RTO Insider
Your Eyes and Ears on the Organized Electric Markets
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# FERC Rethinking PJM Capacity Performance Rules

## *Orders Conference on Seasonal Capacity*

*By Rory D. Sweeney*

In a potential win for PJM ratepayers and demand response providers, FERC on Friday ordered a technical conference to consider whether the RTO should move from a year-round to a seasonal capacity construct (EL17-32, EL17-36).

The commission ordered the conference in response to two complaints: one from the Advanced Energy Management Alliance, and a combined filing from Old Dominion Electric Cooperative, Direct Energy and American Municipal Power.

The order calls for the conference to address whether:

- the exclusive use of a year-round capacity product raises customer costs unnecessarily compared to retention of a season-

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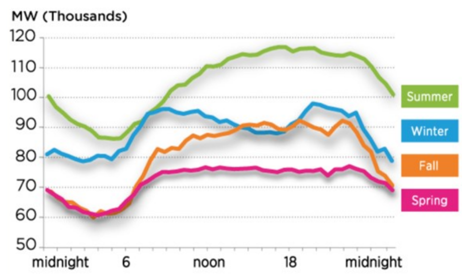


PJM energy demand by season | *PJM*

**FERC Endorses Previously OK'd PJM Aggregation Rules (p.20)**

# NJ Lawmakers Advance Latest Nuke Subsidy Bills

*By Michael Brooks*

New Jersey lawmakers on Thursday once again voted to advance legislation out of committee that would provide subsidies to the state's nuclear fleet.

A previous effort foundered earlier this year when a key lawmaker declined to post a similar bailout bill for a vote before the close of a lame duck session. (See *NJ Lawmakers Pass on Nuke Bailout in Lame Duck Session*.)

But this time, the Assembly Telecommunications and Utilities Committee (A2850) and the Senate Budget and Appropriations Committee (S877) approved bills that also contain incentives for renewables and energy efficiency, including a provision in the Senate bill that would sharply increase the state's renewable portfolio standard to 35% by 2025 and 50% by 2030.

A full vote on the Senate bill had already been scheduled for Monday, but senators ended up shelving it until at least next month. "It's a big bill. It's a complicated bill. And we're going to continue to press forward," Senate President Steve Sweeney (D), the primary sponsor of the bill, told *The News & Observer*. "Like everything else, we're adjusting things and look forward to getting it passed."

The nuclear portion of the legislation remains identical to previous versions:

Continued on page 36

# Calif. Lawmakers Relaunch CAISO Regionalization

*By Jason Fordney*

A key California lawmaker is seeking comment this week on a revived effort to regionalize CAISO and create a multistate Western RTO, an effort that has sputtered over the last two years.

State Assemblymember Chris Holden (D), chair of the Utilities and Energy Committee, is taking public comment through Wednesday on proposed amendments to AB 813, which would authorize CAISO's Board of Governors to develop a governance proposal for an RTO that would eventually allow California to relinquish its direct oversight of the grid operator.

The bill stipulates that the plan would then be submitted to the California Energy Commission, which — along with the California Air Resources Board — would review the proposal and also take public comment. If the CEC determines the proposal complies with the law, and if one or more transmission owners signs an agreement to join the new RTO, CAISO would be authorized to

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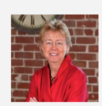
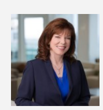
## Also in this issue:

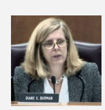












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# In This Week's Issue



## CAISO NEWS

# Gas Adders a Necessary Tool, CAISO Says

*By Jason Fordney*

FOLSOM, Calif. — CAISO last week defended its deployment of gas price adders that have been activated frequently since last year in the face of cold weather, wildfires and concerns about pipeline outages.

The ISO implemented use of the adders — or scalars — in Southern California in July 2016 to address potential gas shortages stemming from the closure of the Aliso Canyon storage facility.

