RTO Insider
Your Eyes and Ears on the Organized Electric Markets
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FERC Calls for Changes to Protect SPP Market Monitoring Unit Independence

Findings Echo Meddling Concerns from 2008 Audit of SPP Regional Entity

By Rich Heidorn Jr. and Tom Kleckner

SPP executives had "inappropriate" involvement in the oversight of its Market Monitoring Unit, FERC said in an audit report released Friday that called for changes (PA15-6).

The report said the internal MMU "should strengthen its independence and enhance its separation from" the RTO by barring non-MMU employees from its office and RTO management from its meetings with the Board of Directors' Oversight Committee.

The audit report raised many of the concerns reported by *RTO Insider* in a series of articles earlier this year, citing SPP executives' involvement in the MMU's budget, performance reviews and salary decisions. The audit also said the MMU's independence was hampered by the fact that until recently it shared legal counsel with the RTO.

Auditors criticized MMU Director Alan McQueen — though not by name — saying he took actions that "blurred the lines" between the MMU and RTO.

It also said the Oversight Committee should undertake a "closer review of the performance of the MMU" and its director. "In complying with Order No. 719, one of the

Continued on page 2

MISO Backs Forward Auction Plan, Rejects Prompt Proposal

Draft Tariff Language to be Presented This Week

By Amanda Durish Cook

Citing an analysis by The Brattle Group, MISO has decided to stick with its original forward design in its capacity auction overhaul, rejecting the hybrid prompt auction proposal it had negotiated with the Independent Market Monitor.

Jeff Bladen, executive director of MISO market services, said the forward proposal was the "best fit" to address price formation and encourage entry by new resources.

"This is the best chance of seeing real improvement," Bladen said during a special conference call of the Resource Adequacy Subcommittee on Thursday.

Monitor David Patton continued his criticism of the forward proposal, which he has called "fundamentally unsound."

(See *MISO, Monitor Release Negotiated Auction Redesign*.)

According to Brattle's analysis, a forward model would reduce price volatility by 35 to 37% compared to the current Planning Resource Auction. The hybrid prompt proposal, Brattle

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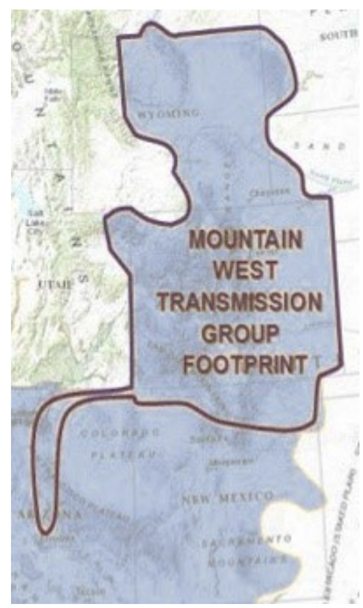
Mountain West RTO Could Pose Competition for CAISO

By Robert Mullin



An effort to create an organized electricity market is taking shape in the inland West even as CAISO continues to build the case for expanding its operations into the wider region.

The Mountain West Transmission Group — a partnership consisting of seven transmission-owning entities in the Western Interconnection,

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Study Touts Benefits of CAISO Expansion (p.5)

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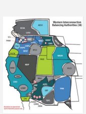

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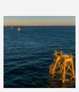

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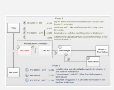

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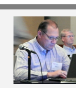

MOPC Recommends 5-Year Timetable for Z2 (p.27)

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FERC Calls for Changes to Protect SPP MMU

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important steps taken by the MMU to ensure independence was when it structured its accountability process so that it reports directly to the Oversight Committee," the auditors noted.

But the report did not address SPP's treatment of former monitors Catherine Mooney and John Hyatt, who say they were fired for raising independence concerns. Nor did it mention their allegations that McQueen pressured them to compromise their positions in order to minimize conflicts with SPP management and stakeholders and that Oversight Committee Chairman Joshua W. Martin III refused to meet with them when they attempted to raise concerns. (See *SPP Squelching MMU Independence, Former Monitors Say*.)

The auditors said most of their 16 recommendations were already being addressed by the Oversight Committee's revised December 2015 position statement on the MMU's independence, which made the committee responsible for all salary and bonus decisions for McQueen and other MMU employees and ensured that the MMU director could meet with the committee in executive sessions without RTO officials present.

The committee approved the statement, which had last been updated in 2012, nine days after Hyatt and Mooney were fired. Martin announced the statement at the Board of Directors meeting in January — also announcing that McQueen would retire by the end of the year.

The audit did not call for replacing the internal unit with an independent monitor, noting FERC Order 719 allowed RTOs to choose their structure.

Aside from CAISO, SPP is the only regional grid operator that does not have an independent market monitor, and SPP officials indicated Friday they intend to keep that arrangement.

"We're pleased the auditors found no instances in which SPP exerted inappropriate influence on the MMU," SPP General Counsel Paul Suskie said in a statement. "Neither did FERC conclude the MMU is not independent, nor recommend that SPP's market-monitoring functions be performed by a third party. As a result, SPP can continue to operate with an internal MMU, and MMU staff will be employees of SPP and participate in our collaborative stakeholder process while remaining independent."

Joe Bowring, PJM's Independent Market Monitor, and David Patton, whose firm acts as the independent monitor for MISO, NYISO, ISO-NE and ERCOT, have said it is impossible to be independent as a member of RTO staff. Bowring, once a PJM employee, became the independent monitor in 2008 after complaining to FERC that RTO executives were interfering with his work. (See *Independent Market Monitors Wouldn't Have It Any Other Way*.)

In a letter appended to the report, McQueen and Suskie agreed with all of the audit's 16 recommendations, but challenged auditors' repeated use of the terms "inappropriate" and "improperly."

"SPP understands that, where the report discussed items that were inappropriate or improper, FERC audit staff is referring to processes, procedures and structures that *could* potentially result in inappropriate or improper conduct or that *could* demonstrate an appearance of impropriety," they wrote. "No such activity took place."

Suskie and McQueen said the audit was "a valuable process for SPP to assess the continued working relationship between [the] RTO and MMU given the evolution of SPP and its markers and services."

The audit report was among the topics of conversation at Monday's Regional State Committee meeting, where SPP CEO Nick Brown defended the RTO's firing of Hyatt and Mooney. "No one is terminated from SPP without multiple officers concurring," he said. "The board was very much informed, specifically the Oversight Committee. We were quite cautious, but very firm in our decision. I will say we were unanimous in our decision."

FERC's recommendations, Brown added, "really decrease the potential for any inappropriate influence over the independence of the Market Monitoring Unit."

17-Month Inquiry

During the 17-month inquiry, auditors conducted three site visits and reviewed 30,000 emails of MMU and RTO employees "to understand communications between both groups, with outside parties and internal to the MMU and SPP RTO."

Although the audit also looked at SPP's compliance with its transmission-provider obligations, FERC accounting regulations and FERC Form 1 financial reporting requirements, it issued findings on the MMU only.

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CAISO NEWS

Puget Sound Energy, Talen Agree to Shut Down Colstrip Units

By Robert Mullin

Puget Sound Energy (PSE) and Talen Energy reached an agreement with environmentalists to shut down Units 1 and 2 at the coal-fired Colstrip power plant in Montana by July 2022.

Under the July 12 settlement filed in the U.S. District Court in Missoula, the Sierra Club and the Montana Environmental Information Center (MEIC) agree to dismiss their lawsuit against the plant's owners for alleged violations of the federal Clean Air Act. PSE and Talen will also be required to reduce sulfur dioxide and nitrous oxide emissions from the units ahead of retirement (Case 1:13-cv-00032-DLC-JCL).

The agreement also stipulates that the environmental groups will drop legal action against Colstrip Units 3 and 4, which are jointly owned by PSE, Talen, Portland General Electric, Avista, PacifiCorp and NorthWestern Energy. Those coal-fired units were built in the mid-1980s and have a combined net generating capacity of 1,480 MW.

"PSE believes this settlement is in the best interest of our customers by avoiding the potential need for the installation of additional pollution control equipment for Units 1 and 2 due to future regulatory requirements," the company said in a statement.

Environmental Rules, Competitive Pressures

Competitive pressures stemming from low natural gas prices factored into PSE's decision to close the units. The company

also cited "shifting policies and regulations on the federal and state levels," EPA's regional haze rule and the Clean Power Plan as additional reasons.

"Our customers expect PSE to be good stewards of the environment and to keep energy costs reasonable," CEO Kimberly Harris said. "The eventual closure of Units 1 and 2 at Colstrip without the risk of further legal proceedings or additional significant investments in the units to meet regulatory requirements enables us to accomplish both of these goals."

Built in the mid-1970s, the two units can produce 614 MW of electricity, most of which is supplied to consumers in Washington and Oregon. Earlier this year, Washington lawmakers passed a bill that would enable PSE to recover its share of the costs for shutting down the units from ratepayers, while Oregon established a mandate requiring PacifiCorp and PGE to become coal-free by 2030 and 2035, respectively.

In May, Pennsylvania-based Talen notified Colstrip's other five owners that it planned to cease functioning as the plant's operator in May 2018. As the plant's only merchant owner, the company is unable to recover its costs from a rate base and is especially exposed to low power prices on the open market.

The move was part of a broader strategy to withdraw from Montana by the company, which last month agreed to be acquired by Riverstone Holdings. (See *Riverstone to Acquire Talen in $1.8 Billion Deal*.)

Opportunity for Wind?

Colstrip's owners collectively own the two 250-mile, 500-kV transmission lines that connect the plant with the Bonneville Power Administration's transmission network and load centers in the Pacific Northwest. Renewable energy advocates have eyed Colstrip's transmission as a possible boon for wind development in Montana, a state that the American Wind Energy Association ranks as third in the U.S. for wind potential.

"[The] decision [by PSE and Talen] marks an opportunity to use Colstrip's existing transmission system to build out more clean energy and export it to Washington and other states," the Sierra Club said in a statement.

"We want to work with the power plant owners, the community of Colstrip and Montana to plan for a transition that maximizes employment in clean-up, remediation and new renewable energy development in the Colstrip area," said Mike Scott, a Sierra Club senior organizer.

Montana Gov. Steve Bullock (D), who faces a re-election campaign this fall, was less enthusiastic about the immediate prospects for the region.

"I stand with the workers and the community of Colstrip in being angry about this settlement outcome," Bullock said. "The parties of this lawsuit took care of themselves. I am going to work to take care of the employees and their families."

Mountain West RTO Could Pose Competition for CAISO

Continued from page 1

including the Western Area Power Administration's (WAPA) Loveland Area Projects and Colorado River Storage Project — is exploring the benefits of implementing a common transmission tariff across multiple states and developing an organized market.

Mountain West issued a request for information in May to CAISO, MISO, PJM and SPP regarding tariff administration and market operator services — "one of multiple sources of information to assist the group in consideration of [a] path forward," the group said. Proposals were due back to the group July 15.

The group's footprint covers most of Colorado and Wyoming, along with smaller areas of Arizona, Montana, New Mexico and Utah.

WAPA operates 17,000 miles of transmission spanning 15 states, nearly 5,000 miles of which is located inside Mountain West.

Other members of the group include Basin Electric Power Cooperative, Black Hills, Colorado Springs Utilities, Platte River Power Authority, Xcel Energy's Public

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CAISO NEWS

Mountain West RTO Could Pose Competition for CAISO

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Service Company of Colorado, and Tri-State Generation and Transmission, which together control about 11,000 miles of transmission.

WAPA's expansive network — as well as its status as a federal power marketing agency (PMA) — makes Mountain West an appealing alternative for some industry participants wary of joining a market operated by CAISO and potentially dominated by California interests. (See related story, *Study Touts Benefits of CAISO Expansion*.)

Among the skeptics is Utah Associated Municipal Power Systems (UAMPS), which provides energy on a nonprofit basis to community-owned utilities in eight Western states.

CAISO "is not the only game in town," UAMPS CEO Doug Hunter told Utah lawmakers during a July 13 hearing to discuss the legislature's role in PacifiCorp's proposed ISO membership.

Hunter encouraged legislators to look at WAPA's footprint.

"It runs right through us," he said. "It would be much better if the entire West had access to it."

WAPA has said that joint tariffs and energy imbalance markets are among the topics "driving the energy future."

The agency "recognizes the impact this has on our business and as an organization continues to pursue and develop collaborative paths forward to best benefit our customers," it said. The agency provides power at relatively low cost to publicly owned utilities referred to as "preference" customers.

WAPA has said that it "is uniquely positioned to facilitate collaborative discussions with industry experts and customers about engagement and involvement in industry activities, such as regional transmission organizations and other market initiatives." The agency has said its interest stems from its "significant transmission system," the "expanding geographic scope of markets" and "increasingly limited trading partners."

A centrally operated Mountain West market could boost trading activity in the region by eliminating the "pancaking" of transmission charges and facilitating a transition from contract path to flow-based transmission rights, which more closely matches scheduled transactions with actual power flows.

Mountain West says its members have achieved "significant success" with rate design and cost-shift mitigation, issues that have stymied previous efforts at developing a common tariff. The group has engaged The Brattle Group to perform a scoping study examining the potential benefits of a day-ahead electricity market.

Although the outcome of the effort is still unclear, the Mountain West entities plan to make a decision on a direction forward in the third quarter of 2017, after a stakeholder process. A common tariff — or broader organized market — could be implemented as early as 2018.

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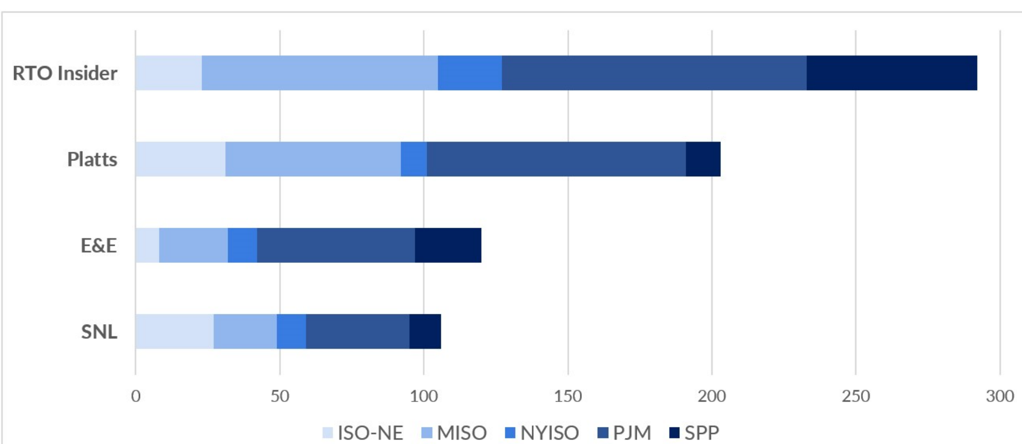

*Number of articles mentioning individual RTOs for all publications produced by publisher. Requires multiple subscriptions for E&E, Platts & SNL.

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CAISO NEWS

Study Touts Benefits of CAISO Expansion

By Robert Mullin

CAISO's expansion into a multistate, regional electricity market could save California ratepayers as much as $1.5 billion annually while helping the state to meet or exceed its 2030 emission-reduction goals, according to a study commissioned by the ISO.

California's Clean Energy and Pollution Reduction Act — the 2015 law that established the state's 50% by 2030 renewable portfolio standard — required CAISO to perform an analysis of the economic, environmental and reliability impact of regionalizing the Western grid.

The study modeled three 2030 scenarios: one in which California meets its RPS without expansion and ones with a regionalized market with state- and regionally focused procurements. The last scenario offered the most significant benefits, according to the analysis, which was conducted by The Brattle Group, Energy and Environmental Economics, Berkeley Economic Advising and Research and the Aspen Environmental Group.

'Compelling Message'

The benefits estimated in the study are in addition to those expected from CAISO's expanded Energy Imbalance Market.

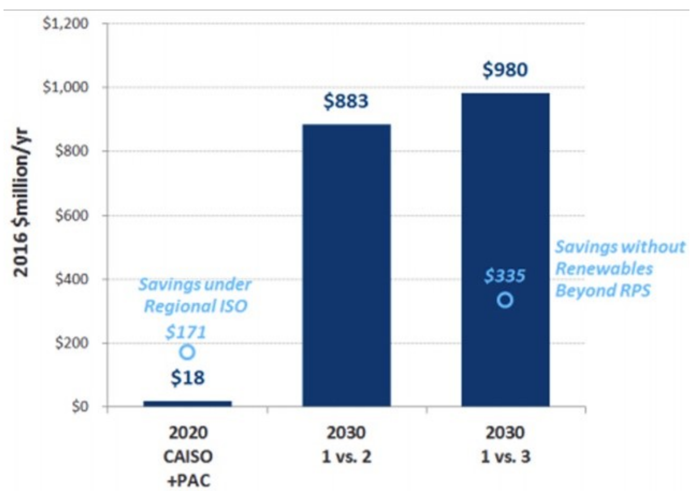
Development of a regional market could generate up to 19,300 new jobs for the state by 2030, more than half of which would be related to construction of renewables, the study found. Other jobs would be the indirect result of realigned consumer spending based on reduced energy costs.

Real income in California is expected to increase by $4.1 billion to $7.9 billion annually, while state tax revenues would rise by $600 million to $1.6 billion.

The study's findings provide a "pretty compelling and simple message," CAISO CEO Steve Berberich said.

"The electric industry in California is at an inflection point," Berberich told reporters during a call last Tuesday to discuss the report. "I think the state has the ability to enable a new paradigm where clean energy and economic growth become one."

The study analyzed two regional market footprints: one including only CAISO and PacifiCorp and a second including all of the U.S. portion of the Western Electricity Coordinating Council except the two federal power marketing agencies there, the Bonneville Power Administration and the Western Area Power Administration. "These footprints are hypothetical and are designed to capture a plausible range of impacts," the study notes. "We understand that the individual utilities and states will have to conduct their own evaluations of the benefits and trade-offs of joining a regional entity and to decide whether or not to join one."



WECC-wide annual production cost savings (excludes costs of emissions, incremental renewable investments) *Source: CAISO*

Regionalization would provide the ISO the ability to optimize generation over a larger footprint, allowing California "to go beyond" its 50% RPS, Berberich said. The study included the costs of storage and transmission needed to integrate renewables.

Fear of Curtailments

Without expansion, the ISO predicts periodic renewable curtailments of up to 13,000 MW — even with the expected closure of Pacific Gas and Electric's Diablo Canyon nuclear power plant in 2025.

"Absent a regional market, we're very concerned that we could see a lot of renewable energy curtailed because there isn't an adequate market to sink the power," said Keith Casey, ISO vice president for market and infrastructure development.

Casey noted that other RTOs in the U.S. are facilitating the development of "non-RPS" renewables — renewable projects built based on cost-competitiveness rather than in response to mandates. "For example, since 2000, wind generation accounted for 80% of 44,000 MW of non-RPS-related renewable generation additions nationwide, and 80% of these non-RPS-related wind generation investments (over 28,000 MW) took place in six states (Texas, Iowa, Oklahoma, Kansas, Illinois and Indiana), all of which are in ISO-operated market areas," the report said.

"We think this [expanded CAISO] market will provide a platform for renewable development to flourish," Casey said.

Other highlights of the study:

- By 2030, the market would help California reduce electric sector CO_2 emissions by 4 million to 5 million metric tons per year — 8 to 10% below a scenario with no regional market. That would represent a 58% decline from 1990 levels.
- Land use for building new wind and solar developments to meet California's RPS would be reduced by up to 71,300 acres inside the state and 31,900 acres elsewhere in the West because of more efficient resource expansion. The study projects increased transmission construction outside California to support out-of-state projects.
- A regional market would reduce water use by combined cycle gas units in California and gas and coal plants in other areas of the West as a result of the more efficient dispatch of renewable resources.
- The market's larger operational footprint would allow for improved renewable integration through centralized control and increased awareness of neighboring areas. Lower requirements for load-following resources, operating reserves and planning reserves would lower costs for maintaining reliability.

CAISO NEWS

Utah Bill Would Require Legislative OK for PacifiCorp RTO Membership

By Robert Mullin

Utah lawmakers plan to draft a bill requiring PacifiCorp to gain legislative approval before joining an RTO based on an expanded CAISO.

Members of the Public Utilities, Energy, and Technology Interim Committee approved a motion to create the proposed law July 13 after listening to more than 90 minutes of testimony from power industry participants — most of whom were wary about the state's participation in a regional integration effort driven by California.

Specific terms of the legislation were left unclear.

Utah sits squarely inside the PacifiCorp East (PACE) balancing authority area, which also extends into portions of Idaho and Wyoming. It is served by PacifiCorp's Salt Lake City-based Rocky Mountain Power subsidiary.

"This potential issue is significant from both a policy perspective and a financial perspective," said Thad LeVar, chair of the Utah Public Service Commission.

LeVar noted that PacifiCorp must go before his agency for a ruling once it makes a determination to join an expanded regional grid. The decision "shouldn't fall solely to the regulatory arena without some guidance from the legislators in the state," he said.

Governor Skeptical

Laura Nelson, director of Gov. Gary Herbert's Office of Energy Development, said the office was skeptical about an RTO but still engaged in the process related to its development.

"Our consistent message has been that any participation in the [CAISO] must protect Utah's long-term interest and authority over its power system," Nelson said, citing the state's role in protecting ratepayers, maintaining system reliability and choosing the generating resource mix.

Nelson told the committee that the state needs to perform an "exhaustive" study to determine if PacifiCorp's membership is in the best interest of ratepayers. "Any recommendations about joining CAISO are not yet fully informed," she said.

Ratepayer protections were foremost among the concerns of Michele Beck, director of the state's Office of Consumer Services. While Beck acknowledged that there are technical benefits to participating in a more centrally operated grid, she questioned who would enjoy them.

"Do the benefits accrue to customers, or will they accrue to just select elements within the industry?" she said. "Are the benefits reasonably distributed across the footprint? Are the modeled benefits durable?"

