RTO Insider

Your Eyes and Ears on the Organized Electric Markets

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Md. Balks at Proposed Emission Cuts as RGGI States Ponder Future

By William Opalka and Rory D. Sweeney

The Regional Greenhouse Gas Initiative reported another lackluster carbon allowance auction last week, bolstering calls by Massachusetts and others for more aggressive cuts in the compact's emission caps.

But as the program conducts its triennial review of how it should operate in 2020 and beyond, Maryland is raising the threat it could pull out, as New Jersey did in 2011.

RGGI reported it sold 14.9 million CO_2 allowances at $4.54 each Sept. 7, nearly identical to the prices of the second auction this year of $4.53 and more than 70 cents lower than six months ago.

From 2.5% to 5%?

In 2014, RGGI set an emissions cap of 91 million tons that declines by 2.5% annually to 78.2 million tons by 2020. Environmental advocates and Massachusetts officials have called for doubling the rate of decrease to 5% annually. But Maryland's top environ-

Continued on page 2

House, Senate Conferees Begin Work to Narrow Differences on Energy Bill

By Rich Heidorn Jr.

House and Senate negotiators met for the first time Thursday in an effort to reach agreement on the first broad energy bill in almost a decade.

The 31 members of the conference committee — seven senators and 24 representatives — are trying to merge the Senate's bipartisan bill with a House bill rejected by Democrats and the target of veto threats by President Obama.

The session was limited to opening statements from the members and no amendments or bill text were considered. But Sen. Lisa Murkowski (R-Alaska), chair of the Senate Energy and Natural Resources Committee, said 90 staffers have already been working "aggressively," holding 30 meetings during the summer break, including a dozen in the last week. (See *Senate OKs Conference on Energy Bill*.)

Rep. Fred Upton (R-Mich.), chairman of the House Energy and Commerce Committee, opened the session on a conciliatory note, saying he was optimistic the conferees could find a "sweet spot" to win bipartisan support and the president's signature.

"I'm here to listen and to work and to get things done and not take the avenue of sending a bill to the president that he would veto," said Upton, suggesting he would like the accomplishment before he must relinquish the chairmanship next year because of term limits. "That is not on my list of things to get done."

Upton noted that the U.S. is no longer "trying to address concerns about energy scarcity, high prices and dependence on imports. Thanks to private sector innovations leading to increased domestic oil and gas output, the script has been flipped, and Congress can now approach energy issues from a position

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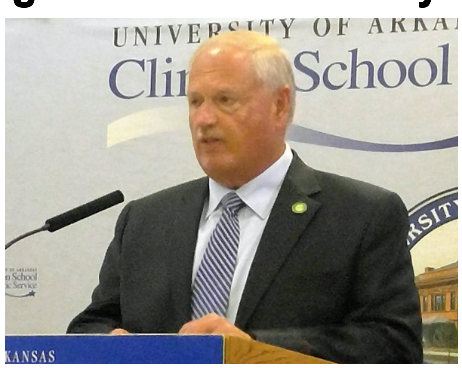
NRECA Continues its Fight for the Little Guy

Installing Broadband, Fighting CPP

By Tom Kleckner



Mel Coleman, NRECA board president | *RTO Insider*

LITTLE ROCK, Ark. — During the Great Depression, it was the newly formed electric cooperatives that electrified much of the rural U.S. Now, the co-ops want to replicate that accomplishment by bringing their customers broadband Internet access.

"There are parallels between broadband

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Md. Balks at Proposed Emission Cuts as RGGI States Ponder Future

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mental regulator says that is too strict for his state.

Most RGGI members are part of ISO-NE, so any financial burdens created by the pact's restrictions affect all of their power generators — and subsequently the prices they offer to supply power — equally.

Power plants in Maryland and Delaware, however, sell into the PJM markets and compete against generators that aren't impacted by the same restrictions in states such as Pennsylvania, Ohio, West Virginia and Kentucky. More aggressive emissions cuts could price power producers in Maryland, where 22% of its production comes from coal, out of the market, said Ben Grumbles, secretary of the Maryland Department of the Environment.

Grumbles was quoted by *The Boston Globe* last month saying "unacceptable" cuts may drive Maryland out of the agreement. New Jersey Republican Gov. Chris Christie did just that in 2011, saying it was expensive and ineffective.

In an interview last week with S&P Global Market Intelligence, Grumbles called for "a renewed RGGI … that provides a stringent emissions cap without creating unfair competition for Maryland or other RGGI states."

"Economic competitiveness and the cost of energy to local ratepayers must be considered in our midpoint review of RGGI, in addition to the fundamental objective of reducing greenhouse gases and increasing resiliency," Grumbles said.

Grumbles was appointed by Republican Gov. Larry Hogan, who angered environmentalists in the mostly Democratic state in May when he vetoed a bill that would have raised Maryland's renewable portfolio standard to 25% by 2020. The current RPS goal is 20% by 2022.

"It's not clear exactly what (or who) will drive the state's position" on RGGI, *The Baltimore Sun* said in an editorial last week, adding that Hogan's veto "has already cast doubt about the administration's commitment to improving air quality and fighting climate change."

The *Sun* acknowledged that tougher caps could leave Maryland ratepayers "paying more for cleaner power but still suffering

Maryland Environment Secretary Ben Grumbles, Gov. Larry Hogan and Natural Resources Secretary Mark Belton visit Assateague State Park on Earth Day in April. | *Maryland Department of the Environment*

downwind power plant pollution" from its PJM neighbors.

The solution? "Get more states to join RGGI and elect a president who supports the Clean Power Plan," the *Sun* said.

Unanimous Vote

The New England Power Pool is in the midst of a stakeholder process intended to further align the region's wholesale markets with states' clean energy policy goals. The initiative could result in Tariff changes that ISO-NE would present to FERC. (See *Q&A: NEPOOL Chair on Redesigning Market Rules for Low-Carbon Future*.)

Changing RGGI's caps would require a unanimous vote of the nine states, and Maryland and Delaware aren't the only ones that could balk.

Maine Gov. Paul LePage is a climate change skeptic, and Carlisle McLean, a LePage appointee to the state Public Utilities Commission, told the *Globe* "the state is looking hard at this continued RGGI commitment."

Thanks in large part to the falling price of natural gas, RGGI has exceeded its emissions goals, while electric rates have dropped. The allowance sales have raised almost $2.6 billion, which the states have invested in energy efficiency, renewable energy, bill assistance and greenhouse gas abatement.

"RGGI emissions through the first half of 2016 were the lowest they have been in the program's history, and annual emissions have been below the RGGI cap level in each

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CAISO Stakeholder Symposium

Western Utility Execs Bullish on EIM, Wary of Deeper Integration

By Robert Mullin

SACRAMENTO, Calif. — Western utility leaders at CAISO's annual stakeholder event said they welcome the operational benefits and increased regional cooperation of the Energy Imbalance Market but remain wary of organizing the wider West under a CAISO-run RTO.

At a Sept. 7 panel discussion on market regionalization at the CAISO Stakeholder Symposium, executives at utilities planning to join the EIM cited its main advantage: the improved integration of intermittent renewable resources.

"We were blessed with 1,000 MW of PURPA [wind projects]," said **Lisa Grow**, senior vice president of operations at Idaho Power, which will become the sixth company to join the EIM when it makes the move in April 2018. "We're unable to integrate that" by itself, she said.

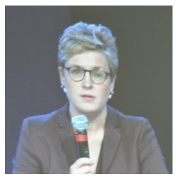
The utility and the state's regulators have complained that its service territory has been flooded with excess generation by large but "disaggregated" wind farms developed under the Public Utility Regulatory Policies Act, which was enacted in 1978 to encourage the growth of small-scale, independent generation projects. (See *FERC Conference Debates PURPA Costs, Purchase Obligations*.)

With a minimum system load of about 1,100 MW, Idaho Power serves most of the state's electricity users. The utility currently derives about half of its energy from hydroelectric projects.

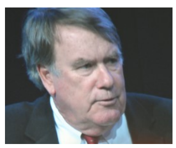
Grow said her company expects to realize only a modest financial benefit from membership. But the company's hydro-rich portfolio translates into a high degree of ramping capability, which should be an asset for the utility as it seeks to offload its surpluses into an EIM. Flexible and carbon-free generation will become increasingly valuable as Western states increase their renewable portfolio standards and California looks to significantly cut greenhouse gas emissions.

'Big Hurdle'

In neighboring Oregon, Portland General Electric, which is scheduled to join the EIM next year, sees the market as a cost-effective way to integrate renewables. A law passed earlier this year will require the utility to achieve a 50% RPS by 2040.



"That is a big hurdle," said **Maria Pope**, PGE's senior vice president of power supply and operations and resource strategy. "My sense is that, irrespective of the market benefit, the advancements in the technology and processes have value in themselves."



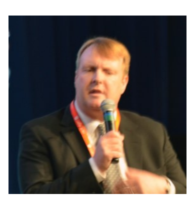
Utah Associated Municipal Power Systems (UAMPS), which initially protested PacifiCorp's decision to join the EIM, is likely to join itself after a recently completed benefits study, CEO **Doug Hunter** said.

A publicly run nonprofit that provides wholesale electricity to 45 community-owned utilities in seven states, UAMPS owns generation and transmission assets in Utah and sits "right in the gunsights" of the EIM, Hunter said.

"We're the definition of regionalism. … We really see it as a marketplace that we can enter — and our customers can benefit from this," Hunter said, adding that the outcome of the EIM's implementation "wasn't as dire as we thought it would be."

California Public Utilities Commissioner Mike Florio, who moderated the panel, turned the discussion to the Northwest's largest public entity — the Bonneville Power Administration.

"Is it ever in the cards for Bonneville to join, or would that take an act of Congress?" Florio asked.



"Serving our preference customers is our priority," said **Elliot Mainzer**, Bonneville's administrator and CEO. "But having a market for surpluses would be important."

Bonneville's decision to join the EIM "will depend on how the governance functions," Mainzer said. "But at this point, no decision on that."

The market's five-member governing body, which represents various stakeholder sectors, was selected in June and met for the first time earlier this month. (See *EIM Governing Body Convenes First Meeting, Selects Leadership*.)

Mainzer emphasized the importance of his agency to staying "constructively engaged" with the EIM, especially because PacifiCorp's participation requires the use of Bonneville's transmission system.

"So far, it's worked effectively," Mainzer said. "Managing at those seams, staying communicative … really matters."

No 'Gateway Drug'

Florio called the prospect of full membership in CAISO a "hot potato" for many utilities. He sought panelists' thoughts on the challenges to regionalization.

"Early on, when talking with [Arizona regulators] about [joining the EIM], there was a lot of pessimism," Arizona Public Service COO **Mark Schiavoni** said. CAISO CEO Steve Berberich and "I had to assure that this wasn't some kind of gateway drug to something broader."

"I think the concept of exporting California policy to the intermountain West was one of the biggest issues — a big part of the reluctance on the part of politicians," Hunter said.

For UAMPS, the concerns come down to economics — specifically, the allocation of costs under a Western RTO.

"We could quadruple our transmission access charge" under an RTO, Hunter said. "We just don't see the benefit." He added that UAMPS was encouraged by California's decision to slow down the ISO's expansion efforts to "get a handle" on some of the more controversial issues. (See *Gov. Brown Reaffirms Commitment to Expanded CAISO*.)

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CAISO Stakeholder Symposium

Gov. Brown Reaffirms Commitment to Expanded CAISO

By Robert Mullin

SACRAMENTO, Calif. — Gov. Jerry Brown on Wednesday reaffirmed his commitment to an expanded CAISO, a month after asking state agencies to delay their efforts to complete enabling legislation.

Brown told the ISO's annual stakeholder symposium that greater cooperation with balancing authority areas in neighboring states is essential to increasing the efficiency of the grid and meeting California's ambitious renewable portfolio standard of 50% by 2030. The governor signed a bill the day after his speech reducing the state's greenhouse gas emissions to 40% below 1990 levels by 2030. (See related, *State Briefs*, p.20.)

"I think we recognize the imperative of making our electric system as efficient as it possibly can be," Brown said. "The efficiency of a wider grid is unmistakable. And the imperative is greater efficiency, greater elegance and intelligence in the way we use and produce electricity, the way we market it and the way it goes around the system."