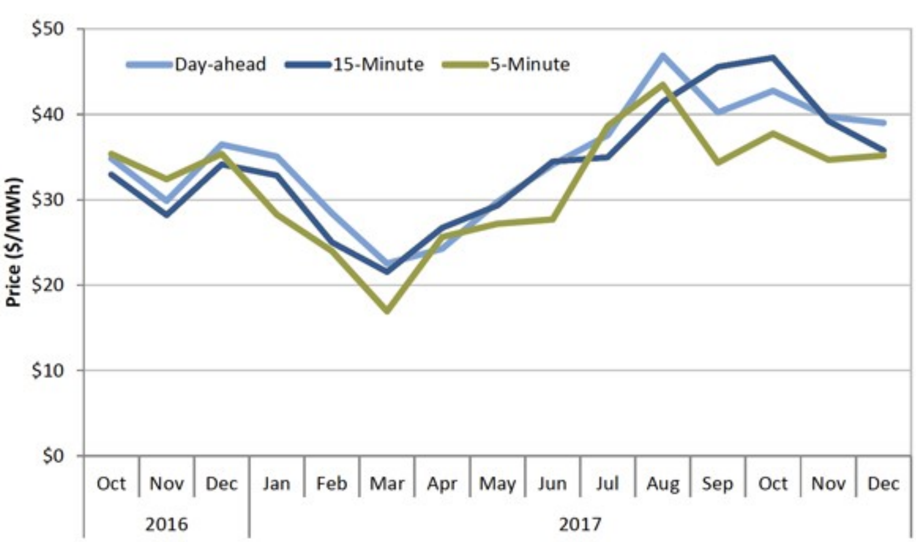
The scalars are intended to both aid regional generators in their recovery of their start-up costs and shift generation to areas in Northern California not affected by gas shortages. When activated in the real-time market, they boost the commitment proxy gas cost calculation to 175% of the day-ahead gas reference price, while gas prices in the default energy bid calculation are set to 125% of the day-ahead price.

The scalars "may not be the perfect tool, may not be the most sophisticated tool, but it's the tool we have," Guillermo Bautista Alderete, the ISO's director of market analysis and forecasting, said during a Feb. 20 Market Performance and Planning Forum.

CAISO briefed market participants at a February 20 forum in Folsom. | © *RTO Insider*

Since the scalars were implemented in July 2016, the price level of same-day gas prices in Southern California with the adders exceeded all but a very small portion of natural gas transactions, according to a CAISO staff presentation.

The scalars were deployed July 6-31, Aug. 4-7, Oct. 23-24 and from Dec. 7, 2017 to Jan. 31, 2018 — and again on Dec. 20, when SoCal Citygate prices spiked to a four-year high of $25/MWh on cold weather, according to *Natural Gas Intelligence*.




CAISO's average 15-minute prices were higher than day-ahead prices in October. | *CAISO Department of Market Monitoring*

Staff's presentation showed that on Dec. 7, the 175% scalar shifted 2,000 MW from Southern California Edison to Pacific Gas and Electric to position the system to rely less on gas demand in Southern California. The ISO had lowered the scalars to zero on Aug. 1, 2017, after the initial summer increase, but in a Feb. 20 market notice it said it "will re-evaluate on an event-by-event basis the need for the gas price scalars adjustments."

CAISO's Department of Market Monitoring has recommended the ISO reduce or eliminate the adders, which it says last year caused $5 million in excess bid cost recovery payments to those resources, about $1 million of which came during Southern California wildfires, even though only a small number of market participants are using the scalars.

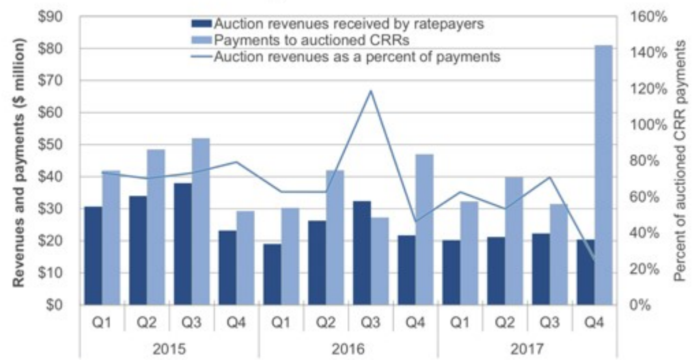
There were high next-day gas prices and significant same-day price volatility at the SoCal Citygate delivery point on some days in the fourth quarter, but real-time gas scalars are ineffective at reflecting same-day price volatility, nor do they significantly change the order of unit commitment, the DMM said.

Bautista Alderete said the ISO is undertaking an initiative "to have a more comprehensive policy and permanent solution of how to handle these conditions on the system."

## CAISO News

# CAISO Q4 Sees 15-Minute Price Spikes, CRR Shortfalls

*By Jason Fordney*




CAISO's Monitor said ISO's Q4 congestion revenue rights payouts far exceed what it took in from the CRR auction. | *CAISO Department of Market Monitoring*

CAISO's fourth quarter was beset by 15-minute market energy shortages and a significant shortfall in congestion revenue rights auction revenues, the ISO's Market Monitor said Wednesday.

During a conference call to discuss its fourth-quarter market performance report, the Department of Market Monitoring said energy shortages or power balance constraints last quarter consistently pushed 15-minute market prices above day-ahead levels.

"That is not something that we typically see," DMM Senior Analyst Gabe Murtaugh said. "These are really some interesting results."

Average 15-minute system prices increased to almost $47/MWh in October — exceeding $750/MWh in almost 1% of intervals — but then fell in November and December. October's 15-minute price averages were higher than day-ahead and five-minute market prices by about $4/MWh and $9/MWh, respectively.