She said that membership in an expanded CAISO should be conditioned on a demonstration that it has greater benefits than the Western Energy Imbalance Market, in which PacifiCorp currently participates.

"We're struggling to document that all the benefits of the EIM that have been stated and have been published have been realized," Nelson said.

Chris Parker, director of Utah's Division of Public Utilities, said he was concerned about risks as well as benefits — namely the state's risk in giving up control over its utilities to an RTO, whose backstop authority would be FERC.

Fear of California Dominance

Parker also cited the risk of an RTO being dominated by California interests, saying his agency would seek assurances that policy changes would require the unanimous support of participating states. He said CAISO's latest RTO governance proposal — which would initially provide California with numerical voting superiority — was unacceptable. (See *Governance Plan Fails to Dispel Western RTO Concerns*.)

Rocky Mountain Power CEO Cindy Crane called the development of an independent governing structure a "threshold" issue for her company in its decision to participate in an expanded CAISO.

"What we are not doing is joining the California ISO," Crane said. "We are working to transform an existing operating entity into something that could be a regional operating entity."

Crane said the requirement that an RTO deliver "risk-balanced" net benefits to PacifiCorp customers in each of its six states was a second condition for the utility.

"If it's not going to deliver benefits for our customers, there is no reason for us to advance," she said, adding that regulators in each PacifiCorp state will have the authority to decide whether the utility joins.

Watching California's Legislature

A few witnesses testifying before the committee said the fate of a Western RTO is now in the hands of California lawmakers, which are slated to begin considering legislation in August that would loosen the state's authority over CAISO.

"We're at the point where we're waiting to see what the California legislature is willing to give up," said Parker, referring to the concerns about California's dominance in a governing structure. "If they're willing to give up enough, then it may be worth it."

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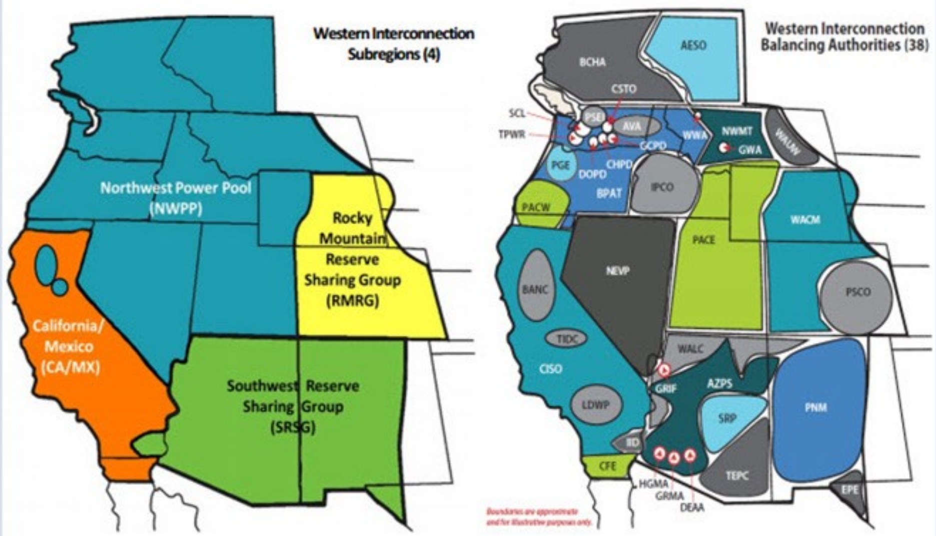
CAISO NEWS

Berkshire Contests Market-Based Sales Restriction in West

By Robert Mullin



Source: WECC

Berkshire Hathaway Energy is contesting FERC's June decision to revoke the ability of the company's subsidiaries to sell power at market-based rates in four neighboring balancing authority areas in the West.

The commission's June 9 order prohibited Berkshire-owned utilities PacifiCorp and NV Energy — as well as 19 other affiliates — from offering power at market rates in the PacifiCorp East (PACE), PacifiCorp West (PACW), Idaho Power and NorthWestern areas based on concerns about horizontal market power. (See *Berkshire Market-Based Rate Sales Restricted in 4 BAAs*.)

In a request for rehearing and clarification filed July 11, Berkshire argued that the commission failed to make a "definitive finding" that the company possesses market power in the four regions before revoking market-based rate authority, as required under FERC Order 697 (ER10-2475).

"[The commission] did not provide sound reasoning, nor did it show a path to how it arrived at its decision," the company said. "But, nonetheless, the commission moved ahead and revoked market-based rate authority and imposed cost-based rates."

'Moving Target'

Berkshire contended that it was denied due process after FERC failed to notify the company of the commission's "newly announced standards for determining market power" ahead of the company's initial "change in status" filing — standards it said the commission "articulated for the first time" in the June 9 ruling.

The company's utilities "have repeatedly demonstrated their willingness to comply with any guidance that the commission has provided," Berkshire said. "They should not be penalized for failing to hit a constantly moving target."

Berkshire also sought clarification on whether its affiliates can use their own "case-specific" cost-based rates for sales in the four areas, or must rely on the commission's default cost-based rates — requesting rehearing if it is the latter.

The June ruling stemmed from Berkshire's 2013 acquisition of NV Energy, which put Warren Buffett's conglomerate in control of 19 GW of generating capacity in the West — enough capacity to fail the "pivotal supplier" and "wholesale market share" indicative screens for market power in the four areas.

Delivered Price Test

Generation owners that fail the screens can disprove the presumption of market power by performing a more thorough delivered price test (DPT). The DPT factors in the native load commitments and generating capacity of all suppliers in a region in order to determine each supplier's "available economic capacity" over 10 different seasons and load conditions.

The commission ruled that the DPT analysis submitted by the Berkshire companies was insufficient to rebut the presumption of market power, having failed to include "inputs, assumptions and facts appropriate to the unique characteristics of each balancing authority area when studying that particular area."

The ruling pointed to an instance in which Berkshire's analysis erroneously listed Idaho Power as a competing supplier during periods when that utility would "likely not" be positioned to provide competition.

Berkshire countered the finding that its tests were unreliable, saying that each of its 57 "unique" DPT analyses "was prepared in accordance with the commission's previously announced requirements and each was similar in form and substance to" analyses the commission had previously approved.

FERC identified five alleged deficiencies in the tests, the company said.

"On that basis [the commission] concluded that 'we are unable to validate the results of the [Berkshire companies'] DPT analysis and are unable to rely on the DPT analysis,'" Berkshire said.

Berkshire also questioned the commission's use of its own "undisclosed analyses using alternative assumptions or data that yielded different results than those provided by" the company, saying that the commission failed to include the results of those analyses in the proceeding.

The company further contended that the "purported deficiencies" in the DPTs were the "sole basis" for the commission revoking market-based rate authority, rather than any alternative analyses or evidence submitted by intervenors or the commission itself.

"By its own admission, the commission's decision was not 'based on the results of the DPTs' and does not purport to have made any finding based on the DPT results or any other substantial evidence that the [Berkshire companies] have market power in any of the mitigated markets," the company said.

ERCOT NEWS

ERCOT Seeks Alternatives to Houston-Area RMR Unit

ERCOT is soliciting must-run alternatives (MRAs) to the reliability-must-run agreement it recently extended to NRG Texas Power's Greens Bayou Unit 5 in the Houston area.

The Texas grid operator issued a notice to market participants July 13, saying it is seeking "lower-cost, effective alternatives" to the RMR agreement, its first in five years.

ERCOT in June executed the agreement through September to strengthen transmission stability in the Houston region. Its Board of Directors later extended the RMR through June 2018. (See "Board Expands Greens Bayou RMR Contract to 2018," *ERCOT Board of Directors Briefs*.)

Under the agreement's terms, the 371-MW gas-powered unit must be available during summer months, between July 2016 through June 2018. ERCOT must pay $3,185/MWh year-round and an incentive factor of as much as 10% to reserve the

unit's capacity.

Qualified scheduling entities, representing generation and demand response resources, have until Aug. 24 to submit proposals. ERCOT says it will consider individual and aggregated options that provide reliability benefits comparable to the RMR unit, while providing cost savings.

ERCOT staff has said it expects that the $590 million Houston Import Project, scheduled to be completed by summer 2018, will help solve the area's transmission concerns.

The ISO's protocols authorize it to replace an RMR agreement with an MRA agreement if the MRA resource:

- Provides an acceptable solution to the reliability concern the RMR unit currently addresses;
- Provides at least $1 million in annual savings over the projected net annualized costs for the RMR unit; and
- Satisfies objective financial criteria demonstrating that the MRA resource's provider is reasonably able to fulfill its performance obligations.

— Tom Kleckner

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Northeast Energy and Commerce Association Environmental Conference

Panel: New England Will Meet CPP Goals Regardless of Court Outcome

By William Opalka

MARLBOROUGH, Mass. — New England states are moving ahead with their own greenhouse gas reduction programs while EPA's Clean Power Plan remains in legal limbo.

At the Northeast Energy and Commerce Association Annual Environmental Conference on Wednesday, panelists said that the nine-state Regional Greenhouse Gas Initiative remains on course despite the U.S. Supreme Court's decision in February to stay the federal plan pending legal challenges.

"We don't have much in the way of travel to reach the Clean Power Plan targets under the current design of the final rule," said **Patricio Silva**, a senior system planning analyst at ISO-NE. (See *Northeast on Way to Compliance with Clean Power Plan*.)

RGGI, which EPA has cited as a model, is currently committed to a 2.5% annual reduction in carbon emissions. But it undergoes program reviews every three years — including one now in progress — that could adjust targets.

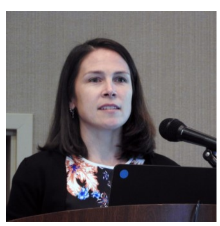
The CPP seeks to reduce carbon emissions from the power sector by 32% below 2005 levels by 2030, with interim reductions required in 2022-2029.

While simple cycle gas turbines are exempt from the CPP, RGGI also includes all fossil units above 25 MW. EPA did not include simple cycle — or peaker — plants, reasoning that they run too infrequently to have a major impact on emission reductions. "That is an important distinction," Silva said, calling it a sign of the RGGI states' more aggressive carbon reduction goals.

According to the Energy Information Administration, ISO-NE's carbon intensity was 1,037 pounds of CO_2/MWh in 2015, which is projected to drop to 986 lbs/MWh by 2030, well within the CPP targets (1,305 lbs/MWh for existing fossil fuel-fired electric steam generating units and 771 lbs/MWh for existing natural gas combined cycle units), Silva said.

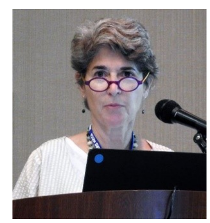
CPP Arguments in September

While the Supreme Court is likely to determine the CPP's ultimate fate, the legal challenge is currently before the D.C. Circuit Court of Appeals (*West Virginia v. EPA*, No. 15-1363). In May, the D.C. Circuit rescheduled oral arguments from June 2 to Sept. 27, 2016, skipping an initial review by a three-judge panel and moving directly to an *en banc* hearing with nine of the circuit's 11 active judges.



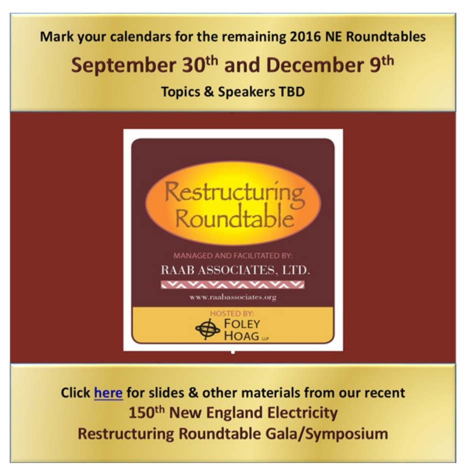
Carrie Jenks, a senior analyst with M.J. Bradley and Associates, said that while the CPP legal challenge may affect some states' planning, the RGGI states have continued to plan for compliance, leading to key questions.

"RGGI [has to] decide if it would trade with states outside of its region, such as other PJM states, either at the start of the program or at a future date. RGGI states also need to consider what the CPP targets mean for the overall RGGI cap as the states undertake the RGGI program review, and how will such decisions may affect states outside of RGGI," she said.



Nancy Seidman, assistant commissioner at the Massachusetts Department of Environmental Protection, credited EPA for recognizing the emission reductions achieved by the RGGI states. "We've done a lot and fortunately EPA considered that," she said.

"What's important now is, where do we want to go next? What are our goals for 2030 with or without the Clean Power Plan? And how does that mesh with states' individual goals?" she said.



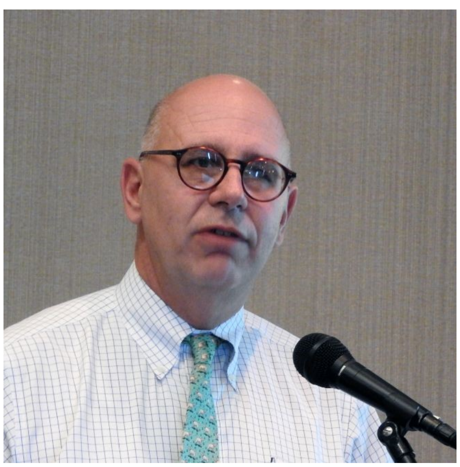
Northeast Energy and Commerce Association Environmental Conference

Mary Beth Gentleman, a former co-chair of the energy practice at law firm Foley Hoag and current Hillary Clinton volunteer, said that the presumptive Democratic nominee for president would likely have coattails if elected, resulting in a switch to a Democratic-controlled U.S. Senate, but a takeover of the U.S. House appears far less likely. While there may be opportunities for bipartisan energy legislation, a continuation of the legislative stalemate may continue.

"I think the Clinton approach will be to avoid legislation, if at all possible, avoid anything that is fully dependent on both houses passing something. Instead, she would use other tools in the toolbox [such as agency actions and executive orders] to advance a clean energy agenda," she said.

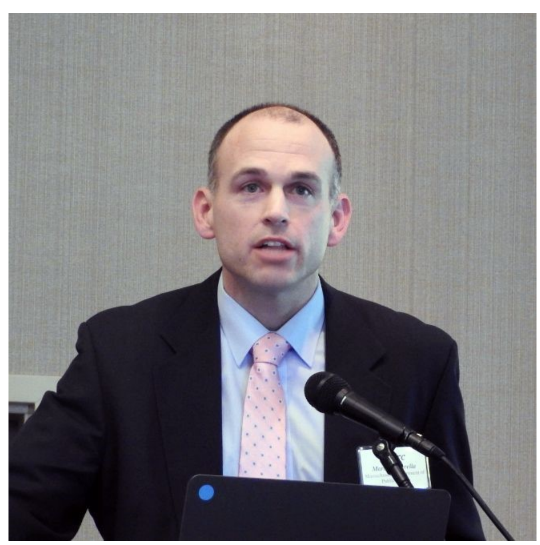
Republicans would likely maintain control of both houses of Congress if Donald Trump, the party's presumptive nominee, is elected president, said **David Tamasi**, a senior vice president at Rasky Baerlein Strategic Communications. The Trump campaign eschews traditional staples such as position papers, detailed policy discussions and other documents that signal the legislation he might pursue.

But based on a speech Trump gave in North Dakota at the end of May that called for promoting domestic fossil fuel production and weakening EPA, "his energy policy is absolutely in lock-step with what the Congressional leadership has been pushing," Tamasi said. "There's absolutely no daylight on that between them."



Natural gas pipelines are primarily under the jurisdiction of FERC, but important reviews of them — and of transmission lines like Northern Pass — occur under EPA's National Environmental Policy Act, said **John Moskal**, senior adviser for energy policy and infrastructure in EPA Region 1, which comprises New England.

"We've been dealing mostly with gas pipeline projects, whereas 10 years ago it was all LNG import terminals," he said. "Natural gas has been part of the picture here for a long, long time."



Marc Nascarella, director of the Massachusetts Department of Public Health's environmental toxicology program, said the state is unique in that 351 towns have health departments with input into power plant siting issues. And there are three components to every local review, he said.

"Environmental problems are extremely emotional. Environmental solutions are highly technical. ... Environmental policy or environmental decisions are highly political. If there is a concern that this power plant is going to cause a health impact, and the political force gets the emotive response behind it, the science be damned," he said.

This adds a layer of complexity to a project that may require modifications by the developer, he added.

MISO NEWS

MISO Backs Forward Auction Plan, Rejects Prompt Proposal

Continued from page 1

analysts said, would reduce volatility by 25 to 28%. Brattle said a forward proposal paired with a broader and more gently sloping demand curve could reduce price volatility by 44 to 48%. Bladen said MISO is still "fine-tuning" the curve shape and could incorporate Brattle's recommendation.

Brattle analysts said that while the forward model attracts an additional 1,800 MW of merchant supply when compared to the status quo and "substantially" improves reliability, it still falls "somewhat" short of redesign objectives.

A wider demand curve could bring 2,200 MW in merchant supply, meeting the one-day-in-10-years loss-of-load expectation. Brattle said the prompt hybrid proposal supports an additional 1,200 MW of merchant supply and that, although reliability improves under the model, it is "still substantially short of reliability objectives."

Not Surprised

Patton criticized Brattle's analysis, saying it measured volatility and reliability but ignored efficient pricing that allows generators to recover costs. Patton insisted that some volatility was natural.


Spees


Newell

"Volatility is a secondary metric at best," he said.

Patton said he wasn't surprised by MISO's decision to move ahead with its own proposal.

"Fundamentally, I never felt like we reached a compromise because MISO never agreed to do the prompt proposal. They always had a strong preference for a forward proposal. I think it's a mistake," he said.

Despite that, Patton said he did not feel that working with MISO on the prompt proposal was a "charade."

Bladen said the forward proposal minimized Tariff changes and is the best choice when considering reliability and FERC precedent. Patton countered that the legal hurdles to implementing a prompt proposal "weren't nearly as daunting as MISO makes it seem." He also said instituting the two-stage prompt auction would not undermine the current PRA, although it may lower prices.

"Fundamentally, I never felt like we reached a compromise because MISO never agreed to do the prompt proposal."

David Patton, MISO Market Monitor

Several stakeholders questioned Brattle's Monte Carlo analysis, a probability simulation using repeated sampling. Brattle analysts noted that "findings may change with future refinements, particularly to assumptions in how utilities participate in forward auctions."

"That's a pretty big caveat," Dynegy's Mark Volpe said.

Brattle analyst Kathleen Spees said the forward analysis carries substantial uncertainty "simply because there's not as much evidence on how utilities will behave. In the prompt proposal, we have much more empirical evidence."

Bladen said the Monte Carlo analysis took "thousands" of scenarios into account.

Volpe asked if Brattle supported MISO's decision to move ahead with the forward proposal.

"Look, nothing is going to be perfect or perfectly predictable in this environment," Brattle analyst Sam Newell said. "That said, the elements of this proposal are clearly better that the status quo and better than other alternatives, including the prompt proposal."

Newell said the forward proposal "achieves an economic efficiency that the alternative does not" and is the best proposal to provide reliability at least cost. Newell also said the forward proposal is "unambiguously" better than the current construct.

In response to stakeholder questions, Newell and Spees said their study did not consider scenarios assuming supply from MISO South, reduced demand or a case focusing on renewable growth.

Continued on page 12

Duff-Coleman RFP Deadline Passes; MISO Reviewing Bids

MISO closed its request for proposals on the Duff-Coleman 345-kV transmission project in Southern Indiana on July 6, saying it was pleased with the response.

Priti Patel, MISO North regional executive, said MISO was satisfied with the "robust" number of proposals on its first competitively bid project, but she didn't disclose the number of proposals received or which developers submitted them. Patel said the RTO will post the list of developers that submitted complete proposals by Aug. 19. In the meantime, proposals are under review to determine their eligibility. Forty-eight developers qualified to submit bids to MISO.

"The broad interest from transmission developers demonstrates confidence in MISO's competitive processes," Patel said in a statement.

Per its original timeline, MISO expects to announce its transmission developer pick on the $67.4 million project by Dec. 30. The RFP window opened in January for the work, which includes the construction of two substations and a 28.5-mile line linking them. (See *MISO Seeks Bids on Duff-Coleman Project*.)

— Amanda Durish Cook

MISO NEWS

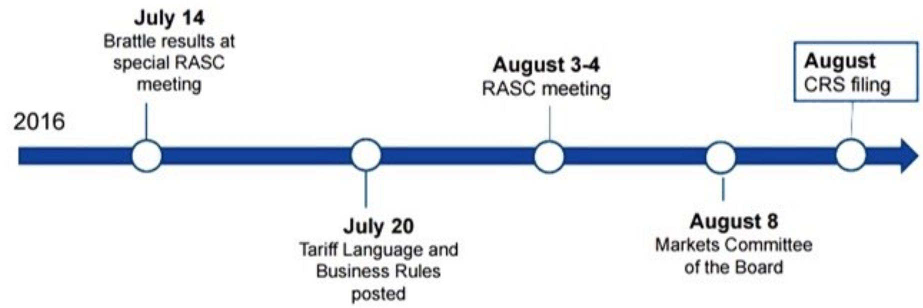
MISO Backs Forward Auction Plan, Rejects Prompt Proposal

Continued from page 11

"If this is a billion-dollar business, why so many simplifications?" asked Indianapolis Power and Light's Ted Leffler.

Newell responded that the lack of historical evidence prevented a more definitive study.

"MISO has looked exhaustively at the prompt hybrid proposal. We simply didn't believe we could move forward with the hybrid prompt proposal," Bladen said.



Competitive Retail Solution filing timeline *Source: MISO*

FERC Filing Next Month

MISO expects to file its proposal with FERC sometime next month. Bladen said MISO would "act without undue delay," as directed by its board.