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Brown listed some of the dangers to California from climate change — including longer wildfire seasons and the potential for flooding in low-lying areas — and asked how California can work with other states "that have different perspectives" on dealing with climate change.

"That's something I think you're all here to figure out, because we're not going to change differences in different states that have different needs and different experiences," Brown said.

The governor noted that utilities in his own state at one time doubted the possibility that they could sustain a 20% RPS by 2020. But those companies are now on track to exceed that goal and are confident they will hit the 50% objective.

"But in order to get there, we need a grid that is highly sophisticated," he said. "We need a grid that is conterminous with the technology and capability that is possible today.

"So I hope you work all that out," Brown added, humorously. "Make sure that those who love coal and those who love the sun can sit down and work in a totally seamless web of interconnection, interaction and happiness for all."

Brown acknowledged the difficulty of advancing regionalization through the political process of multiple states. The governor last month postponed plans to present the legislature with a governance plan for an expanded ISO, saying there wasn't enough time to complete the proposal before the legislative session ended Sept. 1. (See *Governor Delays CAISO Regionalization Effort*.)

"But the times are changing, and the technologies are forcing us to re-examine how things work," Brown said.

Western Utility Execs Bullish on EIM, Wary of Deeper Integration

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Schiavoni said the focus of regionalization must expand to include the needs of other Western states. "Until there's dialogue and conversation that goes beyond California, I just don't see movement toward that broader market," he said.

"If I were outside California, I'd want to see California give up some control," said Pat Hogan, senior vice president of transmission and distribution at Pacific Gas and Electric.

Citing the dependencies of the physics, politics and economics of the grid, Mainzer said he was concerned about "spreading volatility over a broader footprint."

"You have to be able to trust each other to share the optimization," Mainzer said. "If you can't get beyond the governance … you're bound to get the market design wrong."

"In my neck of the woods, PJM is like the Antichrist."

Doug Hunter, UAMPS

"I think it's important not to underappreciate where we are now," Pope said. "There's a lot of work to be done." The EIM is "extremely well-constructed," she said, adding that she liked the ability of participants to enter and exit the market at will. "I would hate to jump into something that would add complexity without having a benefit."

Comparative Approach

Hunter told the panel there are benefits to having a competitor to a CAISO-run RTO.

"We're lucky because right now we have a proposal to the east of us that will allow us to do a comparative approach," said Hunter, referring to a competing effort by the Mountain West Transmission Group to create its own RTO in the inland West. (See *Mountain West RTO Could Pose Competition for CAISO*.)

Hunter noted that Mountain West had received proposals from multiple RTOs to operate the potential market — including CAISO and PJM.

"In my neck of the woods, PJM is like the Antichrist," Hunter said.

"If PJM is the Antichrist, what is the California ISO?" Hogan asked.

"Well, it's the potential Good Witch of the West," Hunter replied.

CAISO Stakeholder Symposium

Distributed Resources to Reshape Industry, Symposium Panelists Say

By Robert Mullin

CAISO's Lorenzo Kristov (left) and SolarCity's Jon Wellinghoff | *RTO Insider*

SACRAMENTO, Calif. — While regionalization occupied center stage during the first day of CAISO's annual Stakeholder Symposium, the second day's panels took on an issue poised to be equally transformative for California's electricity sector: the increased adoption of distributed energy resources.

"To give you a sense of the scale, in addition to over 16,000 MW of utility-grade renewables attached to the system, we now have 4,500 MW of distributed solar," said Ashutosh Bhagwat, a member of the CAISO Board of Governors.

Rooftop solar capacity within the ISO's balancing authority area has increased by 43% over the past five years, Bhagwat noted. "That means we're most certainly going to hit 10,000 MW quite soon."

Bhagwat said the ISO considers the rise of distributed generation to be an opportunity for enhancing its system, rather than a physical liability. Distributed resources have the potential to contribute to grid management, he said, but the ISO must overcome barriers to getting there.

"We have to figure out how to dispatch [DER] in a way that works," he said.

Ron Nichols, president of Southern California Edison, said his company "is very strongly embracing the growth of distributed energy resources on our system. We're dealing with it in an extraordinarily large way. In scale, it's phenomenal."

22,000 Changes

Among the questions the company is addressing: "What's the pace of [DER] growth going to be? What are going to be the compensation models associated with that [growth]? What kinds of transactions are we going to deal with and how are we going to allocate costs with respect to that?"

The utility has made 22,000 short- and long-term changes to its distribution system to maintain reliability while incorporating DER.

"You don't make 22,000 changes to the ISO transmission system — or even across" the Western Electricity Coordinating Council, Nichols said.

Lorenzo Kristov, principal of market infrastructure and policy at CAISO, said he started working on DER about four years ago when he led an initiative to expand the ability of distributed resources to participate in the ISO market.

Kristov said CAISO asked to him to imagine having as many as 100,000 "tiny" resources participating in the ISO's market optimization — the platform responsible for scheduling and dispatching resources.

"Is that really the way that it's supposed to be?" Kristov said. "My answer at that point was 'maybe, but maybe not.'"

Among Kristov's conclusions: Expanded DER will require distribution utilities to reconsider how they operate — while also forcing CAISO to rethink how it interacts with those utilities, he said.

Kristov said he can envision the development of a distributed service operator (DSO) "that looks pretty much like today's distribution company. But then you could go to the very opposite extreme, where the DSO really takes on" the functions of another balancing authority.

Hawaii Public Utilities Commissioner Lorraine Akiba and SoCalEd President Ron Nichols | © *RTO Insider*

Pilot Program

"These consumer resources can in fact be a reliable resource that can provide reliable services into the market," said former FERC Chairman Jon Wellinghoff, now chief policy officer at SolarCity. "I think the future is at the area of the distribution utility."

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CAISO Stakeholder Symposium

Distributed Resources to Reshape Industry, Symposium Panelists Say

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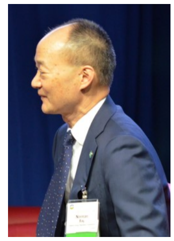
SolarCity is participating in a pilot program with Pacific Gas and Electric in which 150 homes with rooftop solar are installing the equipment and software controls necessary for the utility to provide ancillary services to the ISO, Wellinghoff noted.

"That's one thing we need to remember … customers are an important part of this," said Lorraine Akiba, a member of Public Utilities Commission of Hawaii, which has mandated a 100% renewable portfolio standard by 2045. "Customers have choices. We have to enable and empower them to be part of the grid."

Federal-State Jurisdiction

Another question is which agencies will have jurisdiction over those resources in the wholesale market. While activities at the distribution level typically fall under the control of state regulators, FERC has the final say on matters related to markets and rules affecting the transmission system.

"These technologies are not only transforming the grid, but they are starting to erode the traditional barriers — the regulatory barriers — that separate the distribution system from the transmission system, and therefore [federal and state regulators] touch on each other in ways we never have before," said Michael Picker, president of the California Public Utilities Commission.



FERC Chairman **Norman Bay** said jurisdictional questions can be resolved under the Federal Power Act. "If the resources are aggregated and have submitted a [CAISO Distributed Energy Resource Provider] filing — so it's more than half a megawatt and can follow dispatch instructions — [they] can participate in wholesale markets," Bay said.

During one panel, CAISO CEO **Steve Berberich** posed to Bay a scenario in which a FERC-jurisdictional DER aggregator violated an RTO's market rules using behind-the-meter resources subject to state regulatory oversight.

"How would you bridge that gap?" Berberich asked.

FERC's approach to enabling demand response to participate in wholesale markets could provide "a template for the way we might think about other distributed resources," Bay responded. He noted that there have been cases in which FERC has pursued enforcement actions against DR providers for improperly verifying load reductions.

"Under our anti-manipulation authority, we have to show the conduct has a nexus with the wholesale markets," Bay said.

In response to a question about who should be responsible for monitoring the market activities of DER aggregators, Bay pointed out that marketing monitoring presently occurs at the federal, state and RTO/ISO levels.

"There are many sources of information, and it's very important that we use all those sources of information to make sure the market has integrity," he said.

Bay also offered a note of support to California's efforts to provide DER with access to the ISO's market.

"I actually think a lot of good work is happening in California and CAISO, and I want to commend both the CPUC and CAISO for the work that you're doing to establish market rules that allow DER and energy storage to participate in wholesale markets," Bay said. (See *FERC OKs CAISO Energy Storage Rules*.)

ISO-NE NEWS

Court Asked to Force FERC Action on Disputed ISO-NE Capacity Auction

By Rich Heidorn Jr.

WASHINGTON — A public interest group and Connecticut officials asked a federal appellate court last week to force FERC to rule on the legality of ISO-NE's eighth Forward Capacity Auction, saying the commission abdicated its responsibility by refusing to take action.

In September 2014, the commission split 2-2 over whether it should reject the results from the RTO's auction because of unchecked market power, allowing the 2017-18 auction results to become "effective by operation of law" (ER14-1409). Under the Federal Power Act, rates take effect 60 days after they are filed with FERC, absent a commission order to the contrary.

Commissioners Tony Clark and Norman Bay called for FERC to reject the auction results, but then-Chair Cheryl LaFleur and Commissioner Philip Moeller said the commission should seek only prospective changes in the auction rules. (See *FERC Commissioners at Odds over ISO-NE Capacity Auction*.)

Last week's arguments before a three-judge panel of the D.C. Circuit Court of Appeals focused less on the auction itself than on whether the commission's 2-2 deadlock constituted an "action" that should be subject to judicial review. FERC contends it was an exercise of the commission's discretion and thus not subject to second-guessing (14-1244).

Remand Sought

Nelson

Scott Nelson, attorney for plaintiff Public Citizen, said the court should remand the issue to FERC for consideration of whether the auction prices were just and reasonable, as he said is required by FPA Section 205 when a rate is challenged.

He cited a statement from LaFleur contending the commission lacked authority to review the auction results, an opinion FERC's attorneys have not embraced. LaFleur said the ISO-NE Tariff is the "filed rate" and a review of the auction prices would violate commission precedent and subject auction participants to "regulatory uncertainty or after-the-fact ratemaking."

"No one here actually defends that statement," Nelson told the judges. "Here one of the determinative votes [on the auction results] rests on what is a clear error of law."

The judges challenged Nelson's arguments.

Brown

Judge Janice Rogers Brown told Nelson his reliance on a precedent involving the Federal Election Commission is "somewhat flawed" because the FEC's enabling act explicitly allows judicial review of deadlocks. "Where is that in the Federal Power Act?" she asked.

FERC Solicitor Robert H. Solomon also challenged the FEC precedent. With equal numbers of Democratic and Republican appointees, Solomon said, the FEC is "designed to deadlock." In contrast, FERC is split 3-2, with the majority representing the party in the White House.

Srinivasan

Judge Sri Srinivasan pressed Nelson on his use of another precedent, *Amador County v. Salazar*, noting that the FPA allows challenges under Section 206 if the commission fails to act under Section 205.

No 'Backstop'

"That [Section 206] remedy is not an adequate alternative," Nelson responded, noting that while ISO-NE must prove that its rates are just and reasonable under Section 205, the burden of proof flips to the plaintiffs in Section 206. In its brief, Public Citizen noted that the D.C. Circuit has previously ruled that Section 206's burden of proof is "practically insurmountable" for private parties challenging rates.

"206 can't be a backstop for the agency's failure to exercise its authority under 205," Nelson said.

John S. Wright, an assistant Connecticut attorney general, also argued for a remand. Connecticut's challenge to the FCA 8 results (14-1246) was consolidated with the Public Citizen complaint.

"FERC has a duty to act," Wright said. "FERC knew the rates were subject to the exercise of market power."

The auction saw total capacity costs for 2017/18 rise to $3.05 billion — almost double the previous high — as the region's capacity shifted from an expected surplus to a deficiency of more than 1,000 MW. The shortfall was because of plant retirements, including that of the 1,488-MW Brayton Point station in Massachusetts.

Wright said ISO-NE erred in the auction by treating capacity importers as "new" supply and not subjecting their bids to review, unlike existing resources. New resources in the Maine, Connecticut and Rest of Pool capacity zones were paid $15/kW-month, while existing resources in those zones received an administrative price of $7.025/kW-month.