Day-ahead and real-time prices in the fourth quarter closely tracked the "net load curve," which represents load minus wind and solar output. High 15-minute prices during October occurred most often between hours ending 18 and 20, when net load was highest.

"Many of these high prices occurred in intervals when the supply of ramping capability bid into the market was fully utilized and the power balance constraint was relaxed," CAISO said in the report. "Even when the load bias limiter was triggered, prices were often set by bids greater than $900/MWh."

Load bias describes the last-minute adjustments an operator makes to the load forecast ahead of a market run to account for potential inaccuracies and inconsistencies in the forecast. Constraints in the 15-minute market drove up the ISO's usage of the practice, a topic of continuing interest for market participants. During the call, the DMM declined to answer a question about whether the load bias usage was appropriate, saying it has raised the issue before and that the ISO is looking into it. (See *'Load Bias,' Prices Rise in CAISO Q3*.)

The department also said the ISO experienced $61 million in CRR auction "payment deficiencies" in the fourth quarter and $101 million for 2017. But not all market participants agree with the DMM's take on the CRR auction, which is the topic of a highly scrutinized reform program by CAISO. (See *CAISO Urged to Take Slower CRR Approach* and *CAISO Overhauling CRR Auctions*.)

In the fourth-quarter report, the department said there was heavy north-to-south congestion in the day-ahead market, primarily because of planned outages in Southern California. The congestion pushed up day-ahead prices in Southern California by about $2/MWh and decreased prices in Northern California by about the same amount, the Monitor said.

## CAISO NEWS

# CAISO Recommends $2.7 Billion Tx Spending Cut

*By Jason Fordney*

| © RTO Insider

FOLSOM, Calif. — CAISO's latest transmission plan recommends cutting more than $2.7 billion from current transmission spending estimates across the 2027 planning horizon.

The ISO is preparing its 2017-2018 transmission plan for approval by the Board of Governors next month, launching the procurement phase of a process heavily influenced by expanding behind-the-meter solar generation. Board approval kicks off the processes for procuring transmission and determining eligibility for incentive rate cost recovery from FERC by virtue of being part of a state plan.

Speaking at the Western Planning Region Interregional Transmission Coordination Meeting on Feb. 22, CAISO Executive Director of Infrastructure Development Neil Millar said the plan represents about $160 million in capital spending, but there is currently more of an emphasis on project cancellation.

The plan "really did require hitting the reset button and a major re-planning effort for a number of those previously approved projects," he said. The planning process is "in a pause waiting for state policy guidance on higher levels of renewable penetration."

In a discussion later, Millar added that "we are trying to fit a bit of a square peg in a round hole" by using the interregional process as a potential way to bring renewables into California, "which is beyond the scope of what the interregional process was designed for."

As a supplement to its 2016-2017 transmission planning process, CAISO in January issued a study noting that California faces a "severe shortage" of transmission capacity needed to tap potential New Mexico and Wyoming wind resources that would help the state meet its 50% renewable portfolio standard. (See *CAISO: Tx Constraints Hinder Out-of-State Wind*.)

The ISO's 2017-2018 reliability analysis led to recommendations for 12 new transmission projects, but it is also recommending cancellation of 19 projects in the Pacific Gas and Electric service territory and rescoping of 21 others, accounting for the more than $2.7 billion in reductions. Six need further review, and two previously approved projects in San Diego Gas & Electric's territory are recommended for cancellation. CAISO prioritizes regional and local reliability needs first, then state policy, followed by economic analysis, according to an ISO presentation.

"Reliability issues are largely in hand, especially with load forecasts declining from previous years and behind-the-meter generation forecasts increasing from previous projections," CAISO said.

CAISO works closely with the California Energy Commission, which provides demand forecasts and resource needs assessments for the transmission planning process while the ISO creates a transmission plan. The California Public Utilities Commission oversees procurement, with input provided by the CEC, the ISO, investor-owned utilities and others. Included in the plan is a reliability analysis for NERC compliance, transmission needs for a 33% RPS and other analyses.

The ISO is conducting sequential technical studies that will result in a draft transmission plan and is targeting March approval by the board to initiate procurement. It posted its draft plan on Feb. 1, with stakeholder comments due this week. The 2017-2018 plan was originally introduced in early 2017.

Western transmission developers attending the meeting also provided rundowns of their interregional plans, including Northern Tier Transmission Group, WestConnect, ColumbiaGrid and TransWest.

| © RTO Insider

## CAISO NEWS

# Former CPUC Member Fined for Lobbying Violations

By Jason Fordney

A former California utilities regulator and political insider has been fined after state investigators determined that she failed to register as a lobbyist for ride-sharing company Lyft and San Gabriel Valley Water Co., an investor-owned public water utility.