Draft Tariff language and revised Business Practices Manuals are expected to be posted by July 20; stakeholder discussions regarding the language is planned at the Aug. 3-4 RASC meeting. MISO will make another presentation regarding Tariff language on Aug. 8 before the Markets Committee of the Board of Directors.

Volpe said that MISO excluded stakeholders by not presenting the Advisory Committee with both proposals for review before announcing a decision.

Bladen said it wasn't MISO's intention to subvert the stakeholder process and pointed to the year and a half of discussion on auction redesign. He agreed the Advisory Committee could hold a special meeting on the auction design proposals or even recommend a delay in filing.

"We don't want to stand in the way of the Advisory Committee coming together to debate," Bladen said.

Marcus Hawkins, an engineer with the Public Service Commission of Wisconsin, responded that for the first seven months of the discussion, stakeholders had only an issues statement from MISO.

IMM Critical of Analysis

In his own presentation, Patton said prices in the forward proposal are "heavily dependent on decisions that regulated and external entities make to offer" and would result in annual price fluctuations exceeding $500 million, resulting in poor price signals to competitive suppliers.

"There is no way to predict where this market will clear year-to-year," Patton said. He said MISO's forward proposal fails to ensure auction clearing prices are consistent with the marginal value of reliability.

Patton said MISO's forward proposal is not comparable to forward markets in other RTOs. "This is the first time that I've seen a model where the demand does not reflect the requirement," he said.

Patton also said Brattle did not properly model the prompt proposal, including a much steeper demand curve than recommended. He said Brattle's Monte Carlo analysis carried too much uncertainty because of assumptions regarding the demand curve and participant behavior. "I don't envy The Brattle Group," Patton said.

Stakeholders Split

Before Thursday's meeting, stakeholders provided feedback on the two proposals.

Two members of the Michigan Legislature wrote a letter in support of a forward auction. "The three-year forward proposal provides long-term pricing signals that we feel are critical to attract new generation capacity to Michigan," Sen. Mike Shirkey (R-Jackson) and Rep. Gary Glenn (R-Larkin Township) wrote.

Northern Indiana Public Service Co. and Alliant Energy asked that MISO and the Monitor take more time to explain and vet their proposals with stakeholders. Likewise, Duke Energy, Big Rivers Electric, Hoosier Energy and Southern Illinois Power Cooperative said they required more information before backing a proposal.

Illinois Industrial Energy Consumers and DTE Energy said neither proposal was acceptable.

Wolverine Power Cooperative called for a footprint-wide three-year forward auction instead of a proposal that blends a regulated prompt auction and a retail-choice forward auction.

American Electric Power also said it preferred at least a three-year advance auction for the entire footprint.

"This provides a price signal to the resource owner in time to budget and plan for maintenance, upgrades, fuel supplies, development of new resources, etc. It also would allow loads, both retail switching and wholesale, sufficient time to develop, evaluate and budget for supply offerings, with known auction result prices," AEP said.

The Organization of MISO States said it needed more information before it selected a proposal to support, but it also added that it had "mixed opinions as to whether each proposal will promote generation investment."

Dynegy also said it supported the prompt proposal. "At this point, it is abundantly clear that the hybrid prompt proposal may result in a clearer price signal for supporting restructured competitive retail markets," Dynegy wrote.

Consumers Energy said the forward proposal is the better option but wanted revisions to Safe Harbor provisions for not entering generation into the auction and wanted the cost of new entry raised "to better incent new generation in shortage situations."

Main Line Generation asked for the addition of a minimum price offer rule in both proposals.

NYISO NEWS

LIPA to Approve 90-MW Offshore Wind Project; Would be Largest in US

By Ted Caddell

The Long Island Power Authority is poised to approve a 90-MW offshore wind farm off the coast of Montauk, N.Y., that would be the largest such project in the U.S.

LIPA has selected Deepwater Wind, which is already building a 30-MW project off Block Island, R.I., to develop the project.

The U.S. Bureau of Ocean Energy Management has awarded about a dozen leases for commercial wind, but only the Block Island project has begun construction.

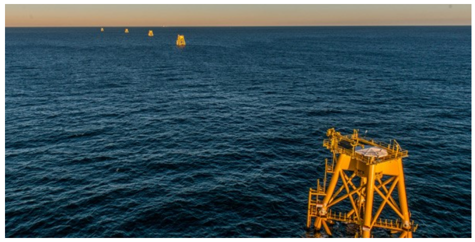
Deepwater Wind spokeswoman Meaghan Wims said the Long Island project, to be called the South Fork Wind Farm, is part of a larger lease obtained from BOEM. "We bid 90 MW to LIPA as part of this" request for proposals, she said. "Our total capacity at that site is 1,000 MW, to be built over phases. The South Fork Wind Farm is the first phase."

Vote Expected Wednesday

LIPA CEO Tom Falcone said the authority's board of trustees will approve the project at their meeting Wednesday.

Deepwater will install 15 6-MW turbines about 30 miles off the coast of Montauk. Two 5-MW lithium-ion batteries will replace transmission investments that otherwise would be necessary. If all goes well, construction work could begin by 2021, with an operational date of December 2022, Falcone said.

"It is part of our goal to attain 400 MW of renewable energy, as part of the New York Clean Energy Standard, by 2023," Falcone



The Long Island Power Authority has selected Deepwater Wind, which is building a 30-MW project off Block Island, R.I. (pictured above), to develop a 90-MW windfarm off of Montauk that would be the largest such project in the U.S. *Source: Deepwater Wind*

said in an interview Friday.

"We have an area of our service territory, East and South Hampton, with a lot of load growth, and we needed to address it in some way," Falcone said. He said LIPA considered a transmission project to address the growing load, but after reviewing responses to its RFP, it determined the offshore wind project fit all the requirements.

"It's the right project, the right size, and we can land in the right price area," he said. Falcone said the project will cost a typical residential customer about $1.20/month.

Earlier offshore wind proposals were much more expensive than that, he said. Now, the cost of offshore wind is about the same as utility-scale solar — a resource not suited for crowded Long Island.

"I am not aware of any other utility that has signed a contract on a utility-scale project like this," Falcone said. "We don't have many other options" when it comes to renewable energy, he said. "On Long Island, land is constrained. But we have this tremendous offshore wind resource, thousands of megawatts. It is a tremendous resource."

Lead Time Reduced

Falcone said much of the federal review process necessary for the Montauk project has already been done by Deepwater, which could save up to three years in the lead time for the project. "That was one thing that was particularly attractive" about the Deepwater plan, he said. "They are ready to go."

Offshore wind projects need to be reviewed by BOEM to ensure they don't encroach on commercial shipping areas or fishing grounds.

Community opposition has hindered other offshore wind projects on the East Coast. A 468-MW facility proposed off the coast of Massachusetts is tangled up in opposition from residents and no firm construction start date has been set.

Since news of its project got out, said LIPA Spokesman Sid Nathan, the authority has received dozens of messages of support from lawmakers, business owners and labor leaders. "We don't expect community opposition of the proposal," Falcone said.

"New York is boldly leading the way on a clean-energy revolution that will transform the nation's energy future," Deepwater CEO Jeffrey Grybowski said. "There's real momentum for offshore wind in the United States, and Long Islanders are leading the charge."

Currently, the largest offshore wind facility in the world is the 630-MW London Array, a 175-turbine facility off England's eastern coast, in the outer Thames Estuary. DONG Energy is building tandem wind farms off the Dutch coast that will total 700 MW.

Entergy in Talks to Sell FitzPatrick to Exelon

Deal Contingent on Subsidies

Entergy said Wednesday it may sell its troubled James A. FitzPatrick nuclear plant to Exelon if New York approves the proposed Clean Energy Standard, which would provide large subsidies to nuclear stations.

If New York cannot agree on those subsidies, Entergy said, it will go forward with its plans to cease operations by January.

"In keeping with our corporate strategy to move away from merchant power markets and toward a company operating exclusively as a utility in regulated markets, we are working with Exelon to come to commercial terms on a sale transaction that depends largely on the final terms and timeliness of the New York State Clean Energy Standard," Entergy Wholesale Commodities President Bill Mohl said. "We thank New York Gov. Andrew Cuomo for his leadership in promoting the Clean Energy Standard."

Cuomo called the possible sale "welcome news."

"My administration has been working closely with both companies to find a way to keep this vital energy resource operating," Cuomo said in a statement. "While there remains much work to be done, I am pleased that significant progress is being made.

"I have directed various state entities to continue working with the parties involved

Continued on page 14

NYISO NEWS

NYPSC Extends Comment Period on Nuclear Subsidy

By William Opalka

Nine Mile Point

The New York Public Service Commission last week extended the comment period on a proposed multibillion-dollar nuclear power subsidy by four days, until Friday (15-E-0302).

The comment period on a July 8 staff proposal, providing subsidies for the upstate nuclear fleet for up to 12 years, was to have ended on Monday. Environmental groups, industrial customers and anti-nuclear activists had sought a 45-day comment period.

"These extensions are granted for the fair, orderly and efficient conduct of these proceedings," the PSC said Friday.

Political and labor leaders and economic development proponents in the Finger Lakes region have embraced the proposed zero-emission credit for financially stressed nuclear power plants. It is part of the proposed Clean Energy Standard, which seeks to transition the state to 50% renewable energy by 2030.

But the ZEC proposal has been opposed by some environmental organizations.

"Staff's earlier cost estimates for the nuclear tier ranged from $59 million to $658 million over the first seven years. Now, under the new proposal, staff estimates the first two years will cost nearly $1 billion. Over the life of the program, it could amount to over $7 billion," the Alliance for a Green Economy wrote in its petition seeking an extension last week.

Exelon, which owns three nuclear plants on Lake Ontario, opposed any extension that would prevent the commission from voting on the proposal at its next scheduled meeting Aug. 1. It repeated its position last week that any delay jeopardized its attempt to schedule a $55 million refueling of its Nine Mile Point 1 reactor next spring. (See *Exelon Threatens to Close Nine Mile Point 1*.)

The company said it needs a signed contract guaranteeing the continued operation of Nine Mile Point by Sept. 30 to prevent the plant's retirement.

The company also started a separate proceeding to obtain subsidies through a cost-based regulatory order in the event the CES did not get approved in time. That proceeding is pending.

Exelon also owns the R.E. Ginna plant, which also could close at the end of March when its reliability support services agreement with Rochester Gas & Electric expires, and is in negotiations to acquire Entergy's James A. FitzPatrick plant. (See *Entergy in Talks to Sell FitzPatrick to Exelon*.)

Entergy in Talks to Sell FitzPatrick to Exelon

Continued from page 13

to finish the job. I am hopeful that a definitive agreement will be reached to ensure these benefits to New Yorkers are realized."

The proposed nuclear subsidies are a recent addition to the state's Clean Energy Standard. The clean energy blueprint would mandate use of renewable energy for half of the state's electricity by 2030.

According to a July 8 report by the staff of the New York Public Service Commission, the nuclear subsidies would total $965 million over the first two years while providing economic and environmental benefits through carbon reductions, supply cost savings and property tax benefits of about $5 billion (Case 15-E-0302).

Initial cost estimates for the nuclear subsidies were $59 million to $658 million through 2023, with net benefits of about $1 billion. (See *NYPSC: Minimal Cost to Meet 50% Renewable Goal*.)

Three plants in the state — FitzPatrick and Exelon's Nine Mile Point and R.E. Ginna — would be eligible for the subsidies. Cuomo wants to exclude Entergy's Indian Point, which he wants shut down because of its proximity to New York City.

When the nuclear subsidies in the Clean Energy Standard were first announced, Entergy said they would have no effect on its plans to close FitzPatrick. But the company said Wednesday that its decision to seek a sale to Exelon is "consistent with Entergy's commitment to consider any viable option that would allow FitzPatrick to remain in operation."

Exelon spokeswoman Lacey Dean confirmed the talks on Wednesday, saying a deal would be "subject to several firm conditions."

In addition to approval of the Clean Energy Standard, Dean said, the conditions were a guaranteed long-term revenue stream for the plant and an immediate positive impact on Exelon's earnings.

She declined to say how long the talks had been in progress or if a purchase price had been discussed.

NYISO NEWS

NYPSC Declares Moratorium on ESCO Low-Income Sign-ups

By William Opalka

The New York Public Service Commission on Thursday declared a moratorium on energy marketers signing up low-income customers, citing the inability of stakeholders to agree on consumer protection reforms (12-M-0476, *et al.*).

The commission voted 3-1 to impose the moratorium, which takes effect in 60 days.

The PSC ordered a stakeholder collaborative after its February 2015 order requiring energy service companies to guarantee that low-income consumers enrolled in utility assistance programs will pay no more under an ESCO contract than they would have as a full-service utility customer. (Alternatively, the ESCO must provide the customer with value-added products or services that do "not dilute the effectiveness of the financial assistance programs.")

The collaborative, which included ESCOs, low-income advocates, utilities and regulators, was unable to reach a consensus that would have satisfied the aims of the order.

Commissioner Diane Burman opposed the moratorium. "The statements in the conclusion [of the order] seem to [be] more in the nature of an advocacy, rather than in a reasonable balancing of the issues that we're supposed to deal with as regulators," she said.

Burman said the collaborative's report showed that some ESCOs were willing to offer savings but that the "pathway" for further discussion was cut off by the moratorium.

PSC Chair Audrey Zibelman said that the first imperative was to "do no harm" while the commission dealt with further enhancing consumer protections.

"The record is clear that low-income customers have not benefited from electric and gas supply services from ESCOs when that's all that's being purchased. The commission is taking steps to ensure energy affordability for low-income customers," Zibelman said in a statement. "Unless and until these guarantees can be made, it is critical that we ensure that low-income customers are not paying any more than necessary for gas and electricity. We challenged the competitive retailers to look for ways to guarantee savings at or below the cost of utility-supplied power and gas."

The action follows a PSC order in February 2016 that mandated savings for most retail customers. That order has been challenged by retail energy marketers. (See *Court Delays New York 'Guaranteed Savings' Rules*.)

The PSC estimates that there are more than 400,000 low-income customers served by ESCOs. Low-income customers represent about 25% of all electric customers in the state.

Customers currently served by an ESCO will revert to the host utility's default service when their contract expires. The moratorium will last until the commission determines it can be lifted, the order states.

FERC Orders Investigation of Tree Cutting on NY Pipeline Route

By William Opalka

FERC on Wednesday directed staff to begin an investigation of alleged illegal tree-cutting along the New York section of the Constitution Pipeline route despite a finding that state officials' demands for a stay and sanctions were "procedurally deficient" (CP13-499).

The order was in response to New York Attorney General Eric Schneiderman's complaint in May that the pipeline's developers allowed tree-cutting in defiance of a FERC prohibition in New York. Constitution denied the allegations and asked FERC to dismiss the complaint. (See *Constitution Asks FERC to Dismiss New York Complaint*.)

"While procedurally deficient as a complaint and petition, the May 13 filing may constitute a valid request for investigation," FERC wrote. "Accordingly, the commission construes it as such and refers this matter to commission staff for further examination and inquiry as may be appropriate."

Schneiderman alleged there is "a reasonable basis to conclude that Constitution expressly or tacitly authorized, encouraged and/or condoned the tree and vegetation cutting, clear-cutting and other ground disturbance activities" within the pipeline's 99-mile right of way in New York. Tree cutting had been allowed by FERC in the approximately 25-mile section in Pennsylvania.

FERC said Schneiderman's filing was deficient because it "does not include any specific facts to support such allegations, but instead relies upon speculation."

The New York Department of Environmental Conservation in April denied a water quality permit, effectively stopping the project. Constitution has appealed in federal court. (See *Constitution Pipeline Appeals Rejection of Water Permit*.)

While ruling that the New York complaint was insufficient, FERC said that Constitution could "face potential sanctions" if it failed to comply with its regulations.

The pipeline, intended to bring Pennsylvania shale gas into New York and New England, is being developed by Williams Partners, Cabot Oil & Gas, Piedmont Natural Gas and WGL Holdings. It received FERC approval in December 2014.

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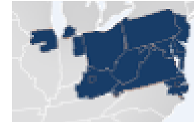
PJM NEWS



PJM Plans for Changes in Tx Flows Without Con Ed-PSEG 'Wheel'

By Rory D. Sweeney

Preparing for next year's termination of the Con Ed-PSEG "wheel," PJM is using a three-pronged approach to coordinate stakeholder efforts through its Operating, Markets Implementation and Planning committees.

Each committee received updates last week on Consolidated Edison's decision not to renew the agreement, under which NYISO moves 1,000 MW from upstate generators through Public Service Electric and Gas facilities in northern New Jersey to serve Con Ed load in New York City.

Con Ed said it would not renew the agreement, which began in the 1970s, after receiving a $680 million bill for two transmission upgrades in PSE&G territory — cost allocations that Con Ed complained were unreasonable. (See *Con Ed-PSEG 'Wheel' Ending Next Spring*.)

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

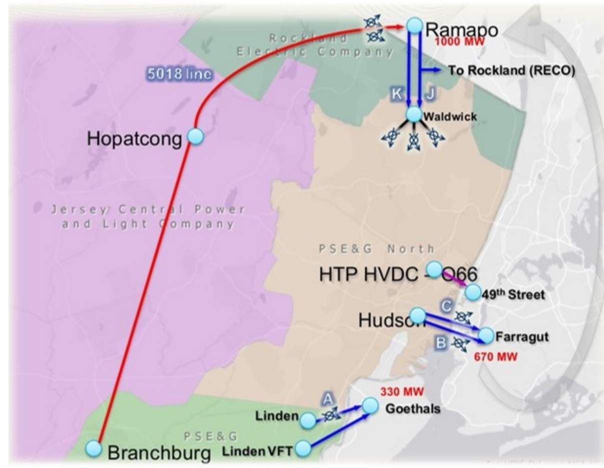
The transmission contract for the wheel expires May 1. Con Ed informed the grid operators that it found cheaper alternatives.

PJM and NYISO are collaborating on a replacement protocol that maintains reliability and is mutually beneficial to both grid operators. The protocol will adhere to FERC's open access rules and support any existing market-to-market exchanges, PJM said. It will utilize existing infrastructure and won't address merchant facilities, they said.

The Impact of PARs

Several stakeholders expressed concern that PJM's goal of "free-flowing ties" would be hampered by the eight phase angle regulators (PARs) that currently govern the direction of flows on lines connecting the RTO with NYISO. There are one each on the A, B and C lines that flow 1,000 MW from PSE&G into New York, three just south of Waldwick on the J and K lines that flow the 1,000 MW into PSEG from upstate and two on the Branchburg-Ramapo 5018 line.

One of PARs on the 5018 line owned by Con Ed failed in June, and it was unclear whether NYISO and Con Ed plan to replace it. Participants asked if the PARs could be removed. "I worry about PJM calling balls and strikes on market optimization," said Ed Tatum, vice president of transmission for American Municipal Power.



Overview of PSE&G-Con Ed 600/400 contract *Source: PJM*

Several participants questioned why the PARs must be kept at all. Speaking after the meeting, Mike Bryson, PJM's vice president of operations, explained that NYISO has always had a philosophy of using control devices to manage congestion and loop flow.

'Insider Information'

Other participants expressed concern that the discussions between PJM, NYISO, PSEG and Con Ed haven't been transparent. Dave Pratzon of GT Power Group, which represents some generators, asked for confirmation that the discussions haven't included any "insider information."

Bryson said PJM has ensured that conversations never overstepped the rules. "When we approach that line, we back the parties away," he said.

Wheel's New Look

PJM officials said further detail wouldn't be available until August's MIC meeting because of the timeline required to approve changes to the PJM-NYISO joint operating agreement. A broader picture wouldn't be available until September.

Tim Horger, manager of market simulation at PJM, said the New York interface will likely be changed to model what's "actually going to happen in real time."

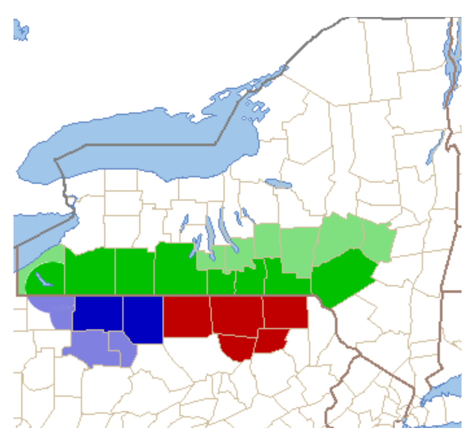
Both NYISO and PJM ran independent studies to determine interchange flows unconstrained by PARs — what they called "natural flow." The studies were based on a summer peak case and found that 32% would flow over the western ties that connect between the "Twin Tiers" of Pennsylvania and New York, while 68% would interchange between the eastern ties involved with the wheel.

PJM engineer Asanga Perera said that part of the wheel's benefit today is that the 1,000 MW coming into New York City from New Jersey pushes back on bottlenecks north of the city so it doesn't see additional congestion.

Cost Allocation

With Con Ed out of the picture, the $680 million in upgrade costs will be reallocated to the existing stakeholders based on guidance in PJM's manuals, officials said.

In response to a request from Tatum, PJM Vice President of Planning Steve Herling said he would look into providing a document answering frequently asked questions about the change and any public documents that governed the decision-making process.



The Twin Tiers *Source: J. Myrle Fuller*

PJM NEWS

Financial Marketers Call Hogan for the Defense

Economist: More Virtual Transactions, Less Focus on Deviations Will Improve Efficiency

By Rory D. Sweeney

Fighting a PJM proposal to impose uplift costs on up-to-congestion trades, the Financial Marketers Coalition last week enlisted one of the intellectual pioneers of electricity markets in its defense.

Presenting the conclusions from his white paper on virtual trading, Harvard economist William Hogan told the Energy Market Uplift Senior Task Force that PJM should eliminate uplift costs from all financial transactions rather than extending them to UTCs.