However, FERC said its Office of Enforcement investigated Brayton Point's retirement and determined it was justified.

In addition to announcing their deadlock in September 2014, the commissioners voted unanimously to open a new docket (EL14-99) calling for a Section 206 proceeding over the RTO's process for reviewing importers' offers and mitigating their market power. The commission approved Tariff changes addressing those concerns in December 2014 (ER15-117). (See *FERC OKs Tightened ISO-NE Screening on Capacity Imports*.)

'Non-Order'

FERC's Solomon said there is nothing for

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> **"Here one of the determinative votes rests on what is a clear error of law."**
>
> **Scott Nelson, Public Citizen**

ISO-NE NEWS

Court Asked to Force FERC Action on Disputed ISO-NE Capacity Auction

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> **"FERC has a duty to act. FERC knew the rates were subject to the exercise of market power."**
>
> **John S. Wright, Connecticut**

the court to review because the "commission made no decision."

Statements issued by LaFleur and the other three commissioners were not official orders and thus not reviewable, he said. "What matters is whether anything has been articulated by the agency as an institutional body."

The commission's notice, he said, was a "non-order."

Srinivasan asked how often FERC has allowed rates to go into effect "by operation of law."

"This is extremely rare, your honor," Solomon responded, saying the commission has identified only six such instances in 80 years.

As evidence of the commission's discretionary authority, Solomon quoted from subsections C, D and E of Section 205, which repeatedly use the word "may."


Mezzina

Supporting FERC's position last week was Paul A. Mezzina, attorney for intervenor Electric Power Supply Association. Mezzina said that when market rules are followed, the results are "presumptively just and reasonable."

Judge Brown pointed out that the settlement that led to the creation of ISO-NE's capacity market says the commission "will" review the auction results.

But Mezzina said the settlement didn't "take away any of the commission's discretion to determine what the review consists of." He said the commission has "broad discretion" and "no unequivocal obligation to act."

FERC Chief of Staff Larry Gasteiger was among the FERC officials in the audience for the arguments. Also in attendance were representatives of some of the other intervenors supporting FERC: NRG Power Marketing, H.Q. Energy Services, Calpine, the New England Power Generators Association and the New England Power Pool Participants Committee.

Ruling

The FCA 8 rates will take effect June 1, 2017.

If the court rules that it has jurisdiction to review the commission's inaction, it will have to decide whether the FPA allows a protested rate filing to go into effect when the commission cannot issue an order by majority vote.

Nelson said after the hearing he expected a ruling by March. Solomon said it could be as long as a year.

Were the issue to be remanded to FERC, Moeller, who left the commission last year, and Clark, who is stepping down this month, would have no role.

Following Clark's departure, the commission will be short two members, with only LaFleur, Bay and Colette Honorable, who joined in January 2015.

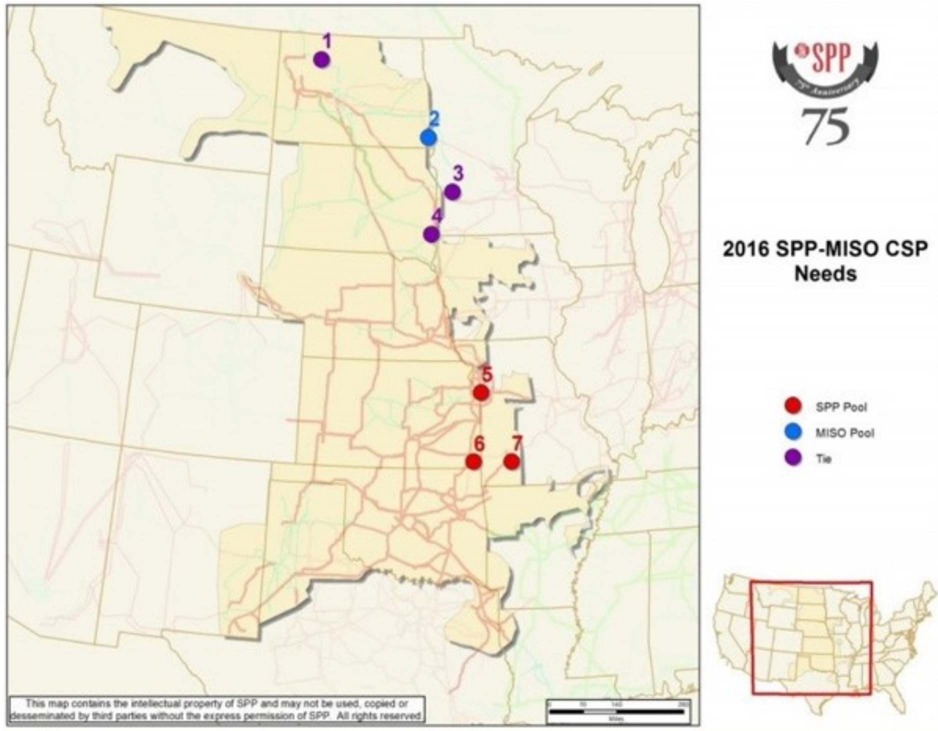
Meanwhile, the capacity dispute has attracted the attention of the New England congressional delegation, which won House approval in March of a bill that would amend the FPA to allow court review of any inaction by the commission that allows a rate change to go into effect (HR 2984).

The Senate has not acted on the bill.

MISO News

MISO-SPP Study Scope Finalized; Stakeholders Doubtful Projects will Result

By Amanda Durish Cook



MISO and SPP are moving ahead on a joint study focusing on seven projects, staff told stakeholders at a Sept. 7 Interregional Planning Stakeholder Advisory Committee meeting.

The seven needs in the coordinated study scope include four projects suggested by both RTOs and three proposals from just SPP. The original list of study prospects had 10 suggested projects from SPP and five from MISO focusing on the seam with SPP's Integrated System.

The final scope contains projects both inside and outside of the Integrated System seam. (See "MISO-SPP Coordinated Study Focusing on 5 Interregional Areas in Dakotas," *MISO Planning Advisory Committee Briefs*.)

"We landed on a hybrid number that include seven issues. Part of the reason that it was limited to seven is because that's the number we think we can complete by April," SPP's Adam Bell said. The coordinated study will run into the first quarter of 2017. The transmission elements to be studied are:

- The Rugby tie linking the Western Area Power Administration-Upper Great Plains East balancing authority and Otter Tail Power in North Dakota;
- The Hankinson-Wahpeton 230-kV line and the Jamestown-Buffalo 345-kV line on the Dakotas–Minnesota border;
- The Granite Falls 115-kV circuit and the Lyon County 345-kV line in southwestern Minnesota;
- The Sioux Falls-Lawrence 115-kV line and the Sioux Falls-Split Rock 230-kV line near the South Dakota–Minnesota border;
- The Northeast-Charlotte 161-kV line and Northeast-Grand Ave West 161-kV line near the northern section of the Missouri–Kansas border;
- The Neosho-Riverton 161-kV line and the Neosho-Blackberry 345-kV line in southeastern Kansas; and
- The Brookline 345/161-kV circuit transformer in southwestern Missouri.

A majority of the 17 stakeholders that filed comments called for evaluating needs along the entire SPP-MISO seam and not individual geographic locations. However, some did support pruning the number of projects to a manageable number in light of the study deadline.

Bell said stakeholders gave "a lot of support" to studying all 11 interregional need candidates pulled from MISO's 2016 Transmission Expansion Plan and SPP's 2017 Integrated Transmission Planning 10-Year Assessment, which are both due to be completed in early 2017. (See *SPP, MISO Try to Bridge Joint Study Scope Differences*.)

Davey Lopez, MISO advisor of planning coordination and strategy, said this year's targeted study will serve as a gateway for a large-scale overlay study process through 2019. "What we're going to do is use this study as a foundation for a broader, longer-term effort in 2017. It'll be a multiyear effort," Lopez said.

MISO's Eric Thoms said it's yet to be seen how this year's targeted study will feed into the overlay study, which will have its own scoping process.

Adam McKinney of the Missouri Public Service Commission repeated concerns that the RTOs were too quick to embark on an overlay study after last year's targeted joint study failed to yield any interregional projects.

"It seems like you went on a very bad date and are proposing to get married … you're going pie-in-the-sky here," McKinney said.

Bell said McKinney had a point. "I personally am a strong believer that you can't do the bigger things unless you do the smaller things. We have to be committed to this being actionable, and we don't want to do studies for the sake of doing studies," Bell said. Thoms added that "no-brainer" short-term studies will be given attention.

At a Sept. 9 meeting of SPP's Seams Steering Committee, Steve Gaw, consultant for the Wind Coalition, asked if MISO was prepared to issue construction authorization if projects were identified. SPP Director of Interregional Relations David Kelley said MISO's concern was authorizing projects that serve only as "Band-Aids" when the upcoming overlay study might reveal a larger, more permanent fix.

Paul Malone, transmission compliance and planning manager with the Nebraska Public Power District, pointed out that most of the seven projects are under MISO's 345-kV threshold for cost allocation for market efficiency projects. He asked how MISO

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MISO NEWS

MISO TOs Seek More Time for Order 1000 Challenge

By Amanda Durish Cook

A group of MISO transmission owners has petitioned Supreme Court Justice Elena Kagan for more time to draft a petition asking the court to reinstate incumbents' right of first refusal (ROFR) on RTO grid projects.

The TOs, including Ameren, Indianapolis Power and Light, Northern Indiana Public Service Co. and Otter Tail Power, want until Oct. 14 to complete their petition for a writ of *certiorari*. The TOs are seeking to overturn a Court of Appeals decision that denied the companies' request to void FERC Order 1000's provisions that introduced competition into transmission development (ER13-187, *et al.*).

In April, the 7th U.S. Circuit Court of Appeals rejected the TOs' challenge, which contended FERC failed to apply the *Mobile-Sierra* doctrine, which presumes rates negotiated by private parties are reasonable (14-2153). The group also claims FERC didn't uncover any evidence that the previous Tariff provisions "seriously harm[ed] the public interest."

Seventh Circuit Judge Richard Posner said the TOs failed to show that maintaining the ROFR was in the public interest. He also said it was expected for MISO members to take issue with the removal of the provision that opens them to third-party competition.

"No one likes to be competed against," Posner wrote. "So naturally, members of MISO in areas in need of additional facilities oppose Order 1000. They want to retain their right of first refusal — they don't want to have to bid down the prices at which they will build new facilities in order to remain competitive."

In the same order, Posner also denied a request by transmission developer LS Power, which said ROFRs should be dropped for even baseline reliability projects (14-2533, 15-1316).

LS Power received an extension for its own *certiorari* petition on Aug. 19. The TOs say granting their request for more time will not hold up the proceedings, as LS Power's extension is already in effect.

In June, FERC held a technical conference to consider suggested improvements to Order 1000. The comment period in the docket closed Sept. 2 (AD16-18). (See *FERC Calls for Post-Conference Comments on Order 1000*.)

MISO-SPP Study Scope Finalized; Stakeholders Doubtful Projects will Result

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intends to fund them if they're approved.

Kelley said unless the "ultimate solution" was at least a 345-kV rating, he didn't have an answer. MISO was directed by FERC earlier in the year to remove its 345-kV threshold and $5 million cost minimum on interregional projects with PJM.

SPP asked FERC in July to apply the same directive to the MISO-SPP seam. In late July, MISO filed an answer saying that eliminating its SPP thresholds was outside the scope of the PJM order (ER16-1969). A response from FERC is pending.

Shelly-Ann Maye, representing Midwest Power Transmission Arkansas, asked if any of three additional needs identified from SPP could result in competitive bidding. Kelley said "there's nothing to prevent" a competitive project from emerging from any of the needs. Kelley said that the RTO's respective portions of the lines could be bid on using the RTOs' Tariffs.

"It seems like you went on a very bad date and are proposing to get married ... you're going pie-in-the-sky here."

Adam McKinney, Missouri Public Service Commission

Stakeholders also asked the RTOs to explain the reasoning behind using MISO wind information from 2005 and 2006. Lopez said the 2006 wind profile that MISO is using is deemed to be appropriate for use and the RTO is not actually using 11-year-old wind data.

