go Forward with Tax Deal

A $24 million, 13-MW solar project at Michigan State University will go forward after the East Lansing City Council approved an 80% tax abatement for 10 years, 15 years fewer than the developer was seeking.

Inovateus, the developer, said the 10-year abatement will save it $2.6 million.

Some council members saw the tax subsidy as a win-win for the city by providing some tax revenue in the long run and increasing the renewable energy needed to help the city and the university meet their sustainability goals. Opponents decried the loss of tax revenue.

More: *Midwest Energy News*

Report Offers Ways State Can Develop Clean Energy

The state's Agency for Energy has released a new report, "Clean Energy Roadmap," recommending approaches the state can use to foster private competition in its clean energy industry.

The $702,500 report, funded primarily by the U.S. Energy Department, advises the

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STATE BRIEFS

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state to strengthen research and development by partnering with universities, hosting regular technology contests and finding more sales and export opportunities for clean energy manufacturers in the state. It also encourages the state to use its business networking program to link technology developers with builders and architects.

The report also recommends the state "umbrella" all utility energy efficiency programs into a single program so customers have similar incentives.

More: *Crain's Detroit Business*

MISSOURI

Clean Line Submits New Application for Grain Belt

Clean Line Energy Partners has submitted a new application for the Grain Belt Express transmission project to the Public Service Commission. The move came after recent high-profile endorsements from the public and private sector.

The PSC scuttled the project's initial application last year amid concerns from farmers and other landowners in the transmission line's path. Gov. Jay Nixon last week endorsed the project, and it has also won support from a number of state municipalities and businesses. The state's approval is the last needed for the project to go forward.

More: *St. Louis Post-Dispatch*

MONTANA

PSC Suspends QF Rate For New Solar Projects

The Public Service Commission narrowly approved suspending the $66/MWh qualifying facility rate for new small-scale solar facilities, instead requiring NorthWestern Energy to negotiate prices for solar projects ranging from 100 kW to 3 MW.

The state has recently seen a flood of solar energy developers looking to take advantage of the Public Utility Regulatory Policies Act's QF provision, which requires utilities to obtain some of their power from smaller sources. The commission said the suspension was necessary to ensure that customers pay a reasonable price for solar power.

Commission Vice Chair Travis Kavulla dissented, saying the PSC should have devised a new rate and questioning the legality of the commission's action. Commissioner Kirk Bushman also dissented, but he said that the suspension should apply to all QFs, not just solar facilities.

More: *Sidney Herald*

NEW MEXICO

Regulators Question PNM's Nuclear Energy Purchase

The Public Regulation Commission resumed a hearing last week on Public Service Company of New Mexico's proposed rate increase of as much as 15.8%, which would add between $5 to $13 to customer utility bills.

PNM says it needs the money to offset the purchase of electricity from a nuclear power plant and its investments in alternative energy. Regulators and lawyers questioned whether PNM had taken into account the decline in the market for nuclear energy and the electricity needs of the state, as well as what is fair to customers.

The company purchased 64.1 MW from two units at the Palo Verde Nuclear Generating Station for a cost of $163.3 million in early January. The purchase was meant to replace the power lost in the shutdown of two coal-burning units at the San Juan Generating Station.

More: *Santa Fe New Mexican*

NEW YORK

Groups Send Cuomo Letter Opposing Nuclear Bailout

More than 100 environmental organizations urged Gov. Andrew Cuomo to reject a proposed plan to provide economic support to struggling New York nuclear generating stations, calling nuclear "dirty and dangerous." They urged Cuomo to support renewable energy projects instead.

Sen. Joseph Griffo, chairman of the Senate and Telecommunications Committee, last month urged the state Public Service Commission to implement a nuclear subsidy in the pending Clean Energy Standard. Entergy has already announced plans to shutter its James A. Fitzpatrick plant, and Exelon has threatened the same for its Nine Mile Point Unit 1 while also saying Unit 2 and R.E. Ginna are also economically threatened.

More: *Alliance for a Green Economy*

NORTH CAROLINA

Coal Ash Bill Passes House, Heads to McCrory's Desk

State legislators crafted a compromise that allows Duke Energy to close seven coal ash pits without excavation and does not reinstate an independent coal ash commission that Gov. Pat McCrory disbanded.

Legislators said the new bill, which is ready for McCrory to sign, will allow the company to spend less on cleaning up seven of its pits while ensuring that residents living near the coal ash pits will have clean drinking water, a large concern for many of the lawmakers.

More: *The Associated Press*

PENNSYLVANIA

IDT Customers Get Rebates From Polar Vortex Settlement

IDT Energy customers will receive $2.4 million in rebates under a settlement approved last week by the Public Utility Commission regarding electricity overcharges during the 2014 polar vortex.

IDT already has provided more than $4.1 million in rebates, refunds and rate adjustments voluntarily, the company said. Under the terms of the settlement, consumers who were on a variable-rate plan from January to March 2014 will be contacted by the settlement administrator if they qualify.

The refunds are part of a $6.75 million settlement IDT agreed to after Attorney General Kathleen G. Kane and Acting Consumer Advocate Tanya J. McCloskey leveled charges of deceptive marketing practices against the company. IDT will also pay a $25,000 civil penalty.