UTC volumes have withered since September 2014 after FERC ordered a Section 206 proceeding to determine whether the RTO is improperly treating UTCs differently than increment offers (INCs) and decrement bids (DECs) (EL14-37). Unlike UTCs, INCs and DECs are subject to uplift charges and the financial transmission rights forfeiture rule. (See *PJM Traders Continue to Shun UTCs on Uplift Fears*.)

Hogan said PJM's October 2015 paper, which recommended charging UTCs, was too narrowly focused and failed to acknowledge some of virtual transactions' benefits, including countering market power, improving market efficiency and hedging real-time market risks.

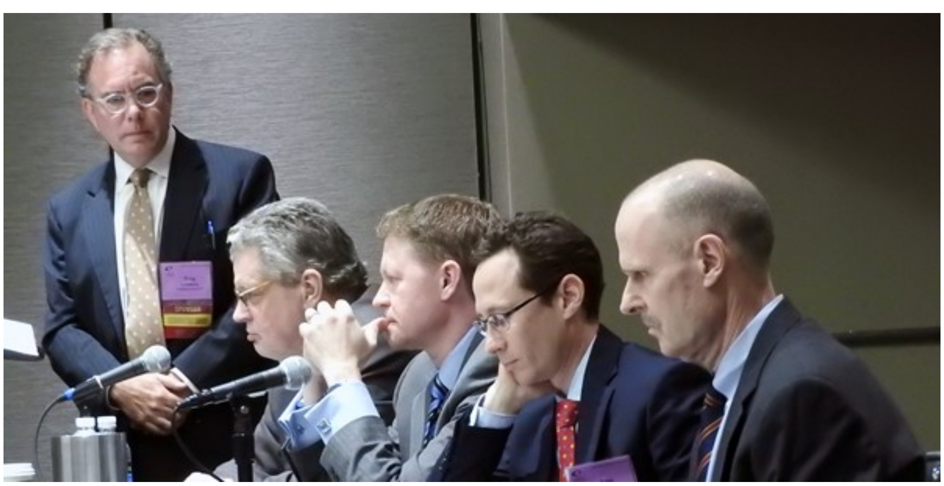
"Uplift can arise for many reasons. … The focus on deviations, which are used for allocating uplift costs, do not go hand in hand with added uplift costs," said Hogan, the Raymond Plank Professor of Global Energy Policy at Harvard's John F. Kennedy School of Government. "We want to be careful about using [deviations] as a measure of failure of the system and then using that to allocate a subcategory of the costs."

He suggested exempting virtual trading from uplift charges and allocating the costs instead to the "real-time gluttons" — consumers who won't respond to even the most extreme price signals.

It's "foolish," he said, to think that the costs could be allocated anywhere other than consumers. "In the end, in equilibrium, the load's gotta pay," he said. "Aggregate efficiency should be the standard."

'Reversal of the Conventional Wisdom'

Hogan's stature — Public Utilities Fortnightly has called him "the chief architect of wholesale electric market design in the United States" — makes him a valuable ally. Among his other clients have been numerous utilities, MISO, ISO-NE and the Electric Power Supply Association, which enlisted him in its unsuccessful bid to eliminate FERC oversight of demand response. He was also among the experts who defended Richard and Kevin Gates' Powhatan Energy Fund in their high profile campaign against FERC market manipulation charges.



At this year's Energy Bar Associates Annual Meeting, from left to right: Greg Lawrence, William Hogan, David Patton, Sam Newell and Joe Bowring © *RTO Insider*

Hogan conceded that his position on virtual trading represents a "reversal of the conventional wisdom." He rejected arguments by those who contend that virtual bidding provides no significant benefits and thus extracts money via what a 2015 paper by Massachusetts Institute of Technology economist John E. Parsons and three FERC analysts termed "parasitic" profits.

He highlighted two studies — one focused on California and the other on ISO-NE — that concluded virtual transactions increased price convergence between the day-ahead and real-time markets and reduced dispatch costs. While "not a dramatic number — a single-digit percentage of improvement" — the studies showed how virtual transactions help smooth out the "lumpiness" of unit commitment costs, Hogan said.

"The inclusion of the convergence bidding and the virtual bidding made the whole system operate more efficiently," he said. "Neither of these studies go all the way, but they are very suggestive."

Hogan also took on PJM Independent Market Monitor Joe Bowring, who contends that UTC transactions are increasing shortfalls in FTR funding and that PJM should consider NYISO's model, which limits virtual transactions to zones or hubs. (See *Bowring: UTCs Boost FTR Shortfalls* and *PJM Ponders Changes to Virtual Trades, DA Market*.)

Hogan said new recommendations contained in Bowring's 2015 State of the Market report would result in the "undoing [of] financial transmission rights."

"Forgetting … the larger context linking the market design economics to engineering principles can result in analyses and recommendations that can neglect the requirements of efficient electricity market design and recreate problems already solved," Hogan wrote. (See "Financial Transmission Rights," *Bowring Urges Return to 'Fundamentals'*.)

Hogan was more conciliatory toward PJM's

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Financial Marketers Call Hogan for the Defense

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2015 paper, which he credited as "generally supportive of the contribution of virtual transactions as improving overall market performance" despite being issued "in a context where virtual bidding is under attack." (See PJM Suggests Changes to Virtual Transactions.)

But he said the examples cited in PJM's report "do not provide a framework for evaluating the overall cost and benefits of virtual transactions," a task he acknowledged "is not easy."

"The limited available analyses from other regions indicate that the benefits are material and outweigh the costs, but no available studies cover all the relevant issues."

Focus on Deviations

PJM's uplift charges totaled $314.2 million in 2015, down from $960.5 million in 2014, when costs spiked as a result of the polar vortex.

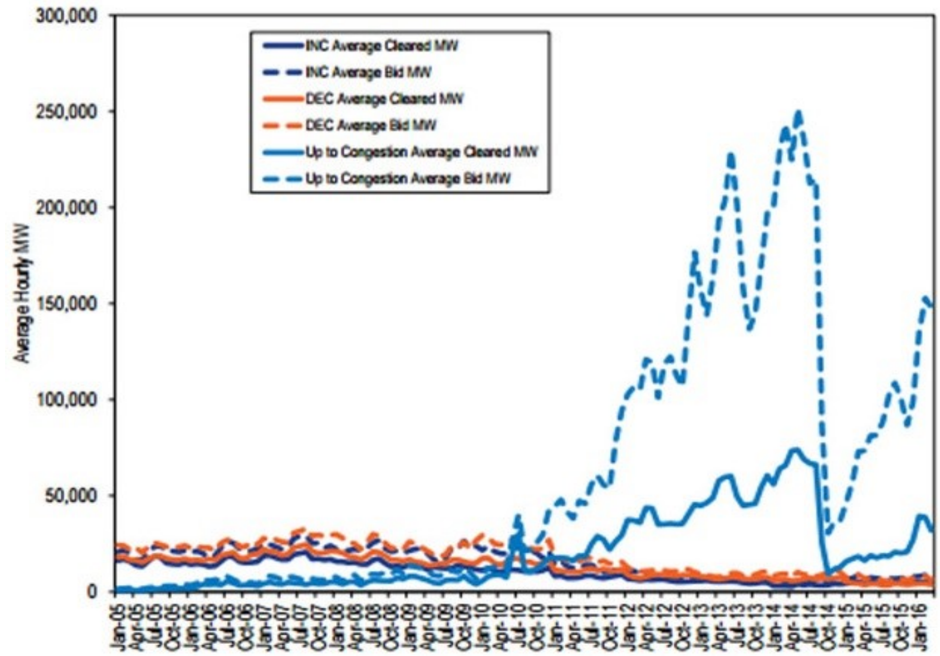
Because LMPs do not cover all production costs, uplift payments — or "residual" charges — are required to make generators whole. The biggest component of PJM's uplift charges is the balancing operating reserve (BOR), the costs of which are allocated based on real-time deviations from day-ahead schedules.

Hogan said allocating uplift costs according to the deviations is inappropriate and "particularly problematic for virtual transactions, which by design involve a 100% deviation."

He also said PJM's cost allocation "does not arise from any fundamental model … [implying] that the allocation method is more an administrative compromise than the product of a principled analysis."

Some deviations are expected and inevitable, Hogan said, citing the "lumpiness" of unit commitment costs. As an example, he described a generator being priced too high to clear the day-ahead market but clearing during the later reliability run.

Because uplift is a result of residual costs,



Monthly INCs, DECs and UTCs (MW), January 2005 to March 2016 *Source: Monitoring Analytics*

attempting to figure out the cost causation "is a fool's errand," Hogan said.

"The important question is the aggregate net benefit of virtual transactions, not the residual cost. If virtual transactions increase the net benefits in the market, then there is no incentive-based reason to assign additional costs to virtual transactions.

"Allocating the uplift costs to network connection charges would be better than adding to a so-called 'uplift' charge on load billed per megawatt-hour," he continued. "If an uplift charge is necessary, it should be allocated to the least price-responsive loads. If a nondiscriminatory uplift charge is required, it should be spread across the widest possible base of loads that cannot bypass or avoid the charge."

Hogan said the "principal problem" PJM identified with virtual transactions is a "computational burden that would be only indirectly affected by uplift allocations and could be addressed through other means with fewer negative consequences for the broader market design, such as by continuation of bidding budgets that allowed flexibility in the choice of virtual transactions."

Recommendations, FERC Action

In addition to calling for an end to uplift charges, Hogan identified two other recommendations that differed from PJM's:

- Analyze the impact of virtual trading on unit-commitment decisions rather than assume differences between day-ahead and real-time conditions. "The PJM analysis refers to the importance of commitment decisions throughout the report but does no explicit analysis of those commitment decisions," Hogan said. "The absence of the analysis undermines the PJM conclusions."
- Increase the number of locations at which virtual transactions may be placed.

FERC is long overdue to issue a ruling in its Section 206 inquiry. In opening the docket, FERC said it would rule within five months after it receives comments following a technical conference. The conference was held in January 2015 with follow-up comments due at the end of May.

However, the commission may be delaying action to see what emerges from PJM's stakeholder process. The task force, which has been discussing the issues since July 2013, is scheduled to meet next on Sept. 1.

PJM NEWS

PJM Defends Analysis of Competitive vs. Regulated Markets

By Suzanne Herel

PJM CEO Andy Ott released a letter July 8 defending the RTO's paper on competitive markets, saying that while it believes its markets are effective in both regulated and competitive retail structures, it did not conclude that any market outcome was superior to cost-of-service regulation.

"Instead, our analysis supports the hypothesis that markets lead to more cost-effective and economically efficient outcomes in managing new entry and exit of resources," Ott wrote. "But this is purely an economic observation and is not to suggest that markets lead to the 'best' or 'most superior' outcomes for all parties in all circumstances." (See *PJM Study Defends Markets, Warns State Policies Can Harm Competition*.)

Ott also indicated PJM would consider adding multiyear commitments to the capacity market's current one-year contracts, which are procured three years in advance.

AEP, FirstEnergy Challenge

A coalition of generators led by American Electric Power and FirstEnergy challenged PJM's analysis in a letter May 19, saying it presented a skewed view of the benefits of competitive constructs compared with the traditional regulated model. (See *Generators Rebut PJM Study on Investment in Competitive Markets*.)

AEP and FirstEnergy were joined by Dayton Power and Light, Duke Energy Ohio and Kentucky, Buckeye Power and East Kentucky Power Cooperative.

PJM's Board of Managers commissioned the study after AEP and FirstEnergy asked Ohio regulators, and Exelon asked Illinois legislators, for help in supporting money-losing generators. (See *PUCO Staff Recommends $131M Annual Rider for FirstEnergy*.)

On July 7, Exelon officially notified PJM of its plan to close its Quad Cities nuclear plant on June 1, 2018, citing a lack of action by Illinois legislators. It also intends to shutter its Clinton station next year.

In his letter, Ott said, "As a threshold matter, we agree that cost-of-service regulation has managed the entry and exit of generation resources in a highly reliable manner over many decades. Indeed, as we noted in Part 2 of the PJM paper, regulated environments offer a forum to balance social, political and environmental interests alongside electricity costs to the consumer. … PJM also believes, however, that markets result in a more cost-effective and economically efficient approach to procuring adequate generating resources."

Coal Retirements not Unique

Ott acknowledged concerns over generation retirements in PJM, but he said, "The retirement of coal generation and its replacement with combined cycle natural gas power plants is happening across this country; it is not unique to PJM."

He also combatted generators' assertion that PJM's competitive markets owe their success to legacy assets and that it has relied on its pre-existing reserve margin for a decade.

"PJM forward projections indicated installed reserve margins were declining and would fall below 16% in 2008. In order to address these concerns, PJM proposed and implemented the [Reliability Pricing Model] forward capacity construct under which the declining reserve margin trend reversed," he wrote. "Despite unprecedented forces changing the generation fuel mix in this country, PJM's forward capacity market has maintained robust installed reserve margins. For the 2019/2020 planning year, PJM is carrying an approximate 22% reserve margin."

Fuel Diversity

The regulated model, he said, lends itself to sacrificing some of that objective in favor of others, including promoting fuel diversity.

"While the recent investment trends have actually made PJM's aggregate fuel mix more diverse over the past decade, PJM understands the concern that we need to analyze and quantify any potential operational or reliability challenges that may occur if the PJM region trends toward a very large percentage of gas-fired generation in the future," Ott wrote. "PJM commits to perform such an analysis and will share results with stakeholders by first quarter of 2017."

Ott

Multiyear Commitments

He added that PJM agrees in concept that the capacity market would be strengthened by the addition of some multiyear commitments.

"On this point, we agree that through bilateral agreements or market design changes, the market would be served by better options to lock-in price [and] manage risk and volatility for at least a portion of the supply portfolio," he said.

In contrast with the negative reception it received from utilities in Ohio and Kentucky, PJM's paper was lauded by the PJM Power Providers Group (P3) and a coalition of 16 independent power producers, including Calpine, Dynegy, NRG Energy and Talen Energy in letters last month.

"When markets are allowed to work, and are not undermined by out-of-market interventions or uneconomic new entry, consumers across the region will continue to see highly reliable service at the most efficient price," wrote the IPPs.

Both P3 and the IPPs noted the new natural gas capacity added or proposed in the past five years.

"The IPP sector continues to lead this new investment, and the competitive PJM market structure has been the enabling platform on which these investment decisions have been made," the IPPs said. "What PJM's markets have not done — and should not do — is provide protection for certain suppliers who want to be shielded from market risk."

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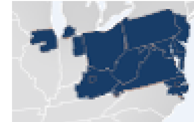

Clean Energy Advocates Appeal FERC's Capacity Performance Rulings

By Suzanne Herel

Environmental groups and others have asked the D.C. Circuit Court of Appeals to review FERC's approval of PJM's Capacity Performance model, saying the rules unfairly limit participation by renewables and demand response.

The new rules, created in response to the high number of forced outages during 2014's polar vortex, aim to improve reliability by increasing the rewards for capacity resources that provide power when called on during times of high demand and increasing the penalties on those that fail to do so.

One of the challenges was submitted by the Natural Resources Defense Council, the Sierra Club, Union of Concerned Scientists and Earthjustice. Another was filed by the Advanced Energy Management Alliance, a trade association representing DR providers and their customers. American Municipal Power, an organization of municipal utilities, filed a third challenge July 6. The court consolidated those petitions.

Then on July 8, another challenge was submitted by American Public Power Association, National Rural Electric Cooperative Association, New Jersey Board of Public Utilities and the Public Power Association of New Jersey.

Also on July 8, FERC suspended its 30-day deadline for acting on requests for rehearing of its May 2016 order rejecting challenges to the CP rules (ER15-623-010, EL15-41-002, EL15-29-006). (See *FERC Rejects Challenges to PJM Capacity Performance*.)

The environmentalists said that ruling, and FERC's June 2015 order approving CP, conflict with the Federal Power Act (ER15-623, EL15-41, EL15-29).

"In addition, the new rules will funnel billions of dollars from electricity consumers to fossil and nuclear power plants while severely limiting clean energy participation in PJM's capacity market," said Jennifer Chen, an attorney for the Sustainable FERC Project, which is housed within the NRDC.

Competition from more and diverse resources reduces energy prices, Chen wrote in a blog post. The new model will limit the participation of clean energy sources such as wind, solar and DR, driving up costs, she said.

While the new rules allow summer and winter resources to aggregate a single capacity offer, no aggregate offers were submitted in the first Base Residual Auction with CP for delivery year 2018/19.

In the second auction under the new rules in May, only 6% of cleared DR resources qualified as CP, compared with 9% of wind and one-tenth of 1% of solar.

Base capacity resources, which are not held to CP standards, will be eliminated for the delivery year 2020/21.

In addition to increasing prices, the CP rules will "punish the same clean energy and demand response resources that helped keep the lights on during the extreme weather events of the last couple of years," said Casey Roberts, staff attorney with the Sierra Club.

The impact of CP on capacity prices is not yet clear, however.

PJM's first auction under CP last August saw prices rise 37% to $165/MW-day in most of the RTO, while the ComEd and Eastern MAAC regions cleared at more than $200.

But in the second auction, prices dropped to $100/MW-day in most of the RTO. Eastern MAAC fell to $120 while the ComEd zone cleared at $203. (See *PJM Capacity Prices Fall Sharply*.)

The subject of accommodating seasonal resources in the new model has been the subject of much debate.

At PJM's annual meeting in May, state consumer advocates urged the Board of Managers to change the new rules to allow more participation by DR, energy efficiency and solar resources by procuring capacity seasonally. (See *Consumer Advocates, Enviros Press PJM on Seasonal Capacity*.)

Also in May, the Markets and Reliability Committee approved a charter for the new Seasonal Capacity Resource Senior Task Force. The motion passed with 68% of a sector-weighted vote, with some members voicing concern over its potential to undermine the CP product. (See *MRC Approves Charter for Seasonal Capacity Effort*.)

Del. Lawmakers Resolve to Fight Artificial Island Cost Allocation

The Delaware General Assembly has passed a resolution opposing PJM's cost allocation for the Artificial Island project and creating a seven-member Cost Equity Committee to follow the issue through a planned rehearing at FERC.

Senate Concurrent Resolution 90 takes the place of a resolution approved by the state's House of Representatives urging the Department of Natural Resources and Environmental Control to deny any easement request related to the project under the current cost allocation method. (See *Del. Lawmakers Try to Block Artificial Island Plan; Project Still on Track*.)

The Delaware Public Service Commission estimates that under the PJM transmission owners' distribution factor cost allocation method (DFAX), about $354 million of the projected $410.5 million project cost will be assigned to customers in the Delmarva transmission zone, while the area stands to receive only 10% of its benefits. Following a January technical conference, FERC approved the Artificial Island project's cost allocation on April 22. On June 21, it agreed to a rehearing. (See *FERC Taking a Second Look at Cost Allocation for 2 PJM Projects*.)

In addition to giving the new committee the authority to intervene in the rehearing, the measure also grants the group permission to be involved in any related court proceedings.

State and federal legislators representing Delaware, Gov. Jack Markell of Delaware, Maryland Gov. Larry Hogan and various agencies representing Delmarva ratepayers have bombarded FERC and the PJM Board of Managers with letters criticizing the cost allocation. (See *Stakeholders Ask FERC to Rehear Cost Allocation Order*.)

The upgrade to the New Jersey complex that houses the Salem and Hope Creek nuclear reactors involves sinking a new 230-kV transmission line under the Delaware River to Delaware.

— Suzanne Herel

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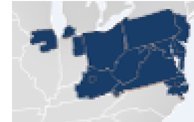

FERC Rejects PJM Cost Allocation on Dominion Project

LaFleur: TOs May Be Circumventing Competitive Bidding

By Rory D. Sweeney

FERC accepted PJM's cost responsibility assignments for 33 of 34 baseline upgrades, ordering the RTO to change the billing for one Dominion Resources project and revise its Operating Agreement to address inconsistencies (ER16-736, EL16-96). PJM's Board of Managers approved the projects in December as additions to its Regional Transmission Expansion Plan.

The commission rejected the cost assignment on Dominion's 500-kV Cunningham-Elmont rebuild project (b2665), saying it should be funded solely by Dominion ratepayers rather than spread across the region.

FERC said PJM's proposal was inconsistent with its February order that transmission owners should pay all of the cost of projects that solely address a TO's local planning criteria. (See *FERC Does 180 on Local Tx Cost Allocation in PJM*.)

The commission gave PJM 30 days to submit a compliance filing "to reflect the appropriate cost responsibility assignment" — allocated to the transmission owners' zones via the solution-based distribution factor (DFAX) method.

PJM had proposed the DFAX method for 30 other low-voltage projects addressing local planning criteria. Costs of the three other projects — involving 500-kV or double-circuit 345-kV lines — will be allocated 50% on a regionwide, postage-stamp basis and 50% via DFAX.

Commissioner Cheryl LaFleur dissented on the b2665 decision, noting it involved a 500-kV line. "High-voltage lines in PJM have inherent regional benefits that warrant some measure of regional cost allocation," she said.

She also reiterated concerns she's noted previously that incumbent TOs may be delaying action on transmission upgrades until the projects become immediately necessary and therefore no longer subject to competitive bidding under Order 1000.

"It is important that incumbent transmission owners report their transmission needs to PJM in a timeframe that allows PJM to meet them in a timely manner, and open them to competitive bidding requirements if they are not in fact immediate," she wrote. "If it appears over time that incumbent transmission owners may be postponing identification of transmission needs to avoid competitive bidding, further action may be needed to ensure that customers receive the intended benefits of Order No. 1000 planning processes."

OA Inconsistencies

The commission also ordered PJM to correct inconsistencies in its Operating Agreement.

The agreement requires that the transmission owner be the designated entity when 100% of the project costs are allocated to the transmission owner's zone, as in Form 715 projects. However, another section of the Operating Agreement appears not to exempt Form 715 projects from the competitive proposal process. FERC required PJM to clarify that exemption and the process the RTO will follow in these situations.

The second inconsistency involved determinations for how proposals qualify as "immediate-need" reliability projects. The commission found it "proper" for PJM to use the date a reliability need must be addressed rather than the expected in-service date and said the agreement needs to reflect that.