"It's not the actual data we're using. And we do plan on using a 2012 profile in the near future," Lopez said. MISO will begin to use a 2012 wind profile beginning with MTEP 17, but the updated wind profile use won't likely make it into the targeted study, he said.

Kelley added the targeted study will become a proving ground for interregional process enhancements between SPP and MISO. When the study is finished in April, suggested projects — if any — will be turned over for regional review and cost allocation discussions.

NYISO NEWS

FERC Dismisses NY Tx Developers' Order 1000 Complaint

By William Opalka

FERC on Thursday dismissed a complaint by transmission developers who were excluded from New York public policy projects under Order 1000 (EL16-84).

The developers had asked the commission in June to order New York regulators to begin a new process to evaluate transmission upgrades to alleviate congestion and bring renewable energy downstate. The New York Public Service Commission had approved a list of transmission developers eligible to participate in building the state's Energy Highway initiative. (See *New York Transmission Developers Ask FERC to Order a Do-over*.)

The developers — Boundless Energy NE, CityGreen Transmission and Miller Bros. — jointly filed their complaint as Competitive Transmission Developers (CTD). They said NYISO violated its Tariff and FERC directives under Order 1000 when it solicited projects without conducting its own review and instead deferred to state regulators.

The developers said the ISO should follow its normal study process — including its base assumptions and generator dispatch modeling — to consider competing solutions without excluding specific technologies or relying on the PSC's assumptions and modeling.

But FERC said the ISO was in compliance with its Tariff and Order 1000. "NYISO's [Tariff] permitted NYISO, in consultation with stakeholders, to rely on the New York commission, with input from NYISO and interested parties, to identify the public policy transmission needs, and the New York commission identified the public policy transmission needs here," FERC added.

"Additionally, we disagree with CTD that the New York commission's identified public policy need transformed NYISO's sponsorship model into a competitive bidding model. The New York commission did not select a specific project and did not require NYISO to conduct only a bid-based solicitation for a specific project."

Boundless participated in an evaluation of potential projects last year by NYPSC staff, but staff recommended that the developer be disqualified because its proposals were deemed not cost-effective. CityGreen, which is interested in developing HVDC and AC transmission facilities, and Miller Bros., a utility contracting company, are not qualified transmission developers in NYISO.

Developers' proposals, which were submitted in late April, are currently being evaluated by NYISO staff.

PJM Market Summit

PHILADELPHIA — About 100 generators, consultants, RTO officials and utility executives attended Infocast's PJM Market Summit 2016. Here's some of what we heard:

Don't understand what the big deal with the capacity market is? **Jeff Plewes** of Charles River Associates offered a metaphor most people are likely to understand: buffet restaurants.

Plewes likened the energy market to the main buffet and the capacity market as the salad bar. High natural gas prices allowed for "steak night every night" early on, Plewes said. But when tour buses of new diners in the form of new renewable generators showed up to "feast" on the main buffet, it sent existing customers to the salad bar for most of their meal.

That's led to new house rules in the form of Capacity Performance — and many additional questions. Among them, Plewes said:

- How locational deliverability area prices will be influenced by the relative shares of base and CP capacity;
- How seasonal and intermittent resources will be accommodated and the role of aggregation; and
- Whether the capacity market will be split into separate classes for subsidized and competitive units.

Storage requires significant coordination to get interconnected into PJM's grid and what to do with it when it gets there isn't quite clear. "Arbitrage is actually a really bad economic model for storage," said RES Americas' **John Fernandes**.

PJM's Frank Koza said his group is developing some new documents for clarity on Order 1000 processes, but bristled at the idea of being so transparent that developers are "standing next to us" while rules are being crafted. "Quite frankly, we've got to be able to strike a balance," he said.

He also acknowledged that PJM hasn't always been fully committed to the sponsorship model — in which the RTO defines the problem and invites developers to engineer

ATC's Tom Dagenais (left) and PJM's Frank Koza | *© RTO Insider*

and "sponsor" solutions. "We have done some soul searching about the model itself," he said. "We've thought about it and decided to stay with the sponsorship model."

While there was some support for PJM's work, most saw room for improvement. Tom Dagenais of American Transmission Co. likened the process to "making love in a bathtub" — it seems like a great idea, but implementing it is a real challenge.

The Future of Demand Response

Even though the U.S. Supreme Court upheld FERC's Order 745 earlier this year, demand response as a capacity resource in PJM is "mostly dead barring changes in CP," said Jed Trott of Customized Energy Solutions. Annual changes to DR rules have made customers more "cynical" that power markets are designed to take advantage of them, he said. Customers thought they were performing a public service by installing DR, but they will start making decisions based on what's best for them, rather than what appears best for the grid.

"It's kind of like slapping them in the face," said **Judy McElroy** of Fractal Business Analytics. "It's like, 'whatever you did didn't count.'"

As customers add in-house DR technologies that markets aren't aware of, it will become increasingly harder to accurately predict demand, "which probably means the RTO will be over-procuring because they won't have that much insight into the curtailment by those customers," said Allen Freifeld of Viridity Energy.

But the markets will have to adjust to that new reality, said Frank Lacey of Electric Advisors Consulting. "One of the major benefits — the major benefit — to a company is it can avoid its capacity charges by participating in demand response. … Demand response companies [are] going to have to change their business models, but demand response is alive and well," he said. "Maybe not in PJM, maybe not in any of the other markets, but from a customer perspective, from a supplier perspective, the market's not going away. You've given customers a taste for something, and they like it. They're not going to give it up. "

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Left to right: Jed Trott, Customized Energy Solutions; Frank Lacey, Electric Advisors Consulting; and Allen Freifeld, Viridity Energy. | *© RTO Insider*

PJM Market Summit

Continued from page 12

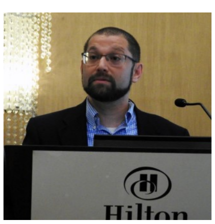
Others on the financial side at the summit weren't as concerned about DR's future. "DR, frankly, is a crappy tool," said **Barry Trayers** of Citigroup Energy. "You can see why PJM isn't very happy to price it in the supply curve."

The issue with aggregating seasonal DR resources is that there are far fewer winter options, explained **Robert Weishaar Jr.** of McNees Wallace & Nurick, which represents the PJM Industrial Customer Coalition. So while summer options provide the majority of the value and potential risk for nonperformance, winter products are necessary to create a year-round capacity offer, he said.

"There is a lot of money at stake," he said.

So far, there have been no commercially aggregated offers in any CP Base Residual Auction, he said. Asked how seasonal resources will likely be married, he said he expects "forced weddings."

The Future of Solar



Solar installations are "booming," according to **Jay Carlis** of Community Energy, because the module price per watt has fallen to less than $1 and "trackers" allow panels to pivot along with the sun to produce more energy during late peak hours when it is more valuable. In addition, companies are finding value in financing development projects through long-term, offsite power purchase agreements.

That said, Carlis sees no opportunity for further wind development in PJM without PPAs. The last round of major wind development in the market happened around 2008, he said, and "those owners are not happy" with the returns they're receiving.

Getting More from Hydro

Dana Hall of the Low Impact Hydropower Institute highlighted the potential growth of both run-of-river hydro and pumped storage — and the Department of Energy's keen focus on utilizing it.

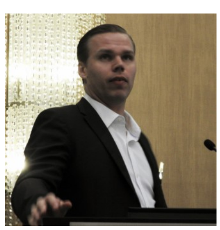
Hall quoted from the department's Hydropower Vision Report 2016, which said more than 48 GW of new hydropower capacity could be online by 2050 through advances in technology, financing and environmental considerations. Pumped storage has the biggest upside, with growth potential of 62%.

"We have plenty of dams in this country," she said. She showed a map of the country's unpowered dams with a potential capacity of more than 1 MW; spots dotted the U.S. Most were in the midcontinent near the Mississippi River, but every PJM state except Delaware showed opportunity.

Hall's institute provides certifications that allow projects to qualify as, for example, Tier 1 resources in Pennsylvania. By 2021, Pennsylvania utilities must obtain 8% of their power from Tier 1 renewables.

"I think every project has the potential to pass," Hall said, "but they might have to invest heavily."

Simple-Cycle Offers Opportunities in Volatility



Matti Rautkivi, of generator manufacturer Wärtsilä, sees volatility as an opportunity to make money. For example, volatility in the Australian market means that prices hit the market's $13,000 price cap several times a month, he explained.

While price caps are lower in PJM's markets, there's certainly plenty of volatility to exploit. Rautkivi showed a map of volatility in the U.S., and the vast majority — including the highest prices — was in PJM's footprint.

His solution to capturing that value utilized natural gas as the fuel — no surprise there — but relied on simple cycle plants rather than larger combined cycle ones. Why? Speed, of course. The "reality today" of Wärtsilä's 225-MW "standard plant" design is highly sensitive response, needing 30 seconds to synch, two minutes to ramp up to full capacity, one minute to ramp down and five minutes of downtime before it can do it all again.

That responsiveness was the basis of a plan that allowed Denton, Texas, to achieve its goal of receiving 70% of its supply from renewable sources. Modeling showed that using the plant to make a profit off of price spikes in the market while also avoiding paying high costs for electricity would save the town $975 million compared to securing its desired supply mix exclusively from the market.

— Rory D. Sweeney

SPP NEWS

Seams Committee to Take Another Shot at Non-Order 1000 Regional Cost Allocations

A task force developing cost allocation rules for seams projects identified outside the FERC Order 1000 interregional process agreed last week to take another crack at crafting language more agreeable to stakeholders and staff.

SPP attorney Matt Harward will help guide the staff effort to produce the revised business practice, in coordination with the Seams Steering Committee's small task force.

During the committee's Sept. 9 meeting, Harward questioned whether a business practice is the correct method to solve the problem, while members raised concerns that the task force's current draft of Revision Request 170 hews too closely to Tariff language rejected by FERC last year. (See *FERC Rejects SPP Proposal for Seams Transmission Projects*.)

Some members also said it doesn't include a suitable interaction between seams projects and Order 1000 projects. ITC Holdings said RR 170 creates a "carve-out" from the Order 1000 process for seams projects and would exclude "a class of projects that have heretofore met various thresholds for Order 1000" by requiring they have a funding mechanism with a seams partner.

Staff drafted the initial business practice based on member input and the seams committee's 2014 seams project policy paper, which was approved by the Board of Directors. The original language allows transmission providers to recommend the board direct staff to file requests with FERC that regionally allocate 100- to 300-kV seams projects if the zone in which the projects are located receives less than 60% of their benefits and if their benefit-to-cost ratios are less than 1.0.

Oklahoma Gas & Electric's Jake Langthorn, who leads the task force, said he still hopes to meet next month's deadline for finalizing the revised language. "It's in staff's hands," he said.

The new language will have to be approved by the Seams Steering Committee and the Business Practice and Cost Allocation working groups before it can be brought before the Markets and Operations Policy Committee and the board.

SPP-AECI Models due in October

SPP interregional coordinator Adam Bell told the committee a joint study with Associated Electric Cooperative Inc. is continuing to focus on five target areas in Missouri. He promised models and transmission needs will be published before October "so we can start looking at different transmission options."

The SPP-AECI Interregional Planning Stakeholder Advisory Committee will meet again next month. It is sticking to a January delivery of its final report.

M2M Payments Shifting?

The market-to-market update showed a rare payment of more than $606,000 from SPP to MISO for flowgate congestion along the RTOs' seams in July, a sign of changing flows.

Since March 2015, MISO has paid SPP $11.2 million from congestion on the 10 most active permanent and temporary flowgates. However, MISO sent less than $632,000 to SPP for March 1 through July 31, 2016, for the 10 most active flowgates.

SPP to Share Z2 Bills This Week

SPP said it will release draft reports this week detailing the approximate payments owed by transmission customers under Attachment Z2 of the RTO's Tariff.

The reports are the latest step in settling a contentious issue that dates back to 2008, when SPP was to have begun crediting and billing customers for system upgrades. In July, staff said it had identified $848.8 million in assigned costs from 158 creditable upgrade projects.

Members will also receive detailed data files to allow them to validate the results and perform shadow calculations. The draft reports and data files will cover March 2008 through June 2016.