Kennedy

In a 5-0 decision Feb. 15, the California Fair Political Practices Commission fined former California Public Utilities Commissioner Susan P. Kennedy $32,000 for failing to register as a lobbyist and file quarterly reports from late 2012 to early 2014, when she worked to influence the commission on behalf of the two companies.

Kennedy was chief of staff for former Gov. Arnold Schwarzenegger, deputy chief of staff and cabinet secretary for former Gov. Gray Davis, and previously communications director for U.S. Sen. Dianne Feinstein. She served on the CPUC from 2003 to 2006 and now helms energy storage company Advanced Microgrid Solutions, which was not named in the matter.

At a Feb. 15 meeting in Sacramento, FPPC Chair Joann Remke congratulated her enforcement staff for the investigation, saying lobbying cases are "difficult to prove" and are "few and far between."

"And I know this was a long investigation and a good outcome," Remke said.

The state's Political Reform Act of 1974, the post-Watergate ballot measure that created the FPPC, requires lobbyists and lobbying firms to register with the Office of the Secretary of State and file quarterly reports on their clients, their clients' interests and how much they were paid.

In the case of San Francisco-based Lyft, Kennedy was able to influence the CPUC beginning in 2012 to open a rulemaking over ride-sharing companies, according to the order. The commission was scrutinizing ride-sharing companies and had previously sent Lyft a cease-and-desist letter in August 2012 because it had not received operating authority.

The decision says Kennedy contacted then-CPUC President Michael Peevey, Executive Director Paul Clanon and other CPUC staff to convince them to work with ride-sharing companies rather than shut them down. The commission opened a rulemaking to address public safety issues and in September 2013 adopted regulations concerning liability insurance, driver licensing and background checks, driver training programs, vehicle inspections and data reporting.

"The efforts of Kennedy and Lyft were successful as the resulting rules and regulations adopted many of the suggestions and positions put forward by Kennedy and Lyft during the rulemaking process," the decision says.

Kennedy also lobbied Peevey and current CPUC President Michael Picker in the first half of 2014 regarding San Gabriel, the FPPC said. The utility had a general rate case before the commission and was seeking to increase water rates, which were being fought by the city of Fontana and its school district.

"During these meetings, and through emails, Kennedy sought to influence the CPUC's decision on cost recovery for the Sand Hill treatment plant in the general rate case," the decision says. The commission sided with Fontana and denied the rate increase and cost recovery for the plant in May 2014 (Decision#15-11-028).

"The CPUC's decision invalidated much of a settlement San Gabriel had with the CPUC's Office of Ratepayer Advocate. Subsequently, the CPUC issued a decision on Nov. 24, 2015, that included a modified rate increase agreed upon by all parties," the FPPC decision says. San Gabriel filed lobbying reports that listed other lobbyists but not Kennedy.

Under terms of the settlement with the FPPC, Kennedy agreed to register Susan P. Kennedy Inc. as a lobbying firm. She also filed reports detailing that she was paid $76,500 by Lyft and $125,000 by San Gabriel.

"While Kennedy maintains she did not intend to qualify as a lobbyist, given her experience and sophistication, she should have been aware at the time that her activity qualified as lobbying," the decision says.

"Ms. Kennedy moved immediately once the discrepancy was identified to provide the necessary information requested by the FPPC. Integrity and character are hallmark principles in how Ms. Kennedy conducts herself in business, which is why she acted swiftly to resolve the matter," Kennedy's attorney James Harrison, of Remcho Johansen & Purcell, said in an email to *RTO Insider*.

FPPC spokesman Jay Wierenga told *RTO Insider* that the decision wraps up the commission's investigation of Kennedy. "There is nothing more on our side regarding any investigation of Kennedy," he said. "This case is complete."

The CPUC did not immediately respond to a request for comment on the decision.

The FPPC information request to Kennedy that led to the recent fine also asked for communications between her and other CPUC members regarding the San Bruno gas pipeline explosion and legal, legislative or regulatory actions that might have resulted from them. But the Feb. 15 FPPC decision does not mention anything about the San Bruno communications.

The request had also asked for communications between Lyft and Manal Yamout, a partner with Kennedy in Advanced Microgrid Solutions and Caliber Strategies and a former top adviser to Schwarzenegger and Gov. Jerry Brown. The decision and fine handed down by the FPPC did not mention Yamout.

### Attorney General Referral

At the FPPC's Feb. 15 meeting, Chief of Enforcement Galena West noted that the state's attorney general had referred the Kennedy investigation to her group. The attorney general's office did not respond to a request for more information on what spurred the referral.

Pacific Gas and Electric in September disclosed new emails of discussions between Kennedy and former PG&E executive

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# CAISO NEWS

## Calif. Lawmakers Relaunch CAISO Regionalization


The California State Assembly gathers on its opening day in January. | © *RTO Insider*

*Continued from page 1*

implement the new governance structure.