FERC gave PJM 30 days to submit revisions or explain why such changes are unnecessary. Parties interested in intervening must file notices within 21 days.

The commission expects to file a final order on this proceeding with 180 days from publication in the *Federal Register*.

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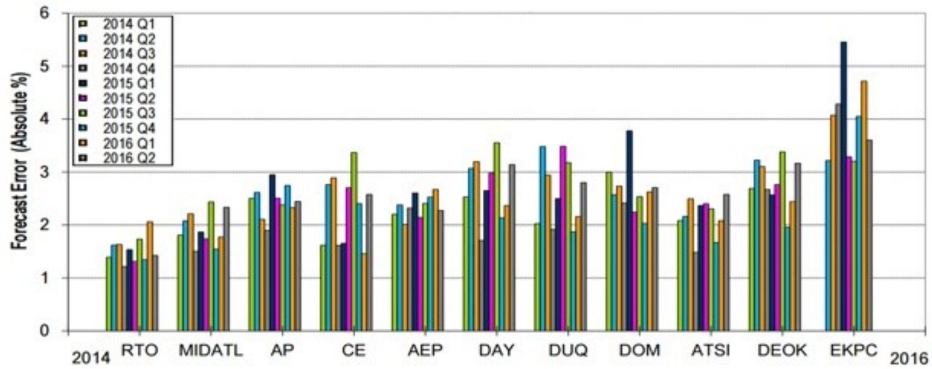
OC Briefs



Average peak load forecast error by zone *Source: PJM*

ComEd Lines Felled by June Tornado Back in Service

VALLEY FORGE, Pa. — Two 345-kV lines that were knocked out when a tornado leveled four transmission towers in Commonwealth Edison territory on June 22 were back online as of July 12, PJM's Chris Pilong told the Operating Committee last week.

The twister hit near LaSalle, in North-Central Illinois, around 10 p.m., he said, tripping the Plano 0101 and Plano 0102 lines.

In response, a number of generators in the ComEd zone and other PJM areas manually reduced their output.

The effect of the eight-day outage was localized, with only minimal congestion of $136,000, Pilong said.

"There were no emergency procedures, nothing too crazy," he said.

On June 30, the Plano 0101 was restored using a temporary structure while the other line remained out of service. On July 10, Plano 0101 was moved onto a permanent structure, Pilong said. By the end of July 12, both lines had been restored.

EKPC Forecast Errors Puzzle Operators

In other reports on operations, Pilong noted that the Eastern Kentucky Power Cooperative zone has been showing an unusually high percentage of peak load forecast errors.

"There is something going on there. We're trying to dig into it and nail down who's high — is it just one entity?" he said. EKPC has 16 member cooperatives.

"It is a cause for concern, but it doesn't violate NERC criteria," Committee Chairman Mike Bryson said. "When we see a significant change like that, we want to understand what's causing it and see if we have to make any adjustments."

The average RTO-wide load forecast error performance for June was 2.57%, within the goal of 3%. EKPC's was highest, at 3.6%, down from 4.7% for the first quarter of the year.

CP Units to be Ineligible for Winter Testing; May Choose to Self-Schedule

Generators that have cleared as Capacity Performance will be ineligible to participate in the PJM-scheduled cold weather tests beginning this winter under changes to Manual 14D that the OC will be asked to endorse next month.

Non-CP resources will be eligible for testing and will be compensated as a pool-scheduled resource on their cost-based schedule.

CP resources may elect to self-schedule tests, enabling them to be compensated as a self-scheduling resource according to the Tariff.

Regardless of how the tests are performed, PJM wants to keep track of the results and is asking that they be submitted within five days of testing.

"When it included all units, there were a number of unit owners that told us they were testing outside of the program," Bryson said. "That's one of the things we're trying to capture."

The changes came after generators last month opposed a proposal to keep CP units in the testing but end their compensation. All capacity resources will be required to be CP beginning in the 2020/21 delivery year. (See "PJM Plans to End Compensation for CP Units Participating in Winter Testing," *PJM Operating Committee Briefs*.)

— Suzanne Herel

MIC Briefs

Members OK Clarifications to Preserve 'Physicality' of Auction-Specific Bilateral Transactions

VALLEY FORGE, Pa. — The Market Implementation Committee last week endorsed changes to Manual 18 clarifying rights and responsibilities under auction-specific bilateral transactions.

The trades — which are intended to be physical, not merely financial — are expected to become more popular under the tougher Capacity Performance rules, PJM said.

Members had asked for clarification on issues such as which party is entitled to bonus payments, which is responsible for performance and whether members would be indemnified if a party to a bilateral deal defaults. (See "PJM Proposes Clarifications to Bilateral Transactions," *PJM Market Implementation Committee Briefs*.)

To ensure the physicality of such deals, PJM offered the following clarifications: The rights and title to cleared capacity go to the buyer; the seller remains obligated to perform and to pay for any deficiencies; and the buyer will indemnify PJM Settlement if the seller defaults on its performance obligations. There were four abstentions.

Members to Study Ways to Prevent Black Start Billing Delays

The committee also approved a problem statement and issue charge to study annual revenue requirements for black start units.

The issue arose after a large number of such units entered service before their billing

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requirements were approved, leading to billing delays and large retroactive charges. Many were replacing retiring units. (See "Retroactive Black Start Billing Charges Focus of Proposed Study," PJM Market Implementation Committee Briefs.)

Current Tariff language does not clearly define the review process for the costs of new units entering black start service outside of the annual revenue recalculation period.

"Basically, what we're looking for is to put language in the Tariff and minimize the potential of billing delays," PJM's Tom Hauske said. "We've also added transparency for billing to the issue charge."

The issue will be worked by the full MIC and is expected to take six months.

Members Debate Ways to Release Excess Capacity into Incremental Auction

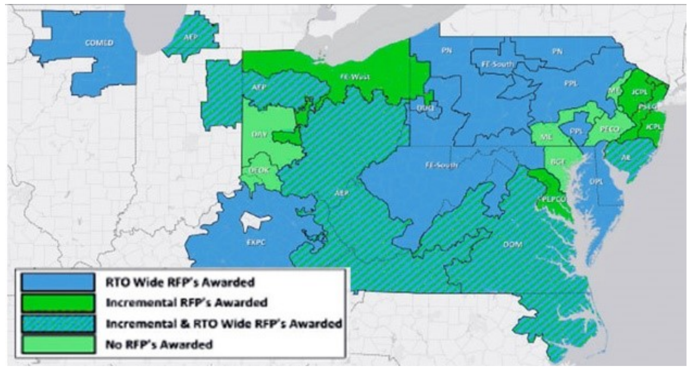
The MIC heard three proposals for how to release excess capacity into the third incremental auction for the 2017/18 delivery year, to be held in February.

PJM must file its plans with FERC by November. The RTO's proposal mirrors its approach for the 2016/17 third incremental auction. In that auction, PJM released 4,556 MW of capacity at an average price of \$4.79/MW-day, netting \$21,827/day. That reduced the RTO's total reliability charge by 0.103%.

At the time that PJM received permission from its members and FERC for a Tariff change to release the capacity for the 2016/17 incremental auction, it did not address the subsequent auction because the Supreme Court had not yet ruled on whether demand response resources would remain in the wholesale energy markets. (See *Supreme Court Upholds FERC Jurisdiction over DR*.)

Last week, stakeholders who said they felt the released capacity was worth much more presented alternate proposals.

One came from Direct Energy, which proposed a sloped offer curve for the sale of an estimated 10,000 MW. This price floor would help prevent supply resources from being able to cheaply buy out of their obligation at load's expense. (See "Price Floor for Incremental Auctions?", PJM Market Implementation Committee Briefs.)



Incremental and RTO-wide black start awards since 2012 *Source: PJM*

"We're reducing reliability for everyone with little financial benefit in exchange," Direct Energy's Jeff Whitehead said. "In the 2016/17 third incremental auction, PJM sold excess capacity for nearly \$5 [per MW-day] when the price in the rest of the RTO was \$60."

With a similar premise, Michael Borgatti of Gabel Associates presented a proposal on behalf of NextEra Energy that would make PJM's sell offer into the existing third incremental auction equal to the transitional incremental auction adder that the RTO currently charges to load.

He provided an example showing that selling all 10,017 MW of excess capacity would produce \$284,698/day in incremental revenue using the current charge of \$28.42/MW-day. Selling the same capacity at \$5.02/MW-day would bring in \$50,285/day.

Even selling just half of that capacity at the higher price would bring in more money — \$142,349 — than PJM could reap selling 10,017 MW at the \$5.02/MW-day price.

Dave Mabry, of the PJM Industrial Customer Coalition, likened the release of excess capacity at \$4.79/MW-day to a "fire sale," suggesting that PJM consider keeping the capacity.

Added Steve Lieberman of Old Dominion Electric Cooperative: "I do believe there is a break-even point where we'd rather have the megawatts than the money."

Independent Market Monitor Joe Bowring, who had to leave the meeting before the presentations, weighed in on the issue, saying simply, "You should not buy more capacity than you need. You should not sell it back for less than the price paid for it. It's bad for customers."

While the proposals addressed only the upcoming auction, Whitehead said he would be drafting a problem statement to study the issue on a long-term basis.

Special Session Planned on Fuel-Cost Policy Development

The MIC will hold a special session July 27 to further detail PJM's requirements for developing fuel-cost policies.

In June, FERC ruled that PJM "lacks provisions for sufficient review of cost-based offers and could permit a resource to submit inaccurate cost-based offers."

It ordered PJM to add to its Tariff and Operating Agreement a requirement that generators submit fuel-cost policies that are approved by the RTO prior to submission of cost-based offers, including a penalty structure for those that file inaccurate information (ER16-372).

PJM is required to make a compliance filing in the docket by Aug. 16. (See "Members Delay Endorsement of Manual 15 Changes Regarding Definitions, Fuel Cost Policy," *PJM Market Implementation Committee Briefs*.)

"We want to improve the process so that from a compliance perspective, PJM does not feel as exposed as we do today, given the way the process currently operates," said Stu Bresler, senior vice president of market operations.

Participants prodded PJM to move more quickly and be more definitive with its rulemaking process.

Lieberman expressed concern over being forced to draft policies in compliance with manual changes that are only in draft form and not yet approved.

He explained after the meeting that, with

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PJM NEWS

PC/TEAC Briefs

PJM Starts Process of Redesigning TEAC

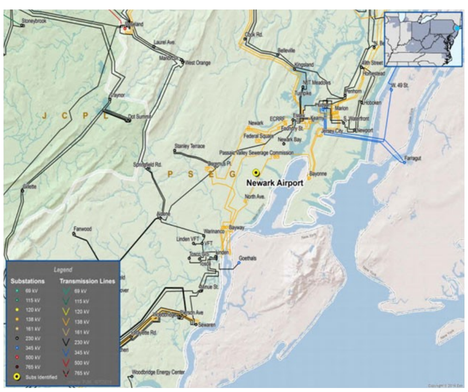
PJM planners have begun studying a redesign of the Transmission Expansion Advisory Committee process with the aim of providing more discussion, documentation and transparency through the Regional Transmission Expansion Plan cycle.

"We're looking at additional ways of doing that [rather] than the monthly meeting," Steve Herling, vice president of planning, told the Planning Committee.

The discussions — internal for now — stem from an April 29 "Order 1000 Lessons Learned" meeting, in which PJM proposed three tracks: a reliability project process document, an energy efficiency project process document and a TEAC redesign. A fourth track to address upgrade projects also was suggested.

"We will shortly be starting discussions around the market efficiency process and decision-making," Herling said. "We have been working internally with market folks to put together a draft set of documentation that will serve as a starting point. … Hopefully in another month, we should be getting to a point where we can air some of that with the membership."

For starters, Herling said, planners are looking at alternatives to the 12-month planning cycle.



PSEG transmission zone *Source: PJM*

New 345-kV Line Proposed for Newark Airport

The most efficient solution to Newark Liberty International Airport's need for additional energy resources is to introduce a third 345-kV line, PJM told the TEAC last week.

Because it is an immediate need, an RTEP window is not feasible, and all of the projected $43 million cost would be assigned to the local transmission owner, Public Service Electric and Gas, said TEAC Chair Paul McGlynn.

The upgrade is expected to be ready by June 2018, when the airport's expansion is set to be completed.

The airport's current load is about 40 MVA, but a planned new terminal will add about 33 MVA. Another 8 MVA is expected to be added by plans to extend the Port Authority Trans-Hudson (PATH) railroad.

Planned upgrades to Terminals B and C will increase the load even more.

Two new 345-kV underground cable circuits, part of the Bergen-Linden Corridor project, will serve the airport's load. But PSE&G would be unable to restore power within 24 hours if those lines were lost, McGlynn said, necessitating an additional line.

PJM Concerned PSE&G Equipment at the End of its Life

An assessment of the 138-kV circuits on PSE&G's Metuchen-Edison-Trenton-Burlington Corridor shows that they are at the end of their life and must be addressed, McGlynn told the TEAC.

"It would require expensive foundation work to get them back to where they need to be," he said, noting that a survey of the transmission lines indicated that 25% of the towers are exceeding their load-carrying design capability; 35% are at between 99% and 100%; and 81% are between 95% and 100%.

"It's at the end of life, and we need to do something about it," he said.

The 30 miles of line from Metuchen to Trenton is about 86 years old. The 22 miles from Trenton to Burlington is 75 years old.

Also of concern is PSE&G's Newark Switch, a 63-year-old substation with a transformer from 1927 and two others dating to 1958.

"If they were to fail, it could potentially take out the entire station," he said.

Two DOM Projects Change Scope, Boost Cost

Two projects in the Dominion transmission zone have undergone a change in scope, increasing their cost significantly.

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MIC Briefs

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approval targeted for mid-October and implementation likely in December, the timeline creates a "narrow" window to make and get approval for any necessary policy-submission changes prior to the compliance deadline. FERC's order for a PJM compliance filing on the issue further complicates the situation, he said, because the commission's ruling on that could come as late as mid-October and may require further filings from PJM.

"A member faces a lot of uncertainty prior to the start of winter and not a lot of time for resolution," he said.

Bresler acknowledged that the timeframe is "compressed."

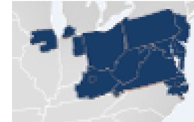
Carl Johnson, who represents the PJM Public Power Coalition, pressed for adding clarity on the process to the Tariff, including expected review periods and potential remedies for unapproved submissions. He said his members want to know "what it is they need to supply to PJM and be sure that once they've done that, they're going to get an approved policy."

Bresler acknowledged the comments and reminded participants that they need to retain enough documentation to validate the input to the cost-based offer they submit. He confirmed that once a policy is approved and a cost-based offer submitted, if additional market-power issues arise, they will go before FERC.

Bowring said his staff has developed a policy template for every fuel type. He said his interest is market-power mitigation. PJM ultimately approves or rejects the policies, and the Monitor reviews them beforehand to determine if they are consistent with not exercising market power, he noted.

— Suzanne Herel and Rory D. Sweeney

PJM NEWS



PC/TEAC Briefs

Continued from page 24

The cost of upgrading the overloaded Idylwood 230-kV bus has jumped from $55 million to $80 million following a detailed look at the cost of GIS breakers (gas-insulated high-voltage switchgear), permitting, labor, a security wall and transmission structures.

The project, addressing N-1 and N-1-1 thermal violations, is expected to be in service by Feb. 1, 2020.

Meanwhile, a proposal to expand the Halifax station to address thermal violations on the Halifax-Chase City 115-kV line has been scrapped because the station is located in a flood plain.

The need to build a new switching station outside of the flood plains boosted the price of the project from $26 million to $43.6 million, including the purchase of real estate. The work is expected to be complete by the end of the year.

Members Endorse Using Same Load Model for IRM Study

The Planning Committee unanimously endorsed the same load model PJM used last year for the 2016 reserve requirement study, the 10-year period from 2003 to 2012.

It will reset the installed reserve margin (IRM) for the next three delivery years and create an initial IRM for the first all-Capacity Performance delivery year in 2020/21.

The results of the study are expected to be presented in September, with a vote on the IRM the following month.

Members had endorsed the assumptions for the IRM study, proposed by the Resource Adequacy Analysis Subcommittee, at their last meeting. (See "Installed Reserve Margin Study Assumptions Endorsed," *PJM Planning Committee & TEAC Briefs*.)

A total of 55 candidates were studied. Two other models came close: the 12-year period from 2002 to 2013 and the 10-year span from 2004 to 2013.

The tie-breaker was determining which period achieved world load diversity, PJM's Tom Falin said.

New Shickshinny 500-kV Switchyard Proposed in Northeast Pa.

PPL is revising its transmission line designations as a result of the new Shickshinny switchyard for Moxie Energy's 850-MW gas-fired Freedom station outside of Wilkes-Barre, Pa. The existing Susquehanna-Lackawanna 500-kV line will be split into the Susquehanna-Shickshinny line (5067) and the Shickshinny-Lackawanna line (5062).

— Suzanne Herel and Rory D. Sweeney

PJM, Retail Marketers Intervene in Dayton Power Subsidy Bid

By Rory D. Sweeney

PJM and the Retail Electric Supply Association want a say in Dayton Power and Light's plan to keep its coal-fired plants running.

Both organizations have filed motions to intervene in DP&L's "electric security plan" application before the Public Utilities Commission of Ohio. If their past actions are any indication, they will voice objection to the plan, much as they did in similar cases involving FirstEnergy and American Electric Power, which are Ohio's two largest electric utilities. (See *PJM Looking at AEP, FirstEnergy PPAs; Critics Join Forces*.)

DP&L's application proposes a 10-year reliable electricity rider (RER), which would help parent company AES continue operating its fleet of coal-fired plants. Under the rider, DP&L would agree to acquire generation from the shares another AES subsidiary owns in the Ohio Valley Electric Corp. and the Conesville, Killen, Miami Fort, Stuart and Zimmer plants — all baseload coal-fired facilities DP&L used to own but was required to sell under its current ESP.

The rider would further stipulate that the difference between the revenue requirements of each plant and its expected revenue would be calculated annually. Depending on the outcome of the calculation, customers would receive a credit or a charge.

In announcing the application, DP&L estimated that, if approved, the first year of the rider in 2017 would result in an additional $1.21 charged to each monthly bill but "contribute an estimated $26.5 billion in positive economic benefits for Ohio."

In their filings, PJM and RESA said approval of the plan would have market-wide impacts.

"The commission's decision in this matter will affect the viability of the competitive retail electric market in DP&L's service territory," RESA said in its filing.

"The nature and extent of PJM's interest is to ensure DP&L's RER proposal will not negatively impact PJM's ability to administer efficient and competitive wholesale energy, ancillary service and capacity markets, and maintain the reliability of the transmission system in the PJM region," PJM's filing stated.

DP&L's plan has drawn criticism from environmental groups, including the Ohio Environmental Council and the Environmental Defense Fund. Both groups are also contesting similar proposals from FirstEnergy and AEP.

The companies are "cherry-picking some of their worst plants, and they'll put those in a package and they'll say that the state of Ohio needs these for jobs and economic development," said John Finnigan, a lead attorney with EDF.

"It's a subsidy for these plants. These plants are out of the money."

Under its current ESP, DP&L was required to divest its generating assets. AES decided in 2014 to retain the Dayton-area power plants, which were nearly 3,500 MW at the time. The generation was sold to another AES subsidiary, AES Ohio Generation.

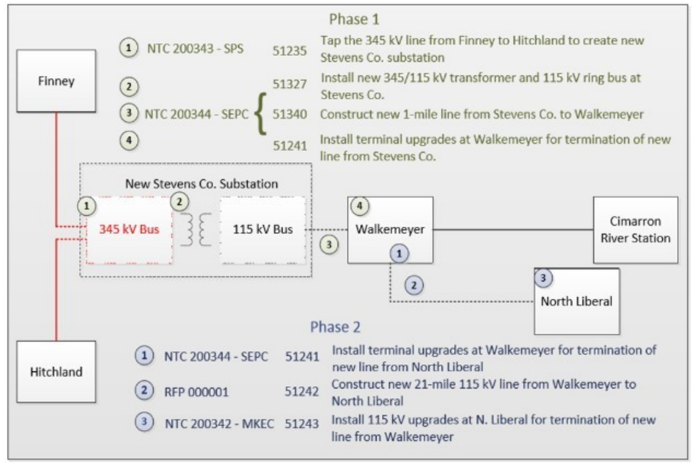
Both AES Ohio and DP&L are overseen by DPL, another AES subsidiary. Today, DPL serves (through DP&L) approximately 515,000 customers in 24 counties throughout West Central Ohio and operates (through AES Ohio) 3,066 MW of generation, 2,078 MW of which is coal-fired.

DP&L said it was reviewing the petitions to intervene. "Once a thorough review is complete, we will explore all options for our next steps," spokeswoman Mary Ann Kabel said.

SPP NEWS

SPP Cancels First Competitive Tx Project, Citing Falling Demand Projections

By Tom Kleckner



Walkemeyer project *Source: SPP*

RAPID CITY, S.D. — SPP's first competitive project under FERC Order 1000, approved by the Board of Directors with some fanfare in April, is being canceled because of falling load projections.

The Markets and Operations Policy Committee last week accepted staff's recommendation to withdraw the project's notice-to-construct. The 22.6-mile 115-kV line from Walkemeyer to North Liberal in southwest Kansas was awarded to Mid-Kansas Electric. The board is expected to finalize the decision when it meets next week. (See *SPP Awards First Order 1000 Project — But it May Not Be Needed*.)

Al Tamimi, vice president of transmission planning and policy for Sunflower Electric Power, which operates Mid-Kansas, said the line was no longer needed because of a drop in forecasted loads from oil and gas exploration. Mid-Kansas officials said they had seen a 27% slide in load forecasts within the project's region since the initial study was done three years ago.