SPP will then make available later this month payment-election forms for entities that owe money. Those companies are required to notify the RTO whether they will pay the full balance or enroll in a payment plan and pay the balance in 20 installments over a five-year period ending in August 2021.

In July, the board approved a 50-month extension of the original 10-month payment deadline. (See *Board Approves Z2 Timeline Extension, Creates Task Force for Further Study*.)

— Tom Kleckner

COMPANY NEWS

Enbridge-Spectra Deal Would Create No. 1 Energy Infrastructure Co. in North America

By Ted Caddell

Canadian pipeline giant Enbridge is buying American pipeline company Spectra Energy in a $28 billion deal that will result in North America's largest energy infrastructure company.

Enbridge, which specializes in pipelines moving crude oil, will be moving into the natural gas transportation business with the all-stock transaction. Enbridge said in its news release that the acquisition will allow it to diversify both regionally and operationally.

The deal will give Enbridge a continent-wide system of natural gas, gas-liquid and crude oil pipelines, as well as terminals, gas distribution operations and a stable of wind, solar and geothermal generation.

"Over the last two years, we've been focused on identifying opportunities that would extend and diversify our asset base and sources of growth beyond 2019," Enbridge CEO Al Monaco said. "We are accomplishing that goal by combining with the premier natural gas infrastructure company to create a true North American and global energy infrastructure leader."

11.5% Premium

Monaco will remain at the helm of the combined companies. Spectra CEO Greg Ebel will move over to serve as non-executive chairman of the Enbridge board. "The combination of Enbridge and Spectra Energy creates what we believe will be the best, most diversified energy infrastructure company in North America, if not the world," Ebel said.

Spectra shareholders will get Enbridge shares valued at about $40.33 each, a premium of about 11.5% from Spectra's closing price Friday. At closing, which the companies expect to be completed by the first quarter of 2017, Enbridge shareholders will hold about 57% of the new company, and Spectra shareholders will hold 43%.

Headquarters of the new company will be in Calgary.

The deal comes at a time when natural gas producers and transporters are struggling with low commodity prices even as they are constructing large numbers of new pipelines and extending older ones to accommodate the increased production from shale gas plays. Existing pipelines are especially valuable, considering the costs and regulatory hurdles facing new pipeline construction.

Setbacks

Both Spectra and Enbridge have recently had setbacks in pipeline construction projects. The Massachusetts Supreme Judicial Court ruled that power utilities that would become customers of the Spectra-proposed Access Northeast in New York and New England cannot pass on additional construction costs to customers. In June, a Canadian court blocked Enbridge's proposed Northern Gateway oil pipeline that was to run from Alberta — home of Canada's tar sands fields — to terminals on the Pacific Coast.

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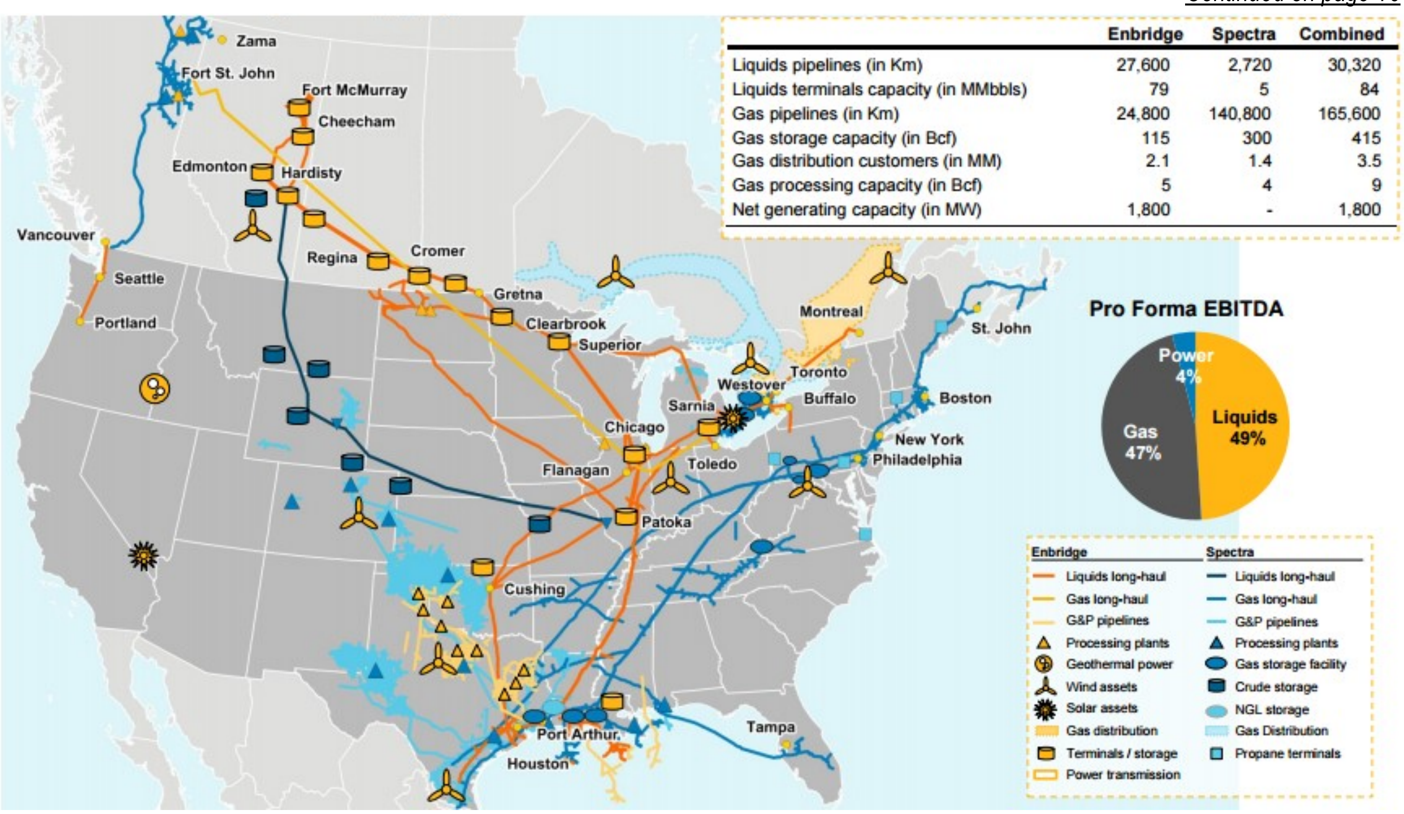


	Enbridge	Spectra	Combined
Liquids pipelines (in Km)	27,600	2,720	30,320
Liquids terminals capacity (in MMbbls)	79	5	84
Gas pipelines (in Km)	24,800	140,800	165,600
Gas storage capacity (in Bcf)	115	300	415
Gas distribution customers (in MM)	2.1	1.4	3.5
Gas processing capacity (in Bcf)	5	4	9
Net generating capacity (in MW)	1,800	-	1,800

Map of combined assets between Enbridge and Spectra Energy | *Enbridge*

COMPANY NEWS

NJ Opposition Derails FirstEnergy's Tx Reorganization — but not Projects

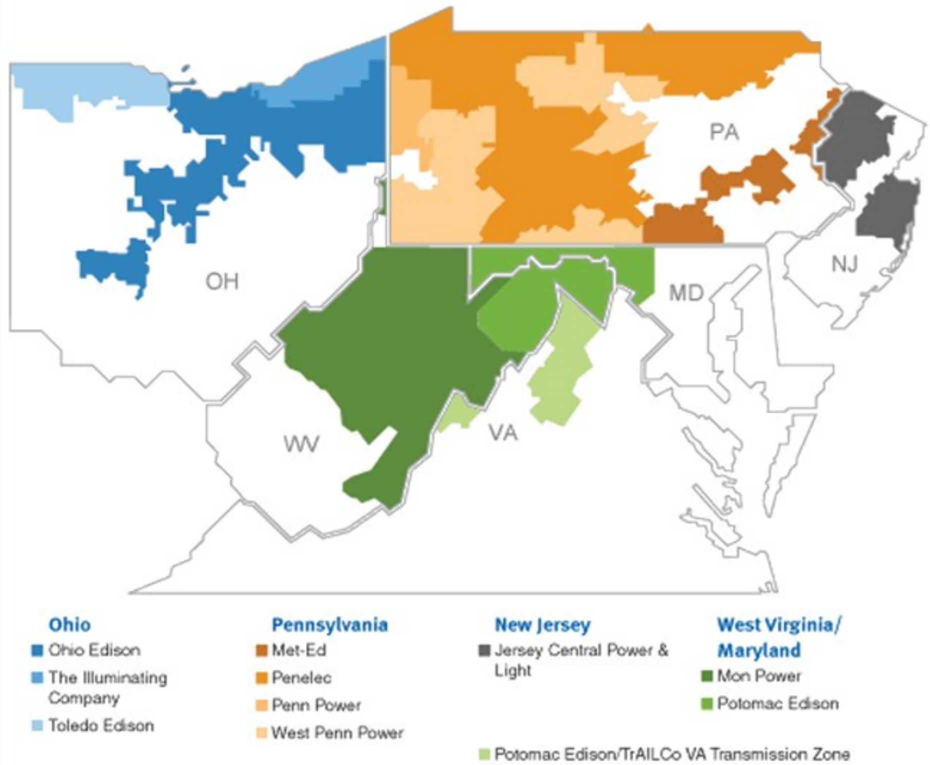
By Rory D. Sweeney

In a move that elated New Jersey's ratepayer advocates, FirstEnergy announced Thursday it is withdrawing its request for state public utility designation for its all-transmission spin-off.

FE said it made the decision because it was unlikely to win approval in time to meet its Jan. 1 target to begin investing more than $2.5 billion in transmission infrastructure in eastern Pennsylvania and New Jersey.

"At this juncture, nearly 15 months after the original petition was filed, there appears to be no prospect of resolving this matter" in time to accommodate that schedule, the company said in a letter to Richard Mroz, president of the New Jersey Board of Public Utilities.

FE has already received approval from FERC and the Pennsylvania Public Utility Commission to create a new public utility — Mid-Atlantic Interstate Transmission (MAIT) — by spinning off the transmission assets of Metropolitan Edison and Pennsylvania Electric. The company needed approval from the BPU to do the same with Jersey Central Power & Light, but faced opposition from the state Division of Rate Counsel. (See *FERC OKs FirstEnergy's Tx Spin-off; NJ, Pa. Approval Still Needed*.)



FirstEnergy service territories | *FirstEnergy*

Rate Counsel Director Stefanie Brand dismissed FE's claims that the consolidation would reduce project costs by $135 million as "speculative." She pointed to testimony her office submitted that argued the reorganization benefited stockholders at the expense of ratepayers.

The Rate Counsel said there were more appropriate ways to achieve the improved credit ratings that were at the heart of FE's pitch to the BPU. As a regulated utility, JCP&L could have an excellent credit rating but has been mismanaged, Brand said.

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Enbridge-Spectra Deal Would Create No. 1 Energy Infrastructure Co. in NA

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And just days ago, Enbridge announced it was suspending pursuit of regulatory approval for its proposed $2.6 billion Sandpiper pipeline in Minnesota, citing a drop in projected crude oil production in South Dakota and shifting of customer capacity needs to the Dakota Access line.

The Dakota project is garnering notice because of protests from the Standing Rock Sioux Tribe, which is blocking access to a construction site near the border between the Dakotas. The tribe has filed a lawsuit against the U.S. Army Corps of Engineers for approving the pipeline crossing the Missouri River upstream from the tribe's reservation. The suit claims that the pipeline threatens both the tribe's drinking water source and its sacred lands.

Fires — possibly arson — caused an estimated $1 million in damage to Dakota Access construction equipment in Iowa last month. (See related, *Federal Briefs*, p.19.)

Enbridge's 450-acre Superior Terminal in Wisconsin. | *Enbridge*

Spectra is not Enbridge's first acquisition of the summer. Last month, it announced that it and Marathon Petroleum were investing in Dakota Access, with the two companies acquiring 49% equity interest in the Bakken Pipeline System from Energy Transfer and Sunoco Logistics. Enbridge put up $1.5 billion for its 37% share of the 1,168-mile, $3.78 billion pipeline, which is to run from North Dakota to terminals in Illinois.