"Composition of the new board would not trigger until CEC approval and an agreement with at least one new balancing authority to join," committee staffer Kellie Smith told *RTO Insider* in an email.

The proposal would provide for the establishment of a Western States Committee with three representatives from each state with TOs in the new RTO to provide input. According to the bill's language, states would preserve their authority over member balancing authority areas, including procurement policy, resource planning and generation, and transmission siting within their states.

Holden led a similar effort last year, but it stalled along with separate legislation that would establish a 100% zero-carbon energy requirement for utilities in the state. (See *CAISO Regionalization, 100% Clean Energy Bills Stall*.)

While some industry interests favor regionalization to create a wider market for power generation, California labor unions have expressed concerns that the effort could export jobs to other states, and some state officials also worry about losing control over the state's aggressive renewable and climate change policies.

Regionalization has been a longstanding goal of Gov. Jerry Brown, who is serving out his last year as governor ahead of this November's elections. Two years ago, he put the effort on hold because of unresolved questions from critics both inside and outside California. (See *Governor Delays CAISO Regionalization Effort*.) The Assembly took up the measure last June, with bills carrying over into the 2018 legislative session. (See *California Lawmakers Take Up CAISO Expansion*.)

The new amendments also stipulate that a Western RTO "not endorse, organize or operate a centralized capacity market in California for the forward procurement of electrical generating capacity that requires capacity to clear at a market clearing price in order to count for resource adequacy purposes." It also calls for equitable transmission cost allocation rules, creation of an independent market monitor and voluntary participation by TOs.

"The ISO has thoroughly studied the benefits a regional grid has to offer and looks forward to providing any information to the Legislature, including Assemblyman Holden, as the measure moves forward," CAISO told *RTO Insider*. "A regional approach is critical to supporting renewables, as energy leaders and environmentalists have noted about European experience, where many nations there leverage low-carbon resources through a single, coordinated grid."

### Changes Across the West

The restart of the regionalization effort comes amid several developments that could reshape the wholesale electricity industry in the West. Since late last year, CAISO has kicked off efforts to expand its day-ahead market across the Western Energy Imbalance Market (EIM) and depart Peak Reliability to become its own reliability coordinator (RC) — as well as offer reliability services across the region. (See *CAISO Bid for Western RTO to Face Competition in 2018* and *CAISO to Depart Peak Reliability, Become RC*.)

On Monday, the Bonneville Power Administration and Western Area Power Administration separately announced they have signed nonbinding notices signaling their intent to depart Peak Reliability by the end of 2019. BPA said it is exploring receiving RC services from CAISO, while WAPA is considering SPP's RC services for its Upper Great Plains West and Western Area Colorado Missouri balancing areas, and SPP and CAISO for its Western Area Lower Colorado area.

"Our balancing authorities cover an expansive area in the West. Each has unique circumstances and requirements that we will respect when seeking the best possible RC for our operations and our customers," WAPA Administrator Mark A. Gabriel said in a statement. "As we explore the best path forward for each of our BAs, the reliability of the grid will remain our top priority."

Peak Reliability and PJM have also announced an effort to create a new western energy market, an effort the companies say will not be an RTO. (See *Peak, PJM Pitch 'Marketplace for the West'*.) Peak has been the provider of RC services in much of the West since 2014.

## Former CPUC Member Fined for Lobbying Violations

*Continued from page 6*

Brian Cherry that described "back-channel" communications between the utility and CPUC members regarding the 2010 San Bruno incident that killed eight people. (See *Probe Reveals More CPUC-PG&E Contacts on Pipeline Blast*.)

The disclosure of the old Kennedy emails and others came as the CPUC was poised to approve an $86 million settlement with PG&E over previously disclosed improper communications with it regarding the accident. The commission at its November meeting delayed a vote on the settlement until June. (See *Besieged CPUC Denies SDG&E Wildfire Recovery*.)

In delaying the settlement, the CPUC said additional time was needed after parties to the settlement asked for a second phase of the proceeding to explore whether PG&E had engaged in any additional *ex parte* communications.

"Once a second phase is opened, time will be needed for the parties to address, and for the commission to decide, if PG&E committed any additional *ex parte* violations," the CPUC said in the order delaying the vote.

The *ex parte* case is separate from the $1.6 billion fine, refund orders and gas system improvements the CPUC levied on PG&E for the fatal explosion and fire, recordkeeping and safety violations.

## ERCOT NEWS

# ERCOT Monitor Touts Co-optimization Benefits

*By Tom Kleckner*

AUSTIN, Texas — ERCOT stakeholders are once again raising the subject of real-time co-optimization (RTC) after a simulation of a recent market event showed that the ISO might have saved almost $60 million using the process.