Mid-Kansas asked SPP to re-evaluate the need for the transmission line when it won the construction bid in April. Staff's analysis indicated the area's load projections had dropped from 173 MW to 25 MW. Even when the project is removed from the planning models, staff found there would be no thermal or voltage violations until 2070.

The Walkemeyer project's noncompetitive first phase, a new 345/115-kV substation and transformer and a 1-mile line to the Walkemeyer 115-kV station, will still be built.

The transmission line "was very dependent on the highest load forecast. We told you this 14, 15 months ago," Tamimi said. "I don't care whether it's a FERC 1000 project or not, if the load is not there, why am I going to do" the project?

Mid-Kansas' bid was chosen from 11 evaluated by a panel of industry experts, who were compensated for their time.

Millions Wasted?

Bob Burner, director of commercial transmission development for Duke Energy, questioned why SPP issued the solicitation, noting Mid-Kansas' re-evaluation request came after bidders "had gone through the effort and expense to submit proposals to the [request for proposals], probably at the expense of hundreds of thousands of dollars."

"Millions," murmured one stakeholder.

"Developers in a project do accept reasonable risk," Burner said. "I don't know the solution, but there has to be something better than what we just went through."

"I understand that as a participant in this process, I participate at some cost," Westar Energy's John Olsen said. "Maybe we can reimburse minimal costs in the future to those who participated in that solicitation."

Southwestern Public Service's Bill Grant, chair of the Competitive Transmission Process Task Force, said his group will seek improvements to the competitive process in their future meetings.

"This is a difficult conversation that needs to happen. We will look at whether we can reimburse participants," Grant said. "Maybe there was a point where we could have raised a caution flag before going through the rest of the process. I don't know that FERC will allow us to pass those costs on to customers."

Other Projects

The MOPC also accepted staff's recommendation to withdraw an NTC for a 115-kV reactor and approve a rebuild of a 138-kV line near Shreveport, La. Staff indicated the reactor would no longer be needed before its break-even point, and that rebuilding the Linwood-South Shreveport line would save $3.55 million without the reactor. American Electric Power will build the project.

However, members rejected a recommendation to replace a 115-kV line in western North Dakota with a 345-kV line as part of SPP's re-evaluations of the 2016 Integrated Transmission Planning Near-Term assessment.

Basin Electric Power Cooperative requested a re-evaluation of its planned 33-mile transmission line between a pair of substations because of what it called inaccurate models and siting difficulties. Staff recommended replacing the original 115-kV project with a 345-kV line to address a nearby load pocket, but it failed on a roll call vote.

A follow-up motion to approve the 345-kV line, but operate it at 115 kV, was also rejected. The 345-kV project is estimated to cost $63.6 million, the other $50.9 million.

Members did approve a staff recommendation to issue three NTCs and withdraw two NTCs for projects deferred in April, all part of the 2016 ITPNT portfolio.

The withdrawn NTCs included AEP's 69-kV rebuild in West Texas, estimated to cost $31 million, and Westar's new 230-kV substation and transformer in Kansas, pegged at $21.7 million. AEP did get NTCs for a pair of 69-kV line rebuilds in West Texas, projected to cost a combined $10.4 million, while SPS received an NTC for a 115-kV line, substation and transformer at $11.6 million.

The MOPC also unanimously approved staff's recommendation to re-set the baseline cost for a pair of projects outside the bandwidth. A Westar 69-kV rebuild and a Mid-Kansas 138-kV line are both more than 20% under budget.

SPP NEWS

MOPC Recommends 5-Year Timetable for Resolving $849M Z2 Bill

By Tom Kleckner

RAPID CITY, S.D. — More than five hours of presentations and stakeholder discussions over two days last week did little to resolve SPP's albatross of Z2 credits, but they did potentially add more than four years to the crediting project's timeline and increase the possibility that it will result in litigation.

Faced with an approximate bill of $848.8 million for 158 creditable transmission upgrade projects over the last 10 years (up from last summer's staff estimate of $750 million), the Markets and Operations Policy Committee voted to give companies five years to pay off their Z2 bills, up from the 10 months approved by the Board of Directors in April. (See "Board Approves Z2 Level Payment Plan," *SPP Board of Directors Briefs*.)

The board will take up the recommendation during its quarterly meeting next week. If approved, the change will require a filing at FERC.

The MOPC also rejected all five requests from the so-called Group B members — American Electric Power, the City of Chanute, Kan., Golden Spread Electric Cooperative, Kansas Electric Power Cooperative (KEPCO) and Westar Energy — to have their $42.6 million in charges allocated to the base plan and included in regional and zonal charges under SPP's Tariff, rather than being directly assigned to the companies.

Still unclear is when the amounts owed and due become final, how to handle sponsoring customers who are no longer customers and what happens when companies go to state regulators to recover their costs.

'Lawyered Up'

Dogwood Energy's Rob Janssen suggested members were flying blind and said they should take a "rational" look at their options before going to FERC.

"No one knows the real impact of voting to transfer funds when we don't know what the funds are. We need more facts on the table," he said. "I don't know if everyone is lawyered up enough to understand the implications, but I strongly suggest everyone do so before the next board meeting."

"I feel like now that the numbers are higher

than some people expected, they want to change the rules of the game," said **Greg McAuley** of Oklahoma Gas & Electric. "I don't think that's the right way to do business."

"We're likely headed to a complaint at FERC because of the magnitude of the [Z2] numbers," SPP CEO Nick Brown told the Regional State Committee on Monday. "The last thing I want to do is spend an inordinate amount of time before an administrative law judge in D.C."

The Group B waiver requests were deferred by the MOPC, the board and the Cost Allocation Working Group in June. At the same time, those groups approved the Group A waiver requests to allocate their $56.4 million in obligations to the base plan. (See *SPP Z2 Project Faces Further Hurdles, Possible Delay*.)

Group A members — AEP, Arkansas Electric Cooperative Corp., the Northeast Texas Electric Cooperative and the Oklahoma Municipal Power Authority — are point-to-point transmission customers with Z2 obligations whose waiver requests were endorsed by SPP staff. Group B members are transmission customers that SPP said didn't qualify for waivers, and Group C are those who didn't request waivers.

McAuley grew visibly irritated as the discussion over Z2 waivers wore on. The OG&E settlement zone's base-plan funding obligation of $31.7 million dwarfs every other zone, except AEP's $29.9 million, and the company is waiting to learn its customers' point-to-point claw-backs and credits for sponsored projects.

"We have retail customers who have waited patiently to be paid. Now, all of a sudden, we're being told, 'No, it's too much,'" McAuley said. "We voted on how we were going to deal with the issue. People had expectations, and now we're going to change it again. Everyone's been impacted by this one way or the other, but now it's time to settle accounts."

"I raised the issue before that we were putting the payment plan in before we knew the impacts," said **Bill Grant**, whose Southwestern Public Service's zone faces a $10.4 million obligation. "SPP has some ownership in this, because they said this wasn't going to be a big amount. Now we have some numbers and they're not small. I think a lot of the people in this room would vote differently now. It is a pretty substantial number to some zones, and to some zones, that's a pretty substantial number to recover for our customers."

'But For'

Attachment Z2 of SPP's Tariff details how sponsors that fund network upgrades can receive reimbursements through transmission service requests, generator interconnections or upgrades that could not have been honored "but for" the upgrade. SPP has struggled for years to perform a proper accounting of the bills and credits and who owes what to whom.

AEP's Richard Ross opened the second day of the MOPC discussion Wednesday by proposing the payment plan's extension to five years.

Ross also proposed waiving all of Group B and Group C's directly assigned upgrade costs, but that motion was rejected in a

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Type of Creditable Upgrade	Number of Creditable Upgrades	Directly Assigned Amount
Generator Interconnection	128	$567,065,914
Sponsored	3	$229,807,252
Transmission Service	27	$51,928,569
Total Directly Assigned Upgrade Amounts	158	$848,801,735

Source: SPP

SPP NEWS

MOPC Recommends 5-Year Timetable for Resolving $849M Z2 Bill

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separate roll-call vote.

"You're going to think I'm up to something, but the most important thing is that top line … spreading things out over five years," Ross said, pointing to the language on the projector screen. "The second thing is, whatever we do, my customers will pay the same. I fear this will end up in FERC or the courts or somewhere. … I'm not interested in that."

"If we can agree on this, I'd like to encourage we get behind this and have no further delays," Grant said. "Let's get this filed [at FERC], so we can have certainty around the issue. This has gone on way too long. It's a concern for people who owe money, it's a concern for people owed money. Our major concern is the impact to customers, and this five-year plan helps us address it."

Staff assured members that interest on the debts would only apply to the initial balance and not accrue during the five-year payment plan. (Members can still choose to pay everything up front.) The revised payment plan cleared the MOPC with four votes in opposition and five abstentions.

The committee then rejected five individual waiver requests by either voice or roll-call votes. KEPCO argued unsuccessfully to have $6.1 million in revenue credits applied to the base plan, saying four service requests ranging between 7 MW and 25 MW should not have been aggregated together. As a result of the aggregation, KEPCO exceeded the Tariff's resource-load ratio rule — limiting customers' transmission service requests to 125% of their projected system-peak responsibility.

"If you apply the Tariff the way we interpret it, we don't believe we exceeded our 125% limit," KEPCO COO Les Evans said.

Midwest Energy's Bill Dowling noted FERC distinguishes between discrimination and undue discrimination. "The Tariff discriminates all the time on parties who are unequal," he said. "I consistently got the message from SPP [that] you can't change something after the fact because you didn't like the way it turned out. If we [grant the request], we're sort of opening the door to other requests."

KEPCO's waiver request failed to come

"I feel like I'm in a game of cricket, and I don't know any of the rules."

Paul Malone, MOPC vice chairman

close to the 67% threshold, not even clearing 50% in positive votes. The four requests that followed — from AEP, Chanute, Golden Spread and Westar Energy — all met the same fate.

The rejections did not faze Westar's John Olsen when his company's time came up. Asked whether he wanted to proceed with a vote after having seen the previous results, Olsen sighed with resignation, "Oh, hell yes. Why not?"

"I continue to reflect on how can we do business this way based on what's happened here this morning," said McAuley, who opposed all five requests.

"We all have FERC attorneys. My suggestion is pay your FERC attorney and go to FERC and solve this," OG&E's Jake Langthorn told members. "If we want to come up with a fix to the Tariff, it's going to take a lot more work than we can do this morning."

FERC Ruling

The lawyers have already been active.

Ross' proposal was made possible by FERC's July 7 approval of an SPP request to waive the one-year limit for adjusting payment obligations and revenue distributions (ER16-1341). SPP's request drew at least 18 protests or interventions.

FERC's order also allowed transmission customers to request exemptions on safe-harbor cost limits.

"We note that it has been eight years since the commission accepted SPP's Tariff provisions to implement revenue crediting. In the intervening years, SPP has experienced multiple delays in implementing the crediting Tariff provisions," FERC said.

"Upgrade sponsors who have been negatively affected by SPP's delay will finally, through this order, get the appropriate relief. We remind SPP of the need for transparency and timeliness when implementing commission-accepted Tariff provisions, especially in matters that so directly impact market participants and customers and are completely under the control of SPP."

Project Progressing

The Z2 crediting project itself is progressing. The software system is partially complete and scheduled to deliver revenue crediting reports in September.

OG&E's David Kays, chairman of the Regional Tariff Working Group, told the committee that staff has completed the historical calculations for long-term credit obligations for network service. He said base-plan funding adjustments and detailed settlements for historical data are still underway.

The final historical results are scheduled to be available for stakeholder review prior to the quarterly MOPC and board meetings in October, with the Z2 settlement invoices expected in early November.

"Everything seems to be trending along in a manner that is anticipated," Kays said.

As the two-day conversation devolved into the minutia of the Z2 calculations, transmission-service and point-to-point requests, rate schedules, claw-backs and threshold limits, an exasperated Paul Malone of the Nebraska Public Power District almost threw his hands up in surrender.

"I need a program," the MOPC vice chairman said. "I feel like I'm in a game of cricket, and I don't know any of the rules."

MOPC Chairman Noman Williams, of South Central MCN, was sympathetic.

"I want to thank everyone for wandering through the mud here," he said as he closed the agenda item. "I guess it could have been done differently, but it had to be done."

SPP NEWS

MOPC Briefs

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Committee Defers Action on Must-Offer Rule

RAPID CITY, S.D. — The SPP Markets and Operations Policy Committee last week refused to take action on American Electric Power and Oklahoma Gas & Electric's revision request to remove the day-ahead limited must-offer.

The Market Working Group approved RR 125 last November but postponed moving it forward in December to allow further discussion on RR 135, which would revise physical withholding rules. It again failed to move the request forward in May on a tie vote (8-8, with one abstention).

"This is about the fourth or fifth bite at the apple others have tried with this issue," Golden Spread Electric Cooperative's Mike Wise said. "When we were designing the market, we debated this issue *ad nauseam*. I suggest we not change something that works right now."

Wise said he agreed with the Market Monitoring Unit's position of waiting to move forward with RR 125 until RR 135's rules for physical holding have been completed. He suggested waiting for the enhanced combined cycle (ECC) project to go into effect next spring. The project — an effort to provide more sophisticated modeling that captures such plants' flexibility — is being done in conjunction with changes to align the Integrated Marketplace's day-ahead market with gas nominations.

"We should wait until the enhanced combined cycle [project's completion] next spring, and then move forward," he said. "It will remove the difficult decision and guessing about which mode of combined cycle operation the market needs, and remove some of those concerns dealing with the physical withholding in the market."

"I haven't heard enough about why it's so important to remove the limited must-offer provision," Midwest Energy's Bill Dowling said. "I haven't heard enough about the benefits [of] moving forward without knowing what the next steps are."

RR 125 was a result of the Market Monitoring Unit's recommendations to improve the Integrated Marketplace. It was designed to run in parallel with another revision request that would revise physical-withholding rules.

"We focus on the market power of units and the specific impact of units on the market," MMU Director Alan McQueen said. "From a market monitoring perspective, physical withholding is the issue that's a concern to us. I believe there's value in coupling these things together and think about it in the way FERC's going to look at it."

The MOPC passed three revision request brought up individually, though each received a handful of opposing votes and abstentions.

RR 2, which predates SPP's new revision request process, gives market participants the option of submitting interchange data in five-minute or hourly intervals. Participants were previously prohibited from submitting the data in five-minute intervals.

"As I understand it, the functionality won't be used by the entire footprint for a long time," said OG&E's Greg McAuley, who cast one of four opposing votes against the measure. "Our MWG rep told me no single market participant intends to use this functionality. If we're not going to consistently use it, why are we even talking about it?"

McAuley also questioned the estimated $50,000 cost of implementing RR 153, which would eliminate market participants' need to make two separate submissions for a single intraday change.

Under current protocols, resource offers roll forward hour-to-hour, which can cause problems when intraday changes only meant to apply to the current day carry forward to subsequent days.

"It sounds like a software problem," Kansas Power Pool's Larry Holloway said. "If the software isn't doing what it's supposed to, isn't there some sort of maintenance that occurs before [a revision request] comes to MOPC?"

"It's a very fine nuance in the protocols," said American Electric Power's Richard Ross, who chairs the MWG. "I thought it was the software at first, too, but as we dug into it, there's a very fine, quirky, strange reading of the protocols. We're changing the protocols and the Tariff to make sure we get exactly what we want."

Another request approved by the MOPC, RR 167, would avoid Tariff violations resulting from the incorrect submission of annual revenue rights or transmission congestion rights. It is expected to cost $134,000.

"What's the saying? 'Sooner or later, it becomes real money,'" McAuley said. "We're nickel and diming ourselves to death."

Ross said the MWG has passed or is working on nine improvements to the Integrated Marketplace at a combined cost of about $11.4 million. The bulk of that total — $9.2 million — is linked to the ECC project.

Revision Requests Approved

The MOPC approved nine revision requests on its consent agenda:

- BPWG-RR 88, modifying the time of day when unscheduled firm transmission is released for sale as hourly, non-firm

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MOPC Briefs

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transmission service for the next day from noon (CT) to 10 a.m. The change will allow coordination of next-day scheduling with the Western Electricity Coordinating Council.

- MWG-RR 7 MPRR155, revising instructions for dispatching generators out of merit order into two categories: reliability issues and emergency conditions.
- MWG-RR 161, changing the method for calculating make-whole payments for multi-configuration combined cycle resources; the new rules allow use of a netting approach in calculating the commitment-level costs eligible for recovery.
- MWG-RR 165, removing references to the retired Mitigated Offer Task Force from the Tariff's Appendix G.
- MWG-RR 166, removing references from the protocols and Tariff to the interim transmission congestion rights process developed for the transition into the Integrated Marketplace.
- MWG-RR 169, changes reliability unit commitment calculations from evaluating megawatts needed hourly to those needed for each dispatch interval.
- ORWG-RR 159, moves requirements regarding the outage-coordination function into SPP Operating Criteria Appendix OP-2 "Outage Coordination Methodology," eliminating redundant language elsewhere.
- RTWG-RR 160, clarifying the Integrated Transmission Planning manual to note which generation interconnections and associated upgrades are required to be modeled in ITP assessments.
- RTWG 163, correcting Tariff language to specify the ITP manual includes references to requirements.

Working Group Closes 5 of 9 MMU Market Recommendations

AEP's Ross briefed the committee on the MWG's progress in implementing the market monitor's recommended improvements to the Integrated Marketplace. The recommendations were a result of the July 2015 State of the Market report, which covered the markets' first year of operation.

Four of the MMU's nine recommendations are considered closed, having been addressed by revision requests:

- Not subjecting quick-start resources to reliability unit commitment and not providing make-whole payments for resources dispatched in the real-time balancing market;
- Reducing available financial transmission rights to minimize over-allocations when not supported by day-ahead congestion revenues;
- Improving transmission-outage reporting in the FTR process; and
- Automating the bidding process for transmission congestion rights to prevent ongoing Tariff violations.

The MMU withdrew a fifth recommendation, related to market power mitigation conduct thresholds. The monitor said it had observed lower-than-expected mitigation levels during the Integrated Marketplace's second year of operation.

Ross said a task force has been formed to address ramp-constrained shortage pricing, which the MMU suggested should be priced the same as operating-reserve capacity shortages.

SPP RE Selects New Trustee Candidates

The Regional Entity's trustees have worked with a search firm to select two candidates as new trustees: Mark Maher, who retired as the WECC's CEO, and retired NYISO CEO Steve Whitley. SPP's Members Committee will vote on their nominations during the July board meeting.

SPP's Carl Monroe and MOPC Chair Noman Williams © *RTO Insider*

Maher and Whitley would join incumbents Dave Christiano and Gerry Burrows. Christiano replaced John Meyer as the trustees' chairman earlier this year, when Meyer resigned to join Western Interconnection reliability coordinator Peak Reliability.

RE General Manager Ron Ciesiel told the MOPC the trustees approved the entity's $10.9 million budget for 2017 and its business plan during their June meeting.

Ciesiel said the RE continues to see a downward trend in standards violations and vegetation contacts. He reported just two regional events during the second quarter, an outage and a 30-minute partial loss of monitoring at a control center.

The RE is conducting its first Critical Infrastructure Protection v.6 audit this month. Ciesiel said a FERC-led CIP compliance audit is expected next year, as the SPP footprint was not selected for an audit this year.

Recommendation: Retire Task Force, Create New Working Group

The MOPC unanimously approved the Capacity Margin Task Force's recommendation that it and the Generation Working Group retire and be replaced by a Supply Adequacy Working Group. The new working group would also assume fuel supply work now performed by the Gas Electric Coordination Task Force.

The CMTF held its last meeting June 30, when it finalized a charter for the new working group. It also reviewed its final deliverable, a resource adequacy workbook that combines the data needed for complying with NERC standards with those needed to validate SPP's planning reserve margin. Chairman Tom Hestermann, of Sunflower Electric Power, said many of the task force's members will transition to the new group.

The task force was created in 2014 to update SPP's capacity margin requirements and methodology. Its work resulted in the RTO's first reduction in its planning reserve margin since 1998 and a package of policies defining a load-responsible entity and its obligations. The task force also drafted a planning-reserve assurance policy and conducted a deliverability study. (See "Lowered Reserve Margin Promises $86M

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in Annual Savings," *SPP Board of Directors Briefs*.)

Study Scopes Approved

The MOPC unanimously approved study scopes and revisions for a pair of studies, the Variable-Generation Integration study and the 2017 Integrated Transmission Plan's 2017 Near-Term assessment.

The variable-generation study will include stability and frequency-response analyses with wind resources representing 30%, 45% and 60% of total SPP generation. SPP's peak wind penetration record is 49.17%, and staff has said it expects to see levels approaching 60%.

Asked whether the task force is trying to determine when the 60% figure will be reached, SPP's Casey Cathey, manager of operations analysis and support, said, "Sixty percent is a good level [to measure], because we have to add wind [generation] to get to that level. …The real issue, based on our footprint and our models, is will we see such penetration?"

Cathey said he is interested in determining whether there will be any voltage issues, saying, "We have to make sure that, given how we work the market, including dispatchable wind, whether we can maintain nominal voltage levels."

The study will also analyze a potential five-minute ramping product.

The 2017 ITPNT's scope was revised to include additional NERC transmission system planning performance (TPL-001-4) contingencies. Members also approved a modification to the 2017 ITPNT's scenario 5, which sets all wind generation and reservations between companies to maximum firm service, as allowed on a *pro rata* basis. The modification aligns with the TPITF's white paper, which assumed long-term firm transmission-service usage levels and conventional renewable resource output levels.

Regional Cost Allocation Review Approved

Members approved the Regional Allocation Review Task Force's second regional cost allocation review of SPP's regional- and zonal-allocation methodologies (RCAR II). There was one dissent.

The report's 10 recommendations included proposed Tariff revisions and a proposal to incorporate its lessons learned in future assessments of the SPP highway/ byway methodology.