COMPANY NEWS

NJ Opposition Derails FirstEnergy's Tx Reorganization — but not Projects

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Additionally, her office contended the proposal drastically undervalued the assets to be transferred, meaning the ratepayers who paid for them wouldn't receive fair compensation.

Bad Precedent

The request would have also given the all-transmission company the powers of eminent domain and local-zoning preemption. FE's plan originally faltered because MAIT didn't have any distribution customers, as required for public utilities in New Jersey. In a bid to meet that requirement, FE amended its plan to give the subsidiary five customers.

Brand said that would set a bad precedent. "You can see merchant transmission companies lining up saying, 'Oh, give me five customers; I'll take eminent domain authority,'" Brand said in an interview.

MAIT will still consolidate the transmission assets for Met-Ed and Penelec and move forward under that name for Pennsylvania projects, FE spokesman Doug Colafella said. JCP&L will continue operating under its current structure, he said.

"We're disappointed, but New Jersey regulators determined that a transmission company can't be a public utility in New Jersey," he said.

Colafella said the company will move forward with its transmission investments as planned, which are expected over the next five to 10 years. The New Jersey projects will be pursued under JCP&L's formula rates.

Colafella wasn't sure how the decision impacted the financials FE had originally calculated for the asset transfer to MAIT.

Brand was particularly pleased with the decision because it saved the time and expense of going to trial.

The decision was also welcomed by U.S. Rep. Frank Pallone Jr. (D-N.J.), through whose 6th District FE's planned 10-mile Monmouth County Reliability Project would run. Pallone had previously submitted comments to the BPU on the case, in which he expressed concern about "numerous unresolved questions about the consequences of this transfer" and potential "unforeseen impacts."

"I appreciate the work of so many of my constituents and the state Rate Counsel who stood against this transfer and its potential to hurt the quality of life in our communities," he said in a news release.

COMPANY NEWS

AEP Nearing Decision on Ohio Power Plants

By Amanda Durish Cook

American Electric Power has nearly completed the bidding process to sell more than 5,000 MW of merchant generation in Ohio and Indiana.

AEP spokesperson Tammy Ridout said the company would make a decision before the end of the year about the future of the plants: the 2,640-MW coal-fired General James M. Gavin Power Plant in Cheshire, Ohio; the 850-MW natural gas-fired Waterford Energy Center in southeastern Ohio; the 480-MW gas-fired Darby Electric Generating Station, 20 miles south of Columbus; and the 1,096-MW gas-fired Lawrenceburg Generating Station in Dearborn County, Ind., on the Ohio border.

"We are primarily a regulated utility that provides stable returns for our investors, and we determined that we needed to evaluate whether the risks associated with owning and operating competitive generation fit into our overall strategy," said Ridout, who said AEP would not discuss potential bidders.

CEO Nick Akins told Bloomberg TV the company has drawn "robust interest" in the plants and expects to make a decision "very soon."

A sale would cut into AEP's current generation portfolio of 31,000 MW.

AEP's acquisitions of the Lawrenceburg, Darby and Waterford plants occurred between 2005 and 2007. Gavin, built in the mid-1970s, is one of the largest coal plants in the nation; AEP has spent millions installing scrubbing technology at the plant.

Ridout said the rest of AEP's competitive generation in Ohio — representing about 2,700 MW — is also under strategic review, but as part of a separate company evaluation.

General James M. Gavin Power Plant | *AEP*

AEP began evaluating "strategic options" for its competitive fleet in early 2015, Ridout said. The rest of AEP's 11-state fleet is under traditionally regulated utility structures with guaranteed rates of return.

COMPANY BRIEFS

1,400-MW Combined Cycle Plant Planned for Chesapeake

A Macquarie Infrastructure subsidiary has filed with the city of Chesapeake, Va., to build a 1,400-MW combined cycle plant on the Elizabeth River near the site of Dominion Virginia Power's retired Chesapeake Energy Center.

The plant would use three turbines and one steam generator. It is to be built on land owned by International-Matex Tank Terminals and fueled by natural gas delivered by Dominion Resources' planned Atlantic Coast Pipeline.

Macquarie CEO James Hooke said the project was a good fit because the company already owns the industrial land near transmission lines and the planned pipeline. It is one of several similar projects planned by Macquarie, including a power plant to be built in Bayonne, N.J.

More: *The Virginian-Pilot*

Severe Storm Damages Minnesota Solar Array

A severe storm last week severely damaged Minnesota Power's nearly completed solar array at the Minnesota National Guard's Camp Ripley base near Little Falls.

The utility said the 10-MW solar array was supposed to be completed last week; instead, 25% of the 97 rows of solar panels sustained damage from the storm's high winds that sent debris flying, including a storage container that completely obliterated several rows of panels. The facility was built to withstand golf ball-sized hail.

Minnesota Power plans to file an insurance claim and begin replacing broken equipment. When completed, the $25 million facility would be the largest of its kind on any National Guard base in the U.S.

More: *BusinessNorth*

NIPSCO's O'Leary to Retire After more than 38 Years

Northern Indiana Public Service Co. President Kathleen O'Leary will retire Oct. 3 after almost 38 years working for the company and its affiliates.

O'Leary

Violet Sistovaris, NiSource executive vice president for NIPSCO, will take on the title of president and shoulder many of O'Leary's responsibilities while still maintaining her existing position. Sistovaris became an executive vice president for NIPSCO last year.

O'Leary was named NIPSCO president in 2012 and currently supervises NIPSCO's economic development rates, communications and regulatory and legislative affairs.

More: *The Northwest Indiana Times*

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COMPANY BRIEFS

Continued from page 18

AEP Names Sundararajan to Lead FERC, Regulatory Outreach


Sundararajan

American Electric Power has named Raja Sundararajan as its vice president of regulatory services, responsible for interactions with FERC and 11 state regulatory commissions. He replaces Rich Munczinski, who is retiring in December.

Sundararajan joined AEP in 2002 and has been vice president of transmission asset strategy and policy since March 2012. "Raja has proven success in advancing transmission regulatory policy at FERC, with state regulators and in the regional transmission organizations where we operate," said Bruce Evans, AEP's chief customer officer.

Sundararajan has a bachelor's degree in mechanical engineering from the Indian Institute of Technology Madras. He also has a master's degree in mechanical engineering from the University of Maryland College Park and an MBA from the University of Michigan. He also completed the Executive MBA program at the University of Virginia.

More: American Electric Power

SolarCity Jumps into Austin Market With New Solar Financing Program

SolarCity launched residential service in the Texas capital last week, introducing a new financing program in Austin that offers to install rooftop solar systems with monthly payments starting at $50 a month.

The California-based company recently completed a major solar panel project with grocery giant H-E-B, installing the company's panel systems at 20 Austin-area stores. It said it would begin hiring workers in the Austin area, starting with 20 to 30 employees with the potential to ramp up to 100 to 120 in the future.

More: Austin American-Statesman

Southern Adds 3rd Facility To Oklahoma Wind Portfolio

Southern Co. subsidiary Southern Power has acquired a third wind farm in Oklahoma, buying the 147-MW Grant Plains Wind facility from Apex Clean Energy. The project is expected to be ready for commercial operation in December.

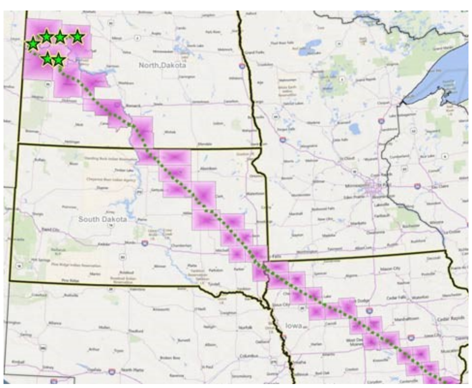
Southern has already purchased two other wind farms in Oklahoma that were formerly owned by Apex: the adjacent 151-MW Grant Wind farm and Kay Wind, a 299-MW facility in Ponca City.

With the Grant Plains addition, Southern will own more than 2,400 MW of renewable generation from 31 solar, wind and biomass facilities. The company has added or announced more than 4,000 MW of renewable generation since 2012.

More: Enid News & Eagle

FEDERAL BRIEFS

Feds Halt Dakota Access After Judge Denies Tribe's Request



The Obama administration ordered a halt to construction of the Dakota Access oil pipeline Friday, minutes after a federal judge rejected a request by the Standing Rock Sioux Tribe to halt construction of the $3.8 billion, 1,172-mile crude oil pipeline.

The departments of Justice and Interior and the Army jointly ordered work to stop on one segment of the project in North Dakota, where it crosses under the Missouri River near the Standing Rock reservation, and asked developer Energy Transfer Partners to "voluntarily pause" action on a wider span on private land that the tribe says holds sacred artifacts. The tribe has challenged the Army Corps of Engineers' decision to grant permits for the pipeline at more than 200 water crossings.

In his ruling, U.S. District Judge James Boasberg said that the court "does not lightly countenance any depredation of lands that hold significance" to the tribe, but nonetheless said the tribe "has not demonstrated that an injunction is warranted here."

More: The Associated Press; The New York Times

Bay Names Andrea McBarnette FERC Administrative Law Judge

FERC Chairman Norman Bay appointed Andrea McBarnette, former federal prosecutor and administrative law judge with the Social Security Administration, to be an ALJ for the commission.

A 1997 graduate of Georgetown University Law Center who earned her undergraduate degree from Stanford University, McBarnette built a private law practice in intellectual property, employment law and securities fraud. She then became an assistant U.S. Attorney for the U.S. District Court for D.C. She became an ALJ for the Social Security Administration last year.

"I am pleased to welcome Judge McBarnette to the commission," Bay said. "I am confident that her experience will serve the public and our stellar ALJ office."

More: FERC

NRC to Review Generator Failure At Wolf Creek Nuclear Station

Operators of the Wolf Creek nuclear generating station in Kansas are scheduled to meet with Nuclear Regulatory Commis-

Continued on page 20

FEDERAL BRIEFS

Continued from page 19

sion staff to review the failure of an emergency backup diesel generator during a test two years ago. The commission released its preliminary findings of the 2014 incident, when a faulty electrical component kept the emergency diesel generator from starting up when called on.

The findings come just days after the Coffey County plant shut down following a reactor cooling system leak, quickly followed by a magnitude 5.6 earthquake that was centered near Pawnee, Okla. Plant officials said the station was scheduled to go offline for a refueling outage in mid-September, so they decided to keep it idle until the refueling is completed.

More: KVOE

EPA's Smog Rule Doesn't Impress Environmentalists

An EPA update to its Cross-State Air Pollution Rule falls short of what some environmentalists wanted to see. An attorney for the Sierra Club, Zachary Fabish, said the updated rule calls for only "modest" emissions reductions for 22 states in the South, Midwest and East Coast.

The new rules would cut ground-level ozone, or smog, by 80,000 tons by 2017. The states covered by the smog rule are: Alabama, Arkansas, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Michigan, Missouri, Mississippi, New Jersey, New York, Ohio, Oklahoma, Pennsylvania, Tennessee, Texas, Virginia, West Virginia and Wisconsin.

More: Morning Consult

Renewable, Green Energy Groups Push for Tax Credit Extensions

Trade groups representing the biomass, hydro and other energy industries are putting pressure on Congress to extend tax credits seen as vital to helping their businesses compete with solar and wind.

If the tax credits now afforded to them expire at the end of the year, they say, "the end result is less reliable renewable baseload power will be deployed, which we believe is not the intent or desire of Congress and not in line with an all-of-the-above energy strategy." While many hydro and biomass tax credits expire in December, credits for wind remain until the end of 2019.

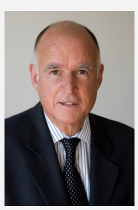
The letter was written to congressional leaders by the National Hydropower Association, American Biogas Council, Biomass Power Association and Energy Recovery Council.

More: The Hill

STATE BRIEFS

CALIFORNIA

Gov. Brown Signs Sweeping Energy Bill



Brown

Gov. Jerry Brown signed a bill setting a target to cut greenhouse gas emissions 40% below 1990 levels by 2030, which means that residents can expect to feel more of what Brown has called the "coercive power of government." Businesses will likely face more restrictive rules, and taxpayer and ratepayer money will be needed to subsidize cleaner technologies.