More: *IDT Energy*; *The Philadelphia Inquirer*

TEXAS

Legislators Seeks Limit on Turbines near Military Bases

Two state legislators are drafting proposals

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STATE BRIEFS

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that would exclude wind energy projects in a 25-mile radius of military installations from getting state tax abatements, though the measures will not be considered until the Legislature reconvenes in January.

Two potential wind farm developments could threaten flight training missions and radar operations at nearby Sheppard Air Force Base, according to base officials and wind energy opponents. The worst-case scenario, they say, is that Sheppard's missions are moved elsewhere and Wichita Falls loses an estimated $750 million in annual economic impact.

Representatives of Horn Wind, the developer of the projects, and Alterra Power, the Canada-based owner, have repeatedly said they want to minimize any potential impact the facilities have on the air bases. They also have contracted with an aeronautics consulting firm to determine whether projects in Bluegrove and Byers would interfere with base operations.

More: *Times Record News*

PUC Seeks Comments On Ratemaking Rules

The Public Utility Commission is seeking comments on its recently released report on alternative ratemaking mechanisms.

The report, which surveys and analyzes 11 ratemaking rules and methods, was commissioned by the PUC in response to state legislation passed last year. The methods that may be of most interest to the state are ones focused on streamlining the regulatory process, according to the report.

The PUC is requesting comment on whether the report is "sufficiently comprehensive" and any other recommendations it should make to the legislature.

More: *Public Utility Commission of Texas*

VIRGINIA

Gov. Creates Climate Change Task Force

Gov. Terry McAuliffe signed an executive order creating a work group to address climate change, drawing complaints from both Republicans, who said the governor is overstepping his bounds, and environmentalists, who criticized the move as "vague and uncertain."

The governor charged the group with recommending how the state can combat climate change. The move is seen as an attempt to get around language in the Republican-controlled legislature that blocks any actions by the state to comply with the Clean Power Plan.

Environmentalists pointed to the Democratic governor's support of two planned natural gas pipelines that would cross the state, which they say show he is not serious about fighting climate change. Republican House Speaker William J. Howell criticized McAuliffe's use of an executive order, saying it was "another deliberate attempt to circumvent the legislature and the will of Virginia voters."

More: *The Washington Post*

PUCO Staff Recommends $131M Annual Rider for FirstEnergy

Needed to Maintain Investment-Grade Credit Rating, Staff Says; Critics Object

By Suzanne Herel and Ted Caddell

The Public Utilities Commission of Ohio staff has proposed a new rider for FirstEnergy that would allow the recovery of $131 million annually from ratepayers for three to five years in order to maintain the company's investment-grade credit rating.

"Staff believes the long-term financial health of FE will have benefits for the Ohio regulated distribution facilities, as well as the state of Ohio in general," PUCO's Joseph Buckley testified Wednesday (Case No. 14-1297-EL-SSO).

Buckley cited Moody's Jan. 20 credit opinion saying that the company could receive a rating downgrade without an increase in revenues allowing it to generate cash flow from operations equal to at least 14% of its debt. He said staff believes that three years is enough time for FirstEnergy to address its finances, and that it could request an extension of the rider if necessary.

The Distribution Modernization Rider would require FirstEnergy to maintain its corporate headquarters and most of its operations in Akron or forego the credit. The agreement also would be terminated if the company or its subsidiaries were to undergo a change in ownership.

Critics of FirstEnergy's attempts to win subsidies from Ohio regulators objected.

"While the staff frame their proposal in terms of grid modernization, the apparent absence of any requirement that FirstEnergy invest the money on modernizing the grid means that this new proposal is effectively just another corporate bailout," Earthjustice, representing the Sierra Club, said in a statement.

Dick Munson of Environmental Defense Fund called it "an unnecessary subsidy."

In April, FERC ruled that an eight-year power purchase agreement PUCO approved for FirstEnergy, and one for American Electric Power, would be subject to federal review. (See *FERC Rescinds AEP, FirstEnergy Affiliate-Sales Waivers*.)

FirstEnergy then returned to PUCO with a modified proposal that included a customer charge to help protect its aging, mostly coal-fired power plants (14-1297-EL-SSO). (See *AEP, FirstEnergy Revise PPA Requests to Avoid FERC Review*.)

PUCO staff said last week that modified proposal should be rejected in favor of the recommended rider.

Doug Colafella, a spokesman for FirstEnergy, said Friday, "The filing of staff's testimony is another step in the regulatory process. We will continue to work with the commission and other parties to achieve an outcome that will protect our customers and communities."

The Sierra Club and EDF are among a number of parties asking FERC to intervene in the matter. (See *FirstEnergy Foes Ask FERC to Step in Again in Ohio Dispute*.)

On Thursday, FERC Chairman Norman Bay responded to a letter from U.S. Sen. Joseph Manchin (D-W.Va.) explaining the commission's role in the dispute (EL16-33, EL16-34). Manchin, a staunch supporter of his state's coal mining industry, had asked FERC on April 20 to "allow [Ohio's] prudent action to stand."