RCAR II identified the City Utilities of Springfield zone as SPP's only deficient zone, with a benefit-cost ratio of 0.59, below the 0.8 threshold. Future transmission and seams studies with MISO and Associated Electric Cooperative Inc. are expected to help address the deficiencies. If not, a high-priority study for the area remains an option.

Two other zones (the Omaha Public Power District and Empire District Electric) are above the 0.8 cost-benefit threshold but below 1.0, requiring the RCAR II's analysis be considered in future transmission plans.

The task force shared its report Monday with the Regional State Committee. Stakeholders will be able to provide their input through Aug. 5 for a lessons-learned report.

— Tom Kleckner

SPP, MISO Narrow Joint Study's Scope

SPP's Seams Steering Committee can expect to soon see a final scope of the next planned joint transmission study with MISO.

Adam Bell, SPP's interregional coordinator, told the committee July 8 that the two RTOs have not nailed down the scope, but that it may not be limited to the Dakotas' seam with the Western Area Power Administration, as MISO would prefer. The two grid operators agreed May 31 to take a "targeted" look at the newly created seam. (See "SPP, MISO Agree to Conduct 'Targeted' Joint Tx Study," *SPP Seams Steering Committee Briefs*.)

"The scope will leverage some of the work we've done regionally," Bell said.

The study is planned for completion in the first quarter of 2017.

SPP staff also told stakeholders it had filed an out-of-time intervention in an interregional planning dispute between MISO and PJM, as approved by the committee in June (EL13-88). (See "Committee Recommends SPP Intervene in FERC's NIPSCO Docket," *SPP Seams Steering Committee Briefs*.)

Staff said a MISO compliance filing removed several limitations that hampered efforts to resolve SPP-MISO seams issues, including the 345-kV and $5 million cost thresholds.

Committee Chairman Paul Malone, of the Nebraska Public Power District, reminded the committee that MISO believes the docket only applies to the MISO-PJM seam. "Why shouldn't these same principles apply to the MISO-SPP seam?" he asked.

— Tom Kleckner

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SPP NEWS

Strategic Planning Committee Briefs

SPC, MOPC Approve Improvements to SPP's Tx Planning Process

RAPID CITY, S.D. — The Transmission Planning Improvement Task Force's recommendations to streamline SPP's transmission planning process won unanimous approval from the Strategic Planning Committee and the Markets and Operations Policy Committee last week.

If the recommendations win final approval from the Board of Directors next week, SPP will combine the Integrated Transmission Planning (ITP) near-term and 10-year assessments and NERC transmission planning (TPL) assessments into a single 10-year study that will produce an annual transmission expansion plan addressing reliability, economic and policy needs.

The new process will begin in September 2017, with its first results unveiled in October 2019. SPP will complete the 2017 ITP10, the 2017 and 2018 ITPNTs and conduct TPL assessments during the transition period.

NextEra Energy Transmission's Brian Gedrich, the task force's chair, said the new process will yield more accurate and forward-looking results.

"It's a holistic approach, the opposite of the sequential way we do it now," Gedrich told the SPC. "A lot of manpower resources are spent to provide [transmission-planning] information for you and the board. This will free up time so folks can do analysis … that will actually be actionable.

"No one was happy with the process. Today, all you do is take a 10-year look ahead. How can you possible see what is happening in real time, when all you look out is 10 years?"

Gedrich said building the initial future cases would require two to four additional full-time equivalents and $350,000 to $400,000 in consulting costs, depending on whether staff analyzes two or three futures. The task force recommended two futures.

"What are we getting out of this additional cost?" asked SPP Director Harry Skilton, who chairs the RTO's Finance Committee. "I hear you say more efficiencies, but what tangible benefits do members get?"

ITC Holdings' Marguerite Wagner agreed the benefits can be difficult to quantify.

"We spend hundreds of millions of dollars on transmission, and we see congestion in the same areas," she said. "We expect this new process to be more granular, thus leading to potentially better solutions and outcomes."

"As you do the same thing over and over, I think you will gain efficiencies. Right now, as we start and stop, you lose a lot of time," Gedrich said.

Skilton seemed satisfied with the responses. "If in the judgment of the membership it will get better results, address congestion in the near term and improve the planning process … that's a helluva accomplishment," he said.

The task force's other recommendations included:

- Standardizing the ITP's scope and developing a streamlined assumptions document;
- Developing a single, base reliability powerflow model that will be used for all planning processes;
- Adding accountability with mechanisms designed to promote timely data exchanges, reviews and approvals; and
- Limiting the initial 2019 study scope to two study futures to help facilitate the move to the new planning process.

SPP Director Phyllis Bernard, SPP VP Michael Desselle and Golden Spread Electric Cooperative's Mike Wise lead the Strategic Planning Committee meeting. *© RTO Insider*

Export Pricing Task Force Given the Go-Ahead

The committee unanimously accepted staff's recommendation to create an export-pricing task force to research SPP's Tariff and FERC policy and evaluate how best to take advantage of the RTO's abundant variable energy resources.

The task force would make recommendations on establishing "equitable and nondiscriminatory" rates to address recovering incremental transmission and facility costs needed to export and import electricity, and "how to avoid paying for it on the back of SPP ratepayers — which will be difficult to do," said Sam Loudenslager of SPP's regulatory staff.

Loudenslager said the SPP region currently has 22,000 MW of variable resources in its queue and not yet in service.

SPP's Corporate Governance Committee, which doesn't meet until late August, will have to approve the task force's formation.

Dogwood Energy's Rob Janssen suggested the task force's representation include members experienced with life on the seams.

"We have to remember we have members with loads on both sides of the border, who move power any given day or time," he said.

"If you can't get the money right, you can't get anything done," SPP Director Phyllis Bernard said. "This is one of those task forces focusing in on how to get the money right. There are genuine legal problems here, and absent federal direction, export pricing has to be the solution."

Asked by SPC Chairman Mike Wise of Golden Spread Electric Cooperative whether the task force would develop a marketing campaign to "advertise our energy," Loudenslager responded, "I'm not a marketing guy."

— Tom Kleckner

SPP NEWS

FERC Calls for Changes to Protect SPP Market Monitoring Unit Independence

Continued from page 2

The auditors said that the independence and separation of function concerns they have regarding the MMU are "similar, in some respects," to those identified in the commission's 2008 audit of SPP's Regional Entity, which is charged with enforcing NERC reliability standards (PA08-2, AD09-3).

RTO Executives at Oversight Committee Meetings

To ensure its independence from SPP management, the MMU is supposed to be under the control of the Board of Directors' Oversight Committee. But the commission noted that until recently, RTO executives attended the MMU's meetings with the committee.

"The presence of an SPP RTO executive in these meetings … could result in SPP RTO potentially exercising undue influence during such meetings and inappropriately having access to information associated with MMU operations," the auditors said.

"Audit staff did not identify evidence of any impropriety in practice (nor has any such impropriety been alleged), and notes that the Oversight Committee can, and during the audit period did, conduct MMU-related meetings in executive session without the presence of the SPP RTO executive, when it deemed it appropriate. However, the presence of the SPP RTO executive in MMU-related executive sessions does not reflect the necessary separation of functions."

In their letter, McQueen and Suskie acknowledged that the presence of RTO management at OC meetings "could give rise to the perception that there is an insufficient degree of separation between the MMU and SPP RTO."

Incentive Compensation

The commission also said SPP executives "were inappropriately involved in the performance evaluation of the MMU director, approval of the MMU budget and compensation adjustments for MMU staff."

"Audit staff is concerned that such involvement by SPP RTO executives creates issues in terms of using incentive compensation to exercise influence over MMU staff not to oppose SPP RTO initiatives," FERC said.

"Rather than involving SPP RTO executives in the operations of the MMU, the audit staff determined that the Oversight Committee should take a more active role in its oversight of the MMU including performance evaluation of the MMU director as well as the overall performance of the MMU. This would be similar to the manner in which the SPP RE board provides guidance and oversight to the RE."

The auditors said they met with the full Oversight Committee at its quarterly meeting at the beginning of the audit and later conducted several phone interviews with Chairman Martin. Martin told *RTO Insider* in an interview May 2 that he met with the auditors once, at the committee meeting in March 2015. He said it "was not an in-depth session where we were looking at specifics." (See *FERC Ended Audit Without Talking to Key Witness*.)

Legal Counsel

Until March 2015 — after FERC began the audit — the MMU relied on SPP for legal services because it lacked its own counsel. "The MMU's reliance on the SPP RTO for legal services and support could be problematic, particularly when the MMU disagreed with an SPP RTO position and desired to make a filing to the commission in opposition to an SPP RTO filing," the report said. "Difficulties may arise both in terms of allocation of available legal staff as well as possible concerns of conflict of interest."

"No one is terminated from SPP without multiple officers concurring. The board was very much informed, specifically the Oversight Committee. We were quite cautious, but very firm in our decision. I will say we were unanimous in our decision."

Nick Brown, SPP CEO

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FERC OKs 9.8% ROE in Transource Kansas Settlement

FERC last week approved Transource Kansas' settlement with the Kansas Corporation Commission, under which the company will receive a 9.8% base return on equity for any transmission facilities in SPP (ER15-958).

The company will earn a total of 10.3%, including a 50-basis-point adder previously approved by the commission for participation in an RTO.

FERC trial staff supported the settlement in an April 27 filing but noted that the agreement was silent on the top end of the discounted cash flow (DCF) zone of reasonableness. "Therefore, if Transource Kansas (or its affiliates) makes a future request seeking additional ROE incentive rate adders for a specific transmission project, the commission's approval of this settlement will not eliminate the need for the applicant to make a Section 205 filing that includes a two-step DCF analysis establishing a zone of reasonableness, the top of which will cap any total ROE," staff said.

Transource Kansas is a subsidiary of Transource Energy, a joint venture between American Electric Power and Great Plains Energy.

— Rich Heidorn Jr.

SPP NEWS

FERC Calls for Changes to Protect SPP Market Monitoring Unit Independence

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Former monitors Catherine Mooney and John Hyatt | Oversight Comm. Chair Joshua Martin III | General Counsel Paul Suskie | MMU Director Alan McQueen

RTO Insider reported that, until the last 18 months, the MMU generally filed only testimony packaged with RTO filings. (See *SPP MMU Struggles to Find its Voice*.)

MMU Shared Staff

The auditors said the lack of "clear separation" between the RTO and MMU staff also resulted from MMU staff's involvement in RTO activities unrelated to MMU operations, particularly in 2013 and early 2014 when the RTO was racing to launch its Integrated Marketplace.

"This effectively blurred the lines of separation by making resources appear fungible," the auditors said. "Moreover, SPP RTO rewarded MMU staff in the form of incentive compensation for their efforts on behalf of SPP RTO. This economic incentive further clouded the separation between the MMU and SPP RTO."

MMU Involvement with Tariff Formation

The audit cited "tension … between the role of the MMU as an independent organization and the role of the MMU as an internal function of SPP, and therefore an integral part of its collaborative process."

"Central to this tension are the concepts that, as SPP RTO employees, MMU staff should conduct themselves in a manner that promotes the interests of SPP RTO, while as members of the MMU the staff might be engaged in activities and take positions that run counter to what may be the consensus of the SPP members," FERC said. "However, this inherent tension was latent until a contentious issue arose between the MMU and SPP RTO."

The issue was the RTO's attempt to mollify generators who became upset after the Integrated Marketplace opened that the MMU was not including general operations and maintenance in its calculations of cost-based offers. (See *SPP MMU Struggles to Find its Voice*.)

"At times, the MMU staff acted in a manner to steer the outcome rather than permitting the stakeholder process to arrive at a position that reflected their independent collaboration, consensus development and team-based approach," FERC said. "It is incumbent on the MMU to advise the RTO and other interested parties of its views regarding any needed rule and tariff changes and the merits of proposed changes, but not to obstruct the SPP RTO's process.

"The MMU should not disrupt the SPP process when tariff revisions are not acceptable to the MMU; rather, it should intervene when the proposal comes before the SPP board and when it is filed with the commission."

The auditors criticized McQueen's decision to join the Mitigated Offer Strike Team, which was created to reach a compromise.

"The MMU director wanted to restore a good working relationship, consistent with the SPP principle of being 'relationship-based,'" the auditors said. "While the intent to improve relationships might be justified in general principle, audit staff believes that the MMU director's efforts were counter-productive in this instance."

Operational Separation

Auditors also raised concerns that the MMU staff works in offices accessible to RTO employees, most in open cubicles. "Audit staff observed that conversations can be overheard and sensitive materials visible to parties outside the MMU. Conversations by MMU staff members may involve discussions of matters such as ongoing investigations and potential referrals to the commission."

The commission said the MMU should consider erecting physical barriers and key card access to ensure the physical separation of MMU staff from other RTO staff, as the commission required in the RE audit.

McQueen and Suskie said the MMU lacks the resources to erect security barriers but said they are "looking into practical solutions" to address the concern.

Compliance Filings

The commission required the RTO to submit a compliance filing within 30 days detailing how it plans to respond to the recommendations, along with quarterly status reports on its progress.

[Editor's Note: SPP/ERCOT Correspondent Tom Kleckner worked as an SPP spokesman from 2011 to 2015; Editor-in-Chief Rich Heidorn Jr. participated in the 2008 audit of SPP as a member of FERC's Office of Enforcement.]

Read the Series

Lessons Unlearned: FERC's Punt on Market Monitors' Independence

Part 1

- *SPP Squelching MMU Independence, Former Monitors Say*
- *Order 719: FERC Balanced MMU Independence Against RTO Autonomy*

Part 2

- *SPP MMU Struggles to Find its Voice*
- *Independent Market Monitors Wouldn't Have It Any Other Way*
- *State Regulators: FERC Probe into Bowring Allegations Fell Short*

Part 3

- *FERC Ended Audit Without Interviewing Key Witness*

COMPANY BRIEFS

Internal Records Detail Kemper Mismanagement

Using internal records, private emails and recorded conversations provided by a whistle-blower, *The New York Times* published a lengthy investigation July 5 into the delays and costs overruns at Southern Co.'s Kemper coal-gasification plant.

The *Times* found that the plant's owners understated its costs and repeatedly tried to conceal its multitude of problems. Southern is under investigation by the Securities and Exchange Commission, and the Occupational Safety and Health Administration told the company in March that it violated federal whistle-blower protections when it fired Brett Wingo, an engineer who was the *Times'* primary source for the article.

In response, Southern released a statement the same day as the article's publication, calling Wingo's claims "unsubstantiated" and insisting that the newspaper took quotes from recordings out of context. "Rather than educate readers on the worldwide benefits of this cutting-edge, first-of-its-kind facility, today's *New York Times* article on the Kemper project provides a negative recap of previously disclosed developments that have already been addressed," the company said.

More: *The New York Times*; *Southern Co.*

Duke Increases its Quarterly Dividend

Duke Energy increased the quarterly dividend payment on its common stock by 3.6%, payable Sept. 16.

The dividend was set at $0.855/share, an increase of $0.03.

"For 90 consecutive years, Duke Energy's dividend has been as reliable as the energy we provide," CEO Lynn Good said.

More: *Duke Energy*

Ameren Asks for Rate Increase, 7th in a Decade

Ameren filed for a $206 million rate increase with Missouri regulators in early July, the seventh request for a rate review in a decade. A final determination is due at the end of May 2017.

The company says the increase equates to an average 7.8% rate boost for consumers. Missouri's Office of Public Counsel says the increase is actually closer to 8.3% for residential customers, who will bear more of the cost burden than other customer classifications.

Warren Wood, Ameren Missouri's vice president of external affairs and communication, said the increase serves to recoup some of the $1.4 billion in investments the company made since its $122 million rate increase two years ago. He also said the company is also coping with the bankruptcy of Noranda Aluminum smelter, its largest consumer.

More: *St. Louis Post-Dispatch*

Cube Hydro Buys 215 MW of NC Hydro

Cube Hydro Partners said it will buy and upgrade four hydropower units along North Carolina's Yadkin River from Alcoa Power Generating, a subsidiary of aluminum smelter Alcoa. The transaction, for an undisclosed sum, will add 215 MW to Cube's current 126-MW portfolio.

Alcoa developed and operated the four hydro units along a 38-mile stretch of the Yadkin for nearly 100 years as part of its aluminum smelting operation at Badin Works. Alcoa closed the plant in 2010.

Cube, based in Bethesda, Md., currently owns and operates 14 hydro plants in New York, Pennsylvania, Virginia and West Virginia.

More: *Salisbury Post*

Duke Providing $1.5M for EV Charging Ports in NC

Duke Energy announced last week that it is providing North Carolina municipalities subsidies to help construct electric vehicle charging stations. The company said it would provide $1 million for EV charging stations and $500,000 for electric bus stations.

The company said that would increase by 30% the number of charging stations throughout the state, where it said there are currently about 700 stations operating and about 4,700 plug-in EVs registered.

"Over the past decade, Duke Energy has supported the development of several hundred electric vehicle charging stations in North Carolina," said David Fountain, Duke's North Carolina president. "Adoption of EVs depends on a robust infrastructure for consumers."

More: *Duke Energy*

Duke's Solar Farm on Ind. Naval Base Gets Nod

The Indiana Utility Regulatory Commission has given final approval to Duke Energy's proposed 17-MW solar farm on a naval base.

The 76,000-panel project will be situated on 145 acres at the Crane naval station in southwestern Indiana and begin selling power early next year. The project, the second solar installation partnership between Duke and the Navy, would be the second-largest solar plant in the state.

More: *Charlotte Business Journal*

Duke Consolidates Renewable, Distributed Energy Divisions

Duke Energy consolidated its renewables and distributed energy businesses following the departure of 14-year veteran Greg Wolf, president of its Commercial Portfolio unit.

The Commercial Portfolio, which oversees Duke Energy Renewables, will be combined with its Distributed Energy Resources wing, now headed by Rob Caldwell.

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COMPANY BRIEFS

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Caldwell, an 18-year Duke veteran, will become president of the new division: Duke Energy Renewables and Distributed Energy Technology. Some functions of the old divisions will be pooled, while others will remain separate, according to the company.

More: Charlotte Business Journal

Westar Shareholders Allege Execs Undervalued Company

A group of Westar Energy stockholders has filed a class action lawsuit in Kansas alleging that executives undervalued the company in its $12.2 billion sale to Great Plains Energy in May.

Under the sale agreement, shareholders will get $60/share: $51 in cash and $9 worth of Great Plains stock. The plaintiffs, however, think that is too cheap. They say that Westar's stock price rose 55% in the year before the sale, but the $60/share total offered shareholders is only a 13% increase.

"Westar stockholders, who stand to receive a portion of the merger consideration in Great Plains stock, will also be burdened with the onerous debt Great Plains will be taking on," according to the lawsuit. "The proposed transaction will almost triple Great Plains' debt."

More: The Topeka Capital-Journal

NextEra Subsidiary Begins Construction on Wind Farm

Kingman Wind Energy has signed a $26.4 million agreement with Kansas' Kingman County to begin construction on a 200-MW wind farm later this year.

Kingman is a subsidiary of NextEra Energy Capital Holdings, and it has a 20-year contract to sell the power to Westar Energy. The agreement was signed late last month.

More: The Wichita Eagle

EDF Sells Half its Stake In Kansas Wind Farm

EDF Renewable Energy said last week it has sold half of its Slate Creek Wind Project in Kansas to a consortium led by Axium Infrastructure. EDF will continue to own the other half and provide part of the operations and maintenance.

The 150-MW project began operations in December. Its power is sold to Kansas City Power & Light on a 20-year, fixed-price power purchase agreement.

More: The Wichita Eagle

KCP&L Opens 1st Solar Plant, Producing 4,700 MWh Annually

Kansas City Power & Light last week opened its first commercial-scale solar power facility, capable of generating more than 4,700 MWh of energy annually. The 12-acre plant has 11,500 solar panels at KCP&L's Greenwood Energy Center, south of Kansas City.

"Solar technology is constantly getting better and more efficient," said Chuck Caisley, KCP&L's vice president for marketing and public affairs. "We are investing in solar because of its relatively quick construction and our commitment to a sustainable future."

More: The Kansas City Star

Dominion Wins Smart Grid Tech Patent Suit

Alstom Grid infringed on a patent for energy efficiency technology used in Dominion Resources' "Edge" products, a federal jury found, awarding $489,000 to subsidiary Dominion Voltage.

The company uses the app in substations to stabilize and slightly reduce voltage in areas where smart meters are installed, resulting in lower electricity bills. The software is used by 12 U.S. utilities.

The ruling, out of the U.S. District Court for the Eastern District of Pennsylvania, said Alstom had willfully violated the patent and convinced one of its utility customers to use it.

More: Richmond Times-Dispatch

JCP&L Completes $48M Transmission Upgrade

Jersey Central Power & Light has finished the last phase of a $48 million transmission project to bolster reliability for customers in the New Jersey counties of Mercer, Middlesex and Monmouth.

The project involved constructing a new 8-mile, 115-kV transmission line and upgrading an existing 230-kV line along a 3.5-mile right of way.

The utility installed more than 200 new wood utility poles, five new steel monopoles and more than 174,000 feet of new wires. A new transformer and circuit breaker upgrades also were installed at the substation in Highstown.

More: FirstEnergy

KCP&L Files for 7.5% Rate Increase with Missouri PSC

Kansas City Power & Light has filed a 7.5% rate increase request with the Missouri Public Service Commission. If approved, the increase would go into effect in April 2017.

KCP&L said in a news release the request is "needed to recover money spent upgrading the company's infrastructure, adding regional transmission lines and complying with environmental and cybersecurity mandates." The average customer's bill would increase by $9/month.

The increase will affect customers in the KCP&L Missouri service area, which encompasses the Kansas City area. KCP&L asked for an 8.2% rate increase in February for a different territory in Missouri previously served by Aquila before its 2008 acquisition.

More: The Kansas City Star

NextEra Drops HEI Deal After Hawaii PUC Rejection

The Hawaii Public Utilities Commission rejected NextEra Energy's $4.3 billion takeover of Hawaiian Electric Industries, finding that the deal was not in the public interest.