"California is doing something that no other state has done," Brown said.

Business will be encouraged to cut emissions, including adopting better fuel economy for trucking companies to meet new highway-related standards, and farmers will need to cut methane emissions. Another bill signed last week will expand the state's cap-and-trade system, which Brown is counting on to provide more emissions reductions.

More: Los Angeles Times

MARYLAND

Worcester County Approves 2 Utility-Scale Solar Projects

The Worcester County Commissioners unanimously approved two utility-scale solar projects totaling 35 MW in Berlin and Snow Hill, west of Ocean City. Longview Solar, the company developing the solar farms, has already received approval from the Public Service Commission and needed the county's approval to go forward.

Longview is developing the projects even though the commissioners earlier denied tax abatements for the facilities. The 20-MW Heron Project will have 85,670 solar panels. A 15-MW project, with 63,320 panels, will be built near Snow Hill.

Community members were generally supportive at a public hearing on the projects, though several area residents expressed concern about the effect the facilities will have on the value of their properties.

More: The Dispatch; Ocean City Today

MASSACHUSETTS

Offshore Developers To Use Terminal

Three offshore wind developers will use the state's $113 million New Bedford Marine Commerce Terminal port as a staging area for wind farm construction.

Deepwater Wind, OffshoreMW and DONG Energy signed the agreement, which calls for a $5.7 million annual payment to the state's Clean Energy Center. All three have secured leasing rights to federal waters off the state's coast.

Negotiations have gone on for months. The announcement comes a month after Gov. Charlie Baker signed legislation that requires utilities to secure 1,600 MW of wind energy in about a decade.

More: The Boston Globe

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STATE BRIEFS

Continued from page 20

MICHIGAN

New DEQ Director Addresses Concerns over Appointment

Grether

Gov. Rick Snyder's appointment to director of the Department of Environmental Quality, former BP lobbyist Heidi Grether, told the Senate Natural Resources Committee last week that she should be defined by more than her previous employment.

During a confirmation hearing, Grether tried to allay concerns over her controversial credentials. She told a packed hearing that she was the "product of much more than my past two or three jobs."

The committee declined to vote at the hearing. Under state law, Grether is considered the director unless the Senate votes to reject the appointment. They have 60 session days after her Aug. 1 appointment to decide.

More: *MLive*; *Detroit Free Press*

Upper Peninsula Rates 2nd Highest in US

Customers of Upper Peninsula Power Company (UPPCO) pay an average 23 cents to 25 cents per kilowatt-hour for electricity, a rate that's 67% higher than the state average, and higher than any average rate in the country, outside Hawaii.

UPPCO is currently asking the Public Service Commission for a 6 to 12% rate increase.

Officials from the commission and UPPCO say the utility's rates are high because of costs associated with serving 54,000 customers that are thinly distributed over 4,460 square miles. "The region is sparsely populated, much of it densely forested, with weather often adding to the challenge of providing energy to this region," CEO Keith Moyle said.

More: *Detroit Free Press*

MISSOURI

PSC Approves Empire, Liberty Utilities Merger

The Public Service Commission last week unanimously approved the proposed $2.4 billion merger between Empire District Electric and Liberty Utilities, a subsidiary of Canada-based Algonquin Power & Utilities. Hearings over the merger were canceled after negotiations between the companies and intervening parties led to a settlement.

The merger still requires approval from regulators in Kansas and Arkansas. Oklahoma regulators and FERC have already given their go-ahead. The companies expect to close the deal in the first quarter of 2017.

More: *The Joplin Globe*

NEW JERSEY

NJ Natural Gas Agrees To Slash Rate Request

New Jersey Natural Gas has agreed to cut its rate-increase request from 24% to 7.4% after it received a storm of disapproval from residents and business owners.

Under a settlement reached with Board of Public Utilities staff and consumer advocates, a typical customer's monthly bill will go up by about $7.11. The original rate filing would have boosted bills by $21.69/month. "We are confident the ultimate outcome will serve the best interests of our customers and company," CEO Laurence M. Downes said.

The settlement requires formal approval by the BPU.

More: *NJ.com*

NORTH CAROLINA

Duke Coal Ash Issue Big in Governor's Race

The controversy over whether Gov. Pat McCrory pressured a state toxicologist to retract drinking water warnings for residents living near Duke Energy coal ash storage sites has become a major issue in the governor's re-election battle.

Cooper

State Attorney General Roy Cooper, who is running against McCrory in November's election, used the issue to frame a television ad harshly critical of McCrory and his administration. The ad included Dr. Megan Davies, who resigned as state epidemiologist in protest after the administration accused one of her subordinates of lying when he testified under oath that he was pressured to downplay the risks of drinking water near coal ash sites.

McCrory, however, struck back with his own ad, accusing Cooper of failing to oversee the entire coal ash issue while occupying the state's highest law enforcement position and criticizing him for accepting more than $325,000 in campaign contributions from the energy industry.

More: *The News & Observer*

OHIO

OCC Asks Supreme Court to Deny FirstEnergy Rate Request

The Consumers' Counsel is challenging FirstEnergy's latest attempt to obtain subsidies to keep two of its older generating stations open. The consumer advocate told the state Supreme Court that the subsidies "violate the law and this court's recent decisions that protected customers."

The suit, filed last week by the OCC and the Northwest Ohio Aggregation Coalition, is the latest challenge to FirstEnergy's attempts to get guaranteed rates for the W.H. Sammis coal-fired plant and the Davis-Besse nuclear generating station.

FERC quashed FirstEnergy's first attempt at subsidies, which had been approved by the Public Utilities Commission. The company submitted a revised plan to PUCO, which the commission provisionally approved.

More: *The Plain Dealer*

New York Legislators Question Nuclear Subsidy

By William Opalka

Five New York City-area legislators, including the chair of the State Assembly Committee on Energy, wrote to state regulators last week questioning the ratepayer-funded nuclear power plant subsidy and requesting disclosure of the operating costs of the affected plants.

The New York Public Service Commission last month approved a Clean Energy Standard that includes a subsidy for upstate nuclear power plants. (See New York Adopts Clean Energy Standard, Nuclear Subsidy.) In May, the commission granted Exelon's request to keep the operating costs of its R.E. Ginna and Nine Mile Point 1 and 2 plants private (16-E-0270).

"Why should Exelon's costs be blocked from public review when it is being given a government-directed and government-administered price subsidy?" the legislators wrote.

The zero-emission credits created by the order are expected to cost ratepayers $965 million in the first two years of their 12-year existence. Included in the subsidy is Entergy's James A. FitzPatrick plant, which Exelon has agreed to buy. (See FitzPatrick Sale Filed with New York Regulators.)

The assemblymembers also said that Nine Mile Point 2 should be eliminated from ZEC payments and the cost of the program should be recalculated. They said the fact that Exelon refueled the plant in the spring indicates that that the facility is not financially stressed or in danger of closing.

"In the commission record, we take note that Entergy announced intentions to close FitzPatrick, and Exelon announced intentions to close R.E. Ginna and Nine Mile 1, but no formal announcement was made regarding intention to close Nine Mile 2, which produces 40% of the electricity of the four units. Without a publicly transparent cost review, and in light of the recent refueling of the unit, the payment should be removed from the commission's order," the letter said.

The letter also states that downstate ratepayers will be paying a disproportionate share of the subsidy — 60% — while most of the energy generated by the plants will be used upstate, closer to the plants' locations in western New York.

The assemblymembers also said that the subsidy is based on EPA's projected social cost of carbon, which could increase as much as 10% every two years after the first two years of the program.

The letter was signed by Energy Committee Chair Amy Paulin, who represents Westchester County; James Brennan of Brooklyn; Jeffrey Dinowitz of the Bronx; and Steve Englebright and Charles Lavine of Long Island.

In a response on Friday, PSC Chair Audrey Zibelman said there are "a number of fundamental errors" in the lawmakers' understanding of how the power system works and the CES' role in it.

Zibelman said the price of renewable energy credits is set by a competitive bidding process, but with few participants, ZEC prices must be set administratively. The federal social cost of carbon is a more effective mechanism and accounts for the externalities associated with fossil fuel generation, she said.

"Second, it is simply wrong for anyone to suggest that we can achieve targeted emission reductions by 2030 if we were to lose the zero-emissions attributes of the three upstate nuclear plants. Experience and fundamental economics show that the zero-emissions attributes they produce and New York needs will be replaced by adverse air emissions from existing coal and new natural gas-fired fossil units that can be dispersed throughout the state or come from out-of-state imports," Zibelman wrote

The cost of replacing all of the nuclear generation with renewables would be more expensive than the ZECs, she added.

Finally, she disputed the assertion that the New York City area is being treated unfairly. "The CES allocates the obligation to meet the 50% renewables goals and zero-emission credits to all of the consumers of the state because all consumers will benefit from reducing carbon emissions," Zibelman wrote.

Md. Balks at Proposed Emission Cuts as RGGI States Ponder Future

Continued from page 2

of the program's seven years to date," Acadia Center President Daniel Sosland said. "This shows that emissions are falling quickly and even more cost-effectively than expected and provides the foundation on which RGGI states can feel confident going forward to set more ambitious emission targets."

Acadia said low trading volume and stable prices could be "an inflection point" as the market awaits the results of the program review now underway.

'Oversupplied' Market

"An oversupplied market and low RGGI prices limited the program's impact in its early years," said Jordan Stutt, a policy analyst with Acadia. "Failing to strengthen RGGI through the program review could result in similarly low prices, depriving the region of funding for clean energy programs and sending inadequate market signals to clean up the region's power sector."

RGGI's caps aren't the only driver of its auction prices, which also have been buffeted by speculation over the fate of EPA's Clean Power Plan.

From the first auction following the release of the draft CPP in June 2014 to Auction 30 in December 2015, RGGI allowance prices increased 49%. In the first auction after the Supreme Court's stay of the CPP in February, prices dropped 30%.

"These dramatic swings in prices occurred in the absence of material changes in RGGI policy or the region's fundamental energy market trends," Acadia noted.

Katie Dykes, deputy commissioner for energy at the Connecticut Department of Energy and Environmental Protection and chair of the RGGI board of directors, declined to discuss specific proposals from her state.

"RGGI's flexibility and adaptability have enabled the program to be successful across a diverse region. The program review process is based on consensus, and Connecticut is committed to reaching an outcome that works for all nine RGGI states' unique goals and priorities," she said in a statement.

Patrick Woodcock, director of LePage's Energy Office, also emphasized consensus building and said it's too soon to discuss how the review might influence other states' participation. "We're exploring program review changes and doing economic modeling to determine how these will impact the market," he said.

NRECA Continues its Fight for the Little Guy

Continued from page 1

today and the lack of electricity 80 years ago," Mel Coleman, CEO of North Arkansas Electric Cooperative and president of the National Rural Electric Cooperative Association's board of directors, said during a speech at the Clinton School of Public Service on Sept. 6.

"Reliable, high-speed Internet access is critical for attracting new employers to small communities," Coleman said. "What employer would want to set up in a community where you're getting 3 or 5 or 10 megabits a second? [Rural communities] are in desperate need of an economic boost. Think what it could do for education, health care and, yes, for all the Amazon shoppers."

Coleman said his and two other Arkansas co-ops are "hanging fiber as we speak," as are other electric cooperatives across the country. He hopes to have his first connected members in January.

Meanwhile NRECA, the co-op's trade association based in D.C., is seeking federal financing help to "ensure that all Americans have access to affordable broadband services," Coleman said.

It's another way co-ops are serving the little guy, as they have been since the 1930s, said Coleman, who also used his speech to tell the co-ops' history and to make their case against EPA's Clean Power Plan.

"The history of the co-op movement demonstrates good things can happen when the government partners with private enterprise to solve big problems," he said. "The American spirit of electric co-ops is not just a relic of the Depression era. It lives and breathes across rural America today."

NRECA represents more than 900 cooperatives in 47 states. These nonprofits serve 42 million customers and operate or maintain more than half the nation's grid. The largest is in Texas (Pedernales Electric Cooperative, with 260,000 members), and the smallest is in Alaska (INN Electric Cooperative, with 285 members).