Beth Garza, director of ERCOT's Independent Market Monitor, shared her organization's analysis of the scarcity event with the ISO's Board of Directors last week. The grid operator would have saved $58.5 million over eight five-minute intervals had it been using RTC, she said.

RTC is the process of procuring energy and ancillary services simultaneously in the real-time market, with the intent of finding the most cost-effective solution for both requirements every five minutes.

"This was $58 million over 40 minutes, but every hour, there are hundreds of pennies and nickels and dollars that can be picked up," Garza said.

On Jan. 23, real-time prices hit the energy offer cap of $9,000/MWh during two five-minute intervals. ERCOT blamed the spike on ramping issues because of cold weather and higher-than-expected load during early morning hours, but it also said resource adequacy was not a problem. (See "TAC Asks WMS to Investigate 2 Market Events," *ERCOT Technical Advisory Committee Briefs: Jan. 25, 2018*.)

Using its own software and a simulation based on the security-constrained economic dispatch (SCED) 60-day report, the Monitor determined RTC would have capped prices at $7,500 during the event.

"Software is the heart of real-time co-optimization," Garza said. "The magic was we got to move reserves. As we moved those reserves around, we moved away from fast-ramping units to slower-ramping units. By actively making decisions every five minutes, we were able to move reserves over to slightly less rampable capacity, freeing up lots of ramping capacity for five-minute energy."

Garza made no secret of the Monitor's advocacy for RTC, saying, "We had reserves.

Monitor Beth Garza | *© RTO Insider*

We had a shortage of energy. [With RTC], we could have made better choices about which units were carrying reserves and lowered energy prices."

"This is an efficiency issue," said Director Peter Cramton, a University of Maryland economics professor. "What you get with co-optimization is improved pricing and quantities of the resources … making the best use of existing resources in real time. That's primary to our mission, and I think we should take it seriously."

ERCOT staff pointed out that the Public Utility Commission of Texas has an open proceeding (Project No. 47199) investigating the use of RTC to address intermittent renewables and improve incentives for generators. The PUC has held two market reform workshops and gathered input on a wide range of potential improvements. (See *ERCOT, Regulators Discuss Need for Pricing Rule Changes*.)

PUC Chair DeAnn Walker made it clear that the commission is not ignoring the issue, pointing out that regulators requested a cost-benefit study in October.

"We're doing this in a thoughtful way," Walker said. "This is the cost, this is the benefit … we're asking for true data. We're asking for these studies to be done, in a thoughtful manner."

ERCOT has already told the PUC it will cost about $40 million and as many as five years to implement RTC because of the project's complexity and scope. Staff has said an RTC upgrade would touch as many as 13 ISO systems.

### Year in Review

In reviewing 2017 market data with the board, Garza said load-weighted average real-time prices were up almost $4/MWh from 2016's historic low, to $28.25/MWh. Those are the market's highest prices since 2014, when the average was $40.64.

"We're on the low end of prices," she said, alluding to an average fuel index price of $2.98/MMBtu.

While energy prices have dropped since the ISO's nodal market went live in 2010, spreads continue to exist among ERCOT's various zones. Real-time energy prices in the Houston zone averaged around $32/MWh in 2017 but hovered around $25 in the west, with its plentiful and cheap wind energy.

ERCOT's costliest constraint lies in the Panhandle, accumulating $140 million in congestion costs and preventing further West Texas wind from flowing into the system.

Garza said much of the congestion is related to construction, likening it to fixing the weakest link, and then the next weakest link. She used another analogy that Austinites in the audience know all too well when she compared congestion to highway construction.

"As lanes are added, congestion increases during construction," Garza said. "It's not uncommon for capacity to be reduced before you see a big expansion."

The Panhandle constraint is being addressed by several projects completed or nearing completion: a synchronous condenser that went into service earlier in the week, another condenser due to go online in April and a 345-kV circuit addition expected to be energized by March 1.

At the same time, the $590 million Houston Import Project is scheduled to be completed later this spring to allow more power to be imported from the north. ERCOT staff are also closely watching the Lower Rio Grande Valley, where two dynamic reactive devices are expected to be in service later this year, addressing that region's continued growth.

Garza said load-weighted costs for ancillary services have dropped from $1.23/MWh in 2015 to 87 cents/MWh last year, because "we're buying the right amount of services at the right time."

## ERCOT NEWS

# Board of Directors Briefs

## ERCOT Sets New Wind Record, Preps for Summer

AUSTIN, Texas — ERCOT CEO Bill Magness found himself playing catch up during his Feb. 20 report to the ISO's Board of Directors, revising a slide on the fly with the latest record for wind production.

"As is often true with wind records in ERCOT," Magness said, pointing to Jan. 11's 17,376 MW of wind generation, "that record has already been broken."

At 10:05 p.m. the night before, the ERCOT system set its latest record by generating 17,541 MW of wind energy.