The companies have elected not to challenge the decision in court, and NextEra will pay HEI $95 million in break-up fees.

The PUC said the companies failed to demonstrate benefits for Hawaii residents and a commitment to the state's clean energy goals. The commission voted 2-0 to reject the deal. Commissioner Thomas Morak, recently appointed by Gov. David Ige to replace outgoing Commissioner Michael Champley, abstained from voting, but he said he supported the commission's decision.

More: Honolulu Star-Advertiser

Senate OKs Conference on Energy Bill

By Rich Heidorn Jr.

WASHINGTON — The Senate voted overwhelmingly last week to enter conference committee negotiations on energy legislation after Republicans agreed to drop provisions in a House bill that President Obama has promised to veto.

"I will reiterate my personal commitment to a final bill that can pass both chambers and be signed into law by the president," Sen. Lisa Murkowski (R-Alaska), chairwoman of the Energy and Natural Resources Committee, said on the Senate floor July 12 before the upper chamber voted 84-3 to name conferees.

"It can't be the House product necessarily, or the Senate product necessarily," she added. "It has to be something that both chambers can agree on and that the president can sign into law."

Sen. Maria Cantwell (D-Wash.), the committee's ranking member, said the Republicans' promise was enough to keep Democrats working toward a compromise.

"What we were most concerned about was pursuing an agenda that definitely couldn't get past the White House, and veto threats, and certainly wanted to look constructively at how we got a package on some issues that we knew if we couldn't get resolved, it wouldn't get resolved," Cantwell told reporters.

The Senate passed its bipartisan Energy Policy Modernization Act of 2016 (S.2012) in April, with support of all but a handful of Republicans. It authorizes increased spending on energy research, improves cybersecurity protections and encourages more efficient buildings and vehicles. It also adds taxpayer protections to the Energy Department's loan guarantee program and streamlines federal approvals of electric transmission, pipeline, hydropower and LNG facilities.

The House's Republican-drafted North American Energy Security and Infrastructure Act (H.R.8), by contrast, cleared in December with support from only three Democrats.

Veto Threat

Obama, who has expressed support for most provisions in the Senate bill, singled out several House proposals as nonstarters, including ones that would limit funding for the National Science Foundation and the federal government's influence over local building codes. The administration also objected to measures that would halt implementation of an efficiency rule for gas furnaces and reverse existing law phasing out fossil fuels from federal buildings. (See *Energy Bill Faces Tight Calendar, Partisan Divide in House*.)

House Republicans have balked at the Senate bill's permanent reauthorization of the Land and Water Conservation Fund.

The Senate acted before Congress began a seven-week recess, during which staffers are expected to work toward a bill both houses can approve. If enacted, it would be the first major energy law in almost a decade.

In addition to Murkowski and Cantwell, the Senate conferees are Sens. John Barrasso (R-Wyo.), Jim Risch (R-Idaho), John Cornyn (R-Texas), Ron Wyden (D-Ore.) and Bernie Sanders (I-Vt.). The House has named 24 Republicans and 16 Democrats to the committee.

Interest Groups React

Alliance to Save Energy President Kateri Callahan said that while reaching agreement will be difficult, "focusing first on those pieces — like the energy efficiency provisions that have strong bipartisan support and broad public appeal — will help the conferees to move together."

The League of Conservation Voters praised Murkowski and Cantwell for reaching a compromise to ensure negotiations continue. "However, we are concerned that many controversial items still remain in the scope of the energy bill conference and that the measures being debated will not amount to the true overhaul our energy sector needs," Vice President of Government Affairs Sara Chieffo said in a statement.

The American Petroleum Institute praised the Senate's action, saying its bill would ensure "that American natural gas has a dominant place on the world market."

The Union of Concerned Scientists said the conferees could produce a bill that is a "modest step in the right direction on issues such as energy efficiency and clean energy infrastructure."

"Both parties have a lot invested and aren't interested in wasting their time," Rob Cowin, director of government affairs for UCS's Climate and Energy Program, said in a statement.

"Although much better than the partisan House bill, the bipartisan Senate bill contains a worrisome provision categorizing the burning of biomass for electricity as carbon-neutral. This is not only scientifically inaccurate but could also undercut EPA's current efforts to determine the proper role for biomass in the Clean Power Plan and potentially lead to increased carbon pollution."

FEDERAL BRIEFS

DC Circuit Rules Against OG&E in Order 1000 Lawsuit

A three-judge panel of the D.C. Circuit Court of Appeals upheld FERC Order 1000 after Oklahoma Gas & Electric and other utilities challenged the landmark rule's elimination of incumbent transmission owners' right of first refusal to develop transmission projects.

OG&E sued FERC in December 2014, arguing that when it agreed to join SPP, it gave up some transmission planning rights

in return for the right of first refusal. The utility said FERC couldn't meet a higher legal burden to negate that part of the membership agreement, which predated Order 1000.

The utility has not yet decided whether it will appeal the decision to the full court. SPP supported OG&E's case, which was also joined by Southwestern Public Service, ITC Great Plains, Xcel Energy Services, Mid-Kansas Electric and Sunflower Electric Power.

More: *The Oklahoman*

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FEDERAL BRIEFS

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GAO Audit: DOE not Protecting Whistle-blowers

The Department of Energy has failed to protect whistle-blowers at its nuclear plants from retaliation, a Government Accountability Office audit found.

The report said the department has issued only two violation notices in the past 20 years against contractors who created chilled work environments at nuclear sites. Employees who try to use the department's whistle-blower protection program find it difficult to navigate without legal help, the report says.

The report was requested in 2014 by three Democratic senators in response to reports of retaliation against whistle-blowers at the Hanford nuclear reservation in Washington state. The audit broadened to the handling of 87 contractor employee complaints at 10 of the department's largest nuclear facilities.

More: *McClatchyDC*

FERC Allows BG&E to Recover $1.2M from Scrapped MAPP

Baltimore Gas and Electric may recover nearly $1.2 million it spent on the Mid-Atlantic Power Pathway (MAPP) project, which was canceled by the PJM Board of Managers in 2012, under a settlement between the company and the Maryland Public Service commission that FERC approved earlier this month.

The MAPP involved a 230-mile 500-kV transmission line from Virginia to New Jersey intended to "relieve load deliverability criteria violations" expected to occur on the Delmarva Peninsula. In canceling the project, PJM said that its "reliability drivers no longer existed."

FERC had granted BGE incentives effective May 29, 2009, allowing it to recover costs if the project were abandoned. The commission has previously approved settlements between others state regulators and utilities that had contributed to the project.

More: *ER15-2331*

Entergy Asks NRC for More Time for Upgrades

Entergy has asked the Nuclear Regulatory Commission for more time to meet post-Fukushima upgrade requirements at its Pilgrim Nuclear Power Station in Massachusetts, which is set to close by June 2019.

The company asked for a deadline of Dec. 31, 2019, in order to avoid making permanent modifications before the closure. Instead, it wants to use a FLEX strategy, so called because it uses portable equipment.

"The plant does have a limited operational timeframe going forward, but our mandate is to make sure that the public is going to be adequately protected," NRC spokesman Neil Sheehan said.

More: *CapeCod.com*

FERC Gives Go-Ahead for Bosher Dam Study in Va.

FERC has approved an application to conduct a feasibility study for an 8-MW hydro facility outside of Richmond, Va., at the existing Bosher Dam on the James River. The proposed project would use the existing 12-foot-high dam and create a 1,000-acre impoundment area, with new intakes, a new tailrace and four 2-MW turbines, along with a new powerhouse and substation.

The Richmond Department of Public Works, along with the James River Association and others, questioned the need for the facility during the public comment period, but FERC said the feasibility study was necessary to determine the validity of any opposition concerns.

The project is being proposed by Energy Resources USA.

More: *GenerationHub.com*

Pipeline Projects Get Positive Draft EIS

Two jointly proposed pipeline projects to move Marcellus and Utica shale gas in Ohio to the Midwest and Canada received a favorable draft environmental impact statement from FERC.

DTE Energy and Spectra Energy's 260-mile Nexus Gas Transmission pipeline would move 1.5 Bcf/d. It is being developed along with the Texas Eastern Appalachian Lease project, which would expand Spectra subsidiary Texas Eastern Transmission's system by 950,000 dekatherms/day to accommodate the new pipeline.

FERC noted some "adverse environmental impacts, but impacts would be reduced to less-than-significant levels" with mitigation efforts. Public comment is open until Aug. 29. The commission said the final EIS should be ready by Nov. 30.

More: *Natural Gas Intelligence*

DOE Approves $15M for Algae-Based Fuels Efforts

The Department of Energy is providing $15 million for algae-based biofuel projects in California and Florida. The grants are aimed at furthering the commercialization of biofuels as a renewable, affordable fossil fuel replacement, it said.

Three companies and their research partners will receive the funds. Global Algae Innovations in California is working on cultivation and preprocessing technology to produce algal oil. MicroBio Engineering, also based in California, is researching wastewater treatment and carbon-dioxide mitigation to produce useable oils. Finally, Florida-based Algenol Biotech is working to devise ways to use cyanobacteria to produce algal oil.

More: *Biofuels International*

House Passes Funding Bill For Interior Department, EPA

The House passed a $32.1 billion funding bill for the Interior Department and EPA, about $1 billion less than what the Obama administration requested, and a $64 million cut over current spending levels. The bill includes a number of riders intended to block EPA water, power plant and coal

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FEDERAL BRIEFS

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mining regulations.

"There is a great deal of concern over the number of regulatory actions being pursued by the EPA in the absence of legislation and without clear congressional direction," Rep. Ken Cavert (R-Calif.) said. "For this reason, the bill includes a number of provisions to stop unnecessary and damaging regulatory overreach by the agency."

The bill passed 231-196, with most Democrats opposing it. The White House has threatened to veto it.

More: *The Hill*; *House Appropriations Committee*

Report: Green Energy Funding Down 23% from Last Year

A report by Bloomberg New Energy Finance shows that renewable energy funding has fallen 23% for the first six months of the year compared to last year. It said investments globally were about $116.4 billion for the first half of the year. Second-quarter investments were $61.5 billion, 12% higher than the first quarter, but still 32% lower than the $90 billion for the same period last year.

"It is now looking almost certain that the global investment total for this year will fail to match 2015's runaway record," Michael Liebreich, chairman of the advisory board at BNEF, said in a statement accompanying the report.

More: *USA TODAY*

Cook Nuclear Plant Back Online After Steam Leak

Unit 2 at the Donald C. Cook nuclear plant in Berrien County, Mich., returned to service last week after being shut down for six days because of a steam leak.

Plant spokesman Bill Schalk attributed the July 6 steam line rupture to "vibration-induced metal fatigue" of an expansion joint. He said the rupture also damaged the wall of the turbine building.

Vendors fabricated new parts for the line and repaired it. The plant came back online July 12. The Nuclear Regulatory Commission says it will analyze the plant crew's response to the incident.

More: *The Herald-Palladium*

TVA Closer to Taking Watts Bar Commercial

The first new U.S. nuclear plant to be built in two decades is closer to being deployed after the Tennessee Valley Authority last week completed a key performance test on the reactor.

The unit, which has been operating at 30% of its 1,150-MW capacity, was raised to 50% so operators could perform load rejection tests, in which power is rapidly lowered and raised to simulate a storm-induced loss of load or other accident.

"All of the tests went like clockwork," a TVA spokesman said. The corporation expects to bring the Watts Bar Unit 2 to full power later this summer.

More: *Times Free Press*

STATE BRIEFS

ARIZONA

Regulators OK APS Battery Storage Program

The Corporation Commission approved Arizona Public Service's demand-side management plan, which includes $4 million to incentivize the use of battery storage systems for residential customers.

The plan's aim is to reduce peak load on the utility's distribution system and includes programs to encourage the use of smart thermostats, demand response, LED lighting and technologies that improve the efficiency of air conditioners.

"Pairing advanced technology with customer education empowers our customers to have more control over their own energy use," said Jim Wontor, the utility's manager of demand-side management.

More: *KJZZ*; *Arizona Public Service*

CALIFORNIA

Brown Moves to Extend Cap-and-Trade

Gov. Jerry Brown's administration last week moved to keep the state's cap-and-trade program alive beyond its scheduled expiration in 2020. The Air Resources Board proposed a plan that would progressively decrease emissions caps until 2031 — to 40% below 1990 levels — and extend the carbon market to 2050.

Legislation to limit 2050 emissions to 80% below 1990 levels — and extend the market — stalled in the state's lower house last year. While lawmakers have taken up a scaled-down version of the bill this year, passage is not ensured because of strong opposition. Brown is negotiating with oil companies who have criticized the cap-and-trade program.

More: *Los Angeles Times*

CAISO Solar Record Slips Past 8,000 MW

CAISO's solar output hit a new record of 8,030 MW at 1:06 p.m. on July 12, exceeding year-ago levels by 2,000 MW and nearly doubling the peak in May 2014. Renewable portfolio standard resources together covered 29% of load during the ISO's system peak later that day.

The state currently has about 8,600 MW of solar resources connected to the grid.

More: *CAISO*

CONNECTICUT

Report: State Energy Costs Highest in US

The state has the highest average energy costs in the nation, according to financial website WalletHub. The report says the

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STATE BRIEFS

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average household in the state spends $400/month on energy.

The state ranked No. 3 for electricity costs, No. 3 for home heating oil costs, No. 11 for natural gas costs and No. 14 for gasoline costs, equating to average monthly costs of $155, $104, $44 and $100, respectively.

The state's New England neighbors also ranked in the top five.

More: Hartford Courant

Green Bank's Program Aids Energy Efficiency

The state's Green Bank unveiled a new $800,000 grant program called Energy on the Line to assist manufacturers in using renewable energy and efficiency measures.

The program provides up to $50,000 in supplemental funding for projects. An $800,000 funding pool from the state Department of Economic and Community Development will be matched by more than $8 million in private-sector loan funds procured by the Green Bank.

Manufacturers interested in participating in the new grant program must apply by Sept. 16.

More: New Haven Register

MAINE

Governor Opposes Wind, Solar Projects

Gov. Paul LePage, speaking at a town hall in the Moosehead Lake region, said that area is not right for renewable energy development.

"Is there room for wind and solar?" the governor said. "Yes, in certain spots of the state. But I want to tell you Moosehead is not one of them."

SunEdison is seeing opposition in the Greenville area to its proposed 26-turbine wind farm on Misery Ridge, near Moosehead Lake, but the project's fate is uncertain since the company's bankruptcy. Though the governor mentioned solar power, there are no such projects being proposed for the area.

More: Portland Press Herald

Largest Solar Farm in State Under Development

Ranger Solar is conducting an environmental assessment for a solar farm of up to 80 MW that could break ground in 2018.

The project would be the largest utility-scale solar farm in the state. A solar farm requires about 5 acres/MW, according to the developer. An exact number of panels that would be needed for the project is not yet known, but upward of 90,000 to 100,000 panels are likely.

Once a project plan is completed, Ranger Solar will bring it formally before the Farmington Board of Selectmen and the state Department of Environmental Protection.

More: Portland Press Herald

MICHIGAN

State Hires Two Firms For Pipeline Analysis

The state has hired two companies to analyze the financial impact of a hypothetical rupture of Enbridge's underwater pipelines, collectively called Line 5, in the Straits of Mackinac and to explore potential alternatives to their route. Enbridge will pay $3.5 million for the studies but declined to oversee the work.

Det Norske Veritas will work on an analysis of the cleanup costs in the event of a rupture. Dynamic Risk Assessment Systems will look into alternatives for Line 5, which carries 23 million gallons of oil and LNG per day.

More: The Associated Press

Snyder Appoints Former BP Lobbyist to Head MDEQ

Gov. Rick Snyder has appointed a former BP lobbyist to head the state's Department of Environmental Quality, sparking criticism from residents and environmentalists already galvanized over the Flint water crisis.

Heidi Grether, currently a deputy at the Agency for Energy, previously spent 21 years with BP in external communications, including managing the public response to the Deepwater Horizon oil spill. Former MDEQ chief Dan Wyant resigned in late December amid the Flint controversy.

"After the Flint water crisis clearly demonstrated there were cultural problems within the DEQ, this appointment is a concerning development," said Lisa Wozniak, executive director of the Michigan League of Conservation Voters.

More: Detroit Free Press

MISSOURI

PSC: Grain Belt Express Must Wait 60 More Days

The Public Service Commission ruled that Clean Line Energy must wait another 60 days for its Grain Belt Express transmission line application to be considered for approval because the company did not provide adequate public notice when it made its filing.

The commission rejected the project a year ago in a 3-2 vote, but it said this latest delay was strictly procedural.

More: St. Louis Post-Dispatch

NEW HAMPSHIRE

Merrimack Valley Power Line Approved by State

The state Site Evaluation Committee approved an application from Eversource Energy and National Grid for construction of the Merrimack Valley Reliability Project, the first major upgrade to the electrical transmission system in 20 years.

The new 18-mile overhead transmission line will be built on an existing interstate right of way.

The application for the project was submitted in July 2015. Its cost is estimated at $125 million, and the utilities are evaluating construction bids.

More: New Hampshire Union Leader

NEW MEXICO

PRC Schedules Hearing on Facebook's Planned Facility

The Public Regulation Commission unanimously agreed to hold an Aug. 9 hearing on Public Service Company of New Mexico's request to provide renewable energy to a proposed data center for social media giant Facebook. If no comments are received by

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July 27, however, the commission may waive the hearing.

PNM submitted an application seeking expedited approval, without public comment or hearing, of a plan to provide 60 MW of solar or wind power. Facebook, which also is considering locating the site in Utah, wants the facility online by mid-2017 and has agreed to cover most of the costs of the power facility.

Facebook wants the center to run on 100% renewable energy, but it would still use traditional power plants as backup energy sources. As part of the deal, Facebook would require PNM to guarantee a fixed price on backup power for the first 10 years.

More: The Santa Fe New Mexican

NORTH CAROLINA

Regulators Set $98M Bond For Duke Plant Appeal

The Utilities Commission says two nonprofits must put up a $98 million bond to go forward with an appeal of a permit given for a new Duke Energy gas-fired power plant. The commission originally set the bond at $10 million, but an appellate court told it to recalculate the bond based on "competent evidence."

The commission set the new amount based upon a 1965 state law and said it is designed to protect developers from costs associated with construction delays in the event they win a legal challenge. "The statute plainly places on the appealing party the financial risk of what potentially could be extensive additional costs," the NCUC said in its order.

NC WARN and the Climate Times objected to the Buncombe County plant because it would use gas extracted using fracking. Duke had requested a $240 million bond, while the nonprofits said they were willing to put up $250. NC WARN's director, Jim Warren, said it is not going to put up the bond. "We don't have the money."

More: News & Observer

NORTH DAKOTA

PSC Unanimously Approves Second Brady Wind Farm

The Public Service Commission unanimously approved the $250 million Brady Wind Energy Center II project, which will have 72 turbines and a capacity of 150 MW.

The project would double the potential capacity of Brady Wind, an indirect subsidiary of NextEra Energy Resources. The new facility will be located in Hettinger County, south of its sister project, approved last month, in Stark County.

Commissioner Brian Kalk said the approved siting permit includes strict turbine setbacks of 2,000 feet from homes in the project area and 2,640 feet from homes owned by those not participating in the project. He said the setbacks were negotiated based on county and PSC standards.

More: The Bismarck Tribune

PENNSYLVANIA

Company Could Pay $5M For Deceptive Pricing

Two administrative law judges are recommending that the Public Utility Commission fine Blue Pilot Energy $5 million for charging its variable-rate customers high prices during the polar vortex of 2014.

The judges found that the Las Vegas-based company did not provide accurate pricing information, charged prices that did not match its disclosure statement and falsely promised savings.

They also said that Blue Pilot did not comply with the state's Telemarketer Registration Act. The company countered that the PUC is authorized only to enforce its own regulations, not the telemarketer law.

More: The Philadelphia Inquirer

TEXAS

Environmental Regulators Approve Controversial Mine Expansion

The Commission on Environmental Quality renewed and expanded a wastewater permit for Dos Republicas Coal Partnership, allowing the company to expand its current operations near the Mexican border and mine up to 6,300 acres for low-quality coal.

The mine's opponents say the project will pollute the air and the Rio Grande, which is the area's only source of water. Several Native American tribes have also argued that the mine threatens sacred ancestral ground and that they were never given proper notification about the company's plans.

Dos Republicas is owned by Mexican companies and by the Plano-based North American Coal Corp. and its subsidiary Camino Real Fuels. Because the coal is categorized as too low-grade for use in the U.S., it's shipped to Coahuila for use in Mexican plants.

More: The Texas Tribune

NRG, Denton Reach $3.7M Settlement over Rate Credits

The Denton City Council has approved a $3.7 million settlement reached between NRG Power Marketing and the city over money owed to ratepayers.

After the Texas Interconnection became deregulated in 2002, Denton Municipal Electric contracted with NRG to represent Denton at ERCOT until the city could begin buying and selling electricity directly in October 2014. Denton sued the company last year, alleging that NRG withheld credits from ratepayers.

The two parties were ordered into mediation, with Mayor Chris Watts personally assisting in the talks.

More: Denton Record-Chronicle

WISCONSIN

PSC Orders $16.5M Refund to WE Ratepayers

The Public Service Commission approved a $16.5 million refund to We Energies customers after the utility underestimated how falling fossil fuel prices would affect the cost of power. The refund will amount to about $5 for the average residential customer.

Four other state utilities — Wisconsin Power and Light, Madison Gas and Electric, Wisconsin Public Service and Northern States Power — will also issue refunds that range from $9.5 million to $16.5 million.

We Energies had asked the commission for a pass on issuing refunds, arguing that the money should be used to counteract future rate hikes, but consumer advocacy groups lobbied the PSC for immediate refunds.

More: Milwaukee Journal Sentinel; Wisconsin Public Radio

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