Earlier this summer, NRECA hired former seven-term U.S. Rep. Jim Matheson (D-Utah) as CEO to help represent its interests. In addition to lobbying for broadband funding and fighting the CPP, NRECA also is seeking relief from mandatory capacity markets. (See *Little Love for PJM in Capacity Market Debate*.)

'Darkness'

As Coleman recounted the electric co-op's beginnings, he said investor-owned utilities were reluctant to extend their lines into sparsely populated rural areas. As a result, he said, "A vast majority of rural America sat in darkness."

"The 1920s were roaring for some people, but not for American farms. Less than 3% of farmers had electric power," Coleman said. "You can imagine milking cows in a wooden barn, with straw floor, and a kerosene lamp waiting to be kicked over."

At the height of the Great Depression in 1935, President Franklin Roosevelt secured $100 million for rural electrification as a part of a $5 billion public works bill. The next year, Congress passed the Rural Electrification Act (REA), which used cash incentives as a carrot to the IOUs, Coleman said.

"Their grand plan consisted of taking money and hooking up a few customers in easy-to-serve places … it was clear the power companies had no interest in serving rural areas."

Coleman said it wasn't until the first REA loans were extended to the handful of co-ops at the time that rural electrification became a reality. The first REA-financed poles were set in Ohio in November 1935, and the first REA-produced power line went into service the following year in Marfa, Texas. By 1936, 140 electric co-ops were in operation in 26 states and by 1940, they were serving more than a million customers.

NRECA was formed in 1942, and it quickly began taking on the big industry interests who scoffed at the little co-ops.

"One of the NRECA's first tasks was to disprove the allegations made by the investor-owned utilities," Coleman said. "We were able to show that electrifying farms actually played a viable role in the war effort, by those farms producing more food than farms could without electricity."

When World War II ended, half of America's farms had electricity.

"Think about what a remarkable feat it was just to electrify rural America," Coleman said. "Millions of miles of line, stretched across 75% of the nation's land mass, all of it done with incentives, not mandates — incentives that were paid back in full, on time, and with interest."

Clean Power Plan = Job Losses?

Coleman said NRECA and the co-ops are taking the same approach in their opposition to the CPP. In February, the Supreme Court stayed the plan pending resolution of legal challenges by the association and multiple states. Oral arguments are scheduled before the D.C. Circuit Court of Appeals for Sept. 27.

An NRECA study says a 10% increase in electricity prices as a result of CPP compliance would cause annual job losses of 360,000 between 2020 and 2040 in areas served by co-ops. The study estimates a $1 trillion hit to GDP by 2040.

Other studies have suggested compliance costs could be minimal if natural gas prices remain low. (See *PJM: Regional Plan Cuts Costs, but Gas Prices are Wild Card for CPP Compliance*.) For its part, EPA contends the CPP will have health and climate benefits of $55 billion to $93 billion per year in 2030, "far outweighing the costs of $7.3 billion to $8.8 billion."

"As a movement that had its origins in the Depression era, and one that was formed to serve some of the nation's most economically disenfranchised citizens, electric co-ops are sensitive to regulations," Coleman said. "We are very sensitive to mandates. We're very sensitive to any regulation or mandate that could impact the affordability of the service we supply to our members."

	Investor-Owned	Publicly Owned	Cooperatives
Total Revenue (billions)	$284	$60	$45
Number of Organizations	200	2,000	900
Number of Total Customers	107 m	22 m	19 m
Size (median number of customers)	400,000	2,000	13,000
Miles of Distribution Lines	50%	7%	42%
Customers per mile of line (density)	34	48	7.4
Revenue per mile of line	2,700	$113,000	$16,000

Comparison of electric utilities | *NRECA*

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House, Senate Conferees Begin Work to Narrow Differences on Energy Bill

Continued from page 1

of strength."

Murkowski and ranking member Sen. Maria Cantwell (D-Wash.), who had steered the Senate bill to an 85-12 vote, also expressed optimism in the chances for an agreement. Murkowski is also chairing the conference committee.

The Senate passed its 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. (See *Energy Bill Faces Tight Calendar, Partisan Divide in House*.)

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.

Getting to the finish line will require members to negotiate agreements on several flashpoints, including tougher energy efficiency standards in building codes and permanent authorization of the Land and Water Conservation Fund.

The bitterness over the one-sided House bill — evident in the remarks from some members of both parties — has tempered hopes of an agreement.

Rep. Frank Pallone (D-N.J.), the ranking member on the Energy committee, criticized the House's "partisan" bill, which he said "would unacceptably increase energy use and costs to consumers, and would undermine our nation's climate goals."

"As we begin the process of working to reconcile two very different bills, it is important that any final conference report include three essential components: infrastructure investment and modernization; direct benefits for consumers, including programs that empower them to manage their energy consumption and costs; and it must be consistent with our nation's climate goals to reduce greenhouse gas emissions."

Sen. John Barrasso (R-Wyo.) said it was "no

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NRECA Continues its Fight for the Little Guy

Continued from page 23

Coleman noted electric co-ops serve 327 of the nation's 353 poorest counties, or "93% of the nation's most economically vulnerable places."

"Many of those folks can't afford to see their power bill go up. They're honest, hard-working folks living paycheck to paycheck. A $10-20 increase in the electric bill may not be a lot for those of us in this room, but I can tell you we have members for whom that's a lot of money."

Coleman told a story of a 90-year-old member of his North Arkansas Electric Cooperative, who told him she had figured out that by taking her medication every other day, she would be able to pay her electric bill.

"Our concern is the person on the other side of the meter," he said. "One of the arguments used by supporters of the [CPP] is that the cost to shut down coal-fired power plants will be absorbed by the [plant owners] and their Wall Street investors. Well, that may be true for the investor-owned, but that's not true for co-ops. The problem is, the owners of our company are not a bunch of faceless Wall Street investors. They're farmers and ranchers and teachers and veterans and retirees."

Coal Dependent

He pointed out co-ops are heavily dependent on coal-fired generation because of a "previous government mandate," the Powerplant and Industrial Fuel Use Act of 1978. Prompted by the 1973 oil crisis and the natural gas curtailments of the mid-1970s, the legislation encouraged the use of coal, nuclear power and alternative fuels in new plants. Provisions restricting the use of natural gas by industrial users and electric utilities were repealed in 1987.

"Power plants are not short-term investments," Coleman said. "With maintenance and upgrades for the latest technology, the useful life for a power plant extends many decades. Upgrades are typically financed by long-term debt. It could be years before those debts are paid off. To retire a plant while it still has a mortgage will effectively force those co-ops members to pay for that same power twice."

That's not to say co-ops aren't embracing renewable energy, Coleman said.

He listed wind, solar and biomass as being critical elements in the association's "all-of-the-above" approach to fuels, and briefly detailed several individual co-op initiatives related to solar technology, community energy storage and carbon capture.

"The common thread to all these projects is they're responding to local challenges," he said. "Co-ops face change, we face challenge. The good news is, the American spirit is in the heart of every co-op.

"Electric co-ops have long been innovators in the industry. Our smaller size makes us focus on new ideas and how they affect our members. We try new things all the time, and when one co-op discovers something that works, they share it with all of us."

All for the little guy.

House, Senate Conferees Begin Work to Narrow Differences on Energy Bill

Continued from page 24

small accomplishment to get where we are today" and said he was hopeful the panelists would prove the "conventional wisdom" wrong by reaching agreement. But he warned Democrats not to overplay their hand, saying "do not assume this opportunity will be available next year."

Others took their two minutes to focus on what they wanted included — or excluded — from the bill.

Rep. Rob Bishop (R-Utah) said eliminating the Senate's energy efficiency building code language was "critically important."

Rep. Raúl Grijalva (D-Ariz.) said the Land and Water Conservation Fund authorization is "essential."

Rep. Lamar Smith (R-Texas), chairman of the House Committee on Science, Space, and Technology, lobbied for inclusion of House provisions reining in the Energy Department's research and development efforts.

"To not provide the Department of Energy with resources to invest in smart grid research and development would be akin to not funding the National Institutes of Health to conduct medical cures research."

Rep. John Sarbanes (D-Md.)

Smith said the department should limit its work to "basic research," an apparent reference to the controversial loan guarantees to failed companies such as Solyndra.

Rep. John Sarbanes (D-Md.) pushed back. "To not provide the Department of Energy with resources to invest in smart grid research and development would be akin to not funding the National Institutes of Health to conduct medical cures research," he said.

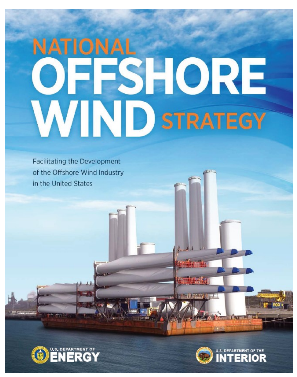
Sen. Jim Risch (R-Idaho), called for increased cybersecurity protections. "The next major event is going to be a cybersecurity event," he said. "The grid, as we all know, is a target."

Others called for quicker approval of LNG export facilities, a provision in both bills.

Rep. David Loebsack (D-Iowa), who proudly declared that his state is now getting 30% of its electricity from wind, said he was "open-minded but … skeptical as well."

The bill "must deliver benefits to consumers, not just [energy] producers," he said.

Offshore Wind Can Compete Within a Decade, US Says



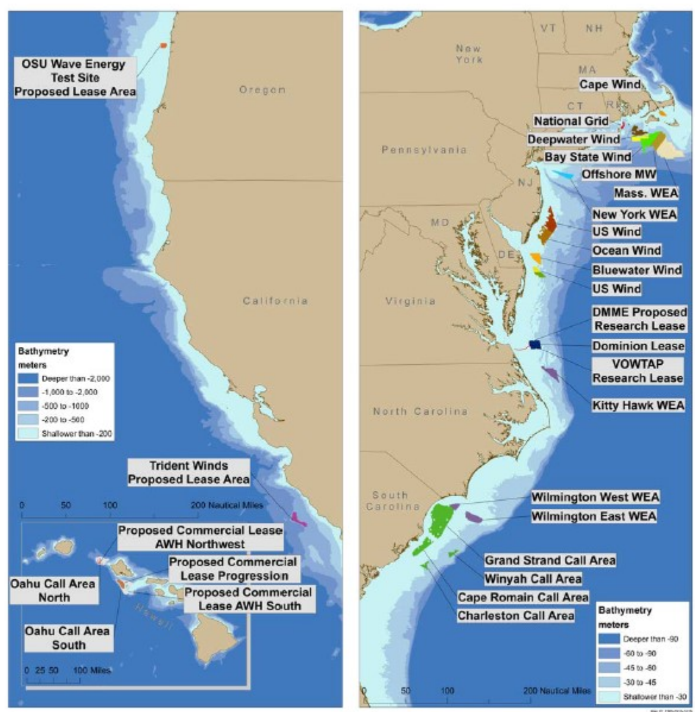
Offshore wind could be competitive with existing generation in the Northeast within a decade, according to the second National Offshore Wind Strategy, released last week by the U.S. departments of Energy and the Interior.

The report cites a new cost analysis by the National Renewable Energy Laboratory that predicts offshore wind costs could drop below $100/MWh between 2025 and 2030. "Assuming near-term deployment of offshore wind at a scale sufficient to support market competition and the growth of a supply chain, development of offshore wind energy in markets with relatively high electricity costs, such as the Northeast, could be cost-competitive within a decade," it said.

The report, a joint project of the Energy Department's Wind Energy Technologies Office and the Interior Department's Bureau of Ocean Energy Management, updates the government's first strategy, which was published in 2011. Officials estimate U.S. waters have a "technical potential" of 2,058 GW — nearly double the nation's electric usage.

The report outlines 30 steps the two agencies plan to take to reach that potential, including reducing technical costs and risks, making the regulatory process more predictable and transparent, and improving market conditions for investment by quantifying the impact of integrating large amounts of offshore wind to the grid.

As of the end of 2015, BOEM has awarded 11 commercial leases for offshore wind development capable of producing 14.6 GW of capacity. Construction of the nation's first offshore commercial wind farm, off Block Island, R.I., was completed last month and is expected to begin operations by the end of 2016.



Source: BOEM
Figure 2.5. BOEM-defined areas for potential renewable energy development as of August 2016

— Rich Heidorn Jr.