Looking ahead, Magness said tightening reserve margins following the retirement of more than 4.3 GW of generation make the upcoming summer "all about performance." Including delayed projects and more than 3.8 GW of new resources, the ISO has seen its reserve margin shrink from 18.9% to 9.3%, leaving it with 77.2 GW of capacity on hand to meet a projected summer peak of almost 73 GW.

"We at ERCOT are doing everything we can think of with people and processes to prepare for what's coming," he said. "But I think everybody in the market is doing that as well. We all understand it's about good performance."

Additional resources, much of it solar and other renewables, are on the way. ERCOT received 196 interconnection requests last year, more than any year going back to 2007. Utility-scale solar projects accounted for 56% of those requests.

Magness reported a preliminary $10.8 million favorable variance in net revenues, driven by colder weather and under-budget project and hardware expenses.

He also shared what he called a "more tasteful" Super Bowl-related factoid than water usage during the game: the frequency increase in all three interconnections following a 20-second NBC Sports equipment failure that caused television screens to go black late in the first half. Magness said data from the Texas Synchrophasor Network showed that the loss of load was roughly the same as a large generator tripping, but with frequency up rather than down.

ERCOT CEO Bill Magness gives a presentation to the board. | © RTO Insider


| © RTO Insider

ERCOT staff also reported that it is addressing a delayed $2.4 million congestion revenue rights system upgrade with additional vendor resources and increased defect resolution.

"There is an urgency behind this," said Mandy Bauld, director of ERCOT's project management office. "We need the system to function because we need certainty around the auctions."

## Directors Grant 'Critical' Status to West Texas Project

The board accepted staff's recommendation that it designate part of a West Texas transmission project as being "critical" to system reliability. The designation means a 345-kV line's certificate of convenience and necessity application at the Public Utility Commission of Texas will be expedited — and its construction likely completed sooner.

Jeff Billo, ERCOT's senior manager of transmission planning, told directors that load projections in the Permian Basin's Delaware Basin — "The hot spot of hot spots," he said — have grown from a peak of 22 MW in 2010 to a projected 964 MW in 2021. The project's original study last year had a committed load of 533 MW in 2021.

"To say that this is load growth that we have never really experienced before is an understatement," Billo said.

The board approved the transmission line as part of the Far West Texas Project last year. The $336 million project consists of two 345-kV lines necessary to support continued oil and gas development southwest of Odessa. (See *ERCOT Board Approves West Texas Transmission Project*.)

Oncor, one of three companies involved in the project, has submitted two additional projects to ERCOT's Regional Planning Group, and is also pondering load-shed schemes to maintain reliability before the two upgrades are in place. Billo said Oncor was confident it could have the 345-kV line in service by 2020, if it was designated as "critical" to reliability.

The board also approved a resettlement of the Greens Bayou Unit 5 reliability-must-run agreement with NRG Texas Power, resulting in a $25,949.96 refund to ERCOT. The RMR contract was terminated in May 2017, but costs to NRG were allocated over 31 days that month, instead of the 29 days during which the agreement was in place. (See *ERCOT Ending Greens Bayou RMR May 29*.)

## Board Re-elects Chairs, Confirms TAC Chairs

The board wasted no time in re-electing Craven Crowell and former PUC Commissioner Judy Walsh as its chair and vice chair, respectively. Crowell, an industry veteran and eight-year chairman of the Tennessee Valley Authority, and Walsh have served in their positions since January 2012.

The complete board then re-elected Magness as ERCOT's CEO and ratified the ISO's officers. The directors also confirmed the elections of Dynegy's Bob Helton and the Texas Office of Public Utility Counsel's Diana Coleman as the Technical Advisory Committee's chair and vice chair, respectively.

## Seven NPRRs Gain Unanimous Approval

Representing the Consumer Market segment, Director Nick Fehrenbach with the city of Dallas pulled a nodal protocol revision request (NPRR841) from the consent agenda over concerns it might result in unintended consequences for bid strategies in the day-ahead market.

The NPRR would correct an oversight in a previous change request (NPRR782) by

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revising the calculations used to determine the make-whole payment for incorporating the ancillary services infeasibility charge. Those charges are clawed back from generators that are unable to provide ancillary services because of a transmission constraint or through some fault not their own.

Fehrenbach said he wanted to avoid changes in market bid strategies "when there's no longer the threat of that infeasibility charge" and requested staff monitor participants' behavior.

"I want to make sure we don't have a big upswing [in make-whole payments], and if there is, see if it has an impact on behavior or strategy," he said.

Fehrenbach ended up making the motion to pass NPRR841, which carried unanimously.

The board approved six other NPRRs, including one designed to maintain ERCOT's independence from FERC oversight, and a system change request (SCR) on its consent agenda:

- NPRR819: Removes language referencing "data errors" for resettlement of the day-ahead and real-time markets; gives the ERCOT board authority to direct a day-ahead resettlement parallel to its authority to direct a real-time resettlement; removes references to undefined "declarations" of resettlements; changes the thresholds that determine a resettlement; and fixes a semantics error.
- NPRR842: Defines a "study area" as an ERCOT-designated "geographic region," separate from a weather zone or load zone.
- NPRR844: Corrects the current process of including capacity that is modeled but not yet commercially operational in the outage scheduler, which is then reflected in the outage report.
- NPRR852: Creates a more efficient approval process when updating the CRR activity calendar; removes unnecessary "advisory approval" language; and moves the calendar's approval from the TAC to the Wholesale Market Subcommittee.
- NPRR855: Clarifies the criteria for including new and retiring resources in the seasonal peak average capacity estimation calculations used for ERCOT's Capacity, Demand and Reserves report. The revisions apply to wind, solar, DC ties, hydro and all-inclusive generation resources within private-use networks.
- NPRR861: Clarifies ERCOT can and will take all actions necessary to preserve its jurisdictional status quo and its market participants with respect to FERC. Possible actions include but are not limited to ordering the disconnection of transmission facilities and denial or curtailment of an electronic tag.
- SCR794: Updates how the security-constrained economic dispatch limit is calculated by ERCOT's Transmission Constraint Manager to consider how the megavolt-ampere flows compare to actual limits.

PUC Chair DeAnn Walker thanked the board for passing NPRR861, saying it was very important to her.

"Chairman Walker, as long as you're happy, we're happy," Crowell said.

*— Tom Kleckner*

# ERCOT NEWS

## TAC Briefs

### Members Debate Southern Cross' Bid to be Merchant DC Tie Operator

| ERCOT

AUSTIN, Texas — ERCOT's Technical Advisory Committee last week failed to reach agreement on how to classify Southern Cross Transmission (SCT) after debating the company's bid to become the ISO's first merchant DC tie operator.

TAC representatives and members will again take up the discussion during its March meeting, as part of an ERCOT legal staff effort to update the ISO's bylaws and 18-year-old articles of incorporation. The proposed bylaw amendments include an attempt to place SCT in the appropriate membership segment.

The Public Utility Commission of Texas last year directed ERCOT to determine the best "market participation category" for SCT (Project No. 46304), which is behind an HVDC transmission project that would be capable of shipping more than 2 GW of electricity between the Texas grid and Southeastern markets.

During a September workshop, SCT proposed it be included within the Investor-Owned Utilities segment as an "independent DC tie operator." It defined the classification as being appropriate for any entity that is not a transmission or distribution entity or an affiliate of a T&D entity, or for entities that own or are preparing to own or operate "a DC tie to be interconnected to the ERCOT transmission grid." (See "Southern Cross Offers Suggestions for its Market Participation," *ERCOT Briefs*.)

ERCOT's legal staff pointed out that SCT does not fit within the "currently defined" segments and said one of the existing definitions within the bylaws would have to be amended to accommodate an entity "whose ERCOT-based activities are limited to owning or operating a [DC] tie" interconnected to the ERCOT grid.

In a 12-page memo, staff recommended that the TAC consider the IOU and Independent Power Marketers segments as appropriate for SCT. "The activities of typical members in these two segments more closely align with those of SCT than the activities of typical members" in other segments, they wrote.

ERCOT does not currently include DC tie operators as market participants. Three of its IOU members — American Electric Power, Oncor and Sharyland Utilities — operate ERCOT DC ties as "electric utilities" or "transmission service providers."

Staff said they believe they have a directive to move the issue forward, and plan to bring a recommendation to the Board of Directors' Human Resources and Governance Committee in April.

"At some level, the choice that gets made here is just a name," said Cratylus Advisors' Mark Bruce, who represents SCT. "What it boils down to is, are you a member? Do you have a role in corporate governance? Are you able to cast an individual vote as a

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## Bankruptcy Court OKs Sempra-Oncor Deal

Sempra Energy announced Monday that the U.S. Bankruptcy Court for the District of Delaware has confirmed a reorganization plan for Energy Future Holdings, including the California company's $9.45 billion acquisition of EFH and its 80% interest in Texas utility Oncor.

"Today's action by the Bankruptcy Court paves the way for EFH to end its long-running bankruptcy case and advances our proposal to acquire a majority stake in Oncor to the final stage," said Sempra CEO Debra Reed in a statement.

Sempra still needs to win the approval of the Texas Public Utility Commission, which is expected to consider an order approving Sempra and Oncor's joint change-in-control application as early as March 8. The PUC on Feb. 20 canceled a hearing on Sempra's proposed merger and asked staff to prepare a final order in the proceeding (Docket No. 47675). (See *Sempra Moves Closer to Securing Oncor Acquisition*.)

Sempra said it plans to close the transaction "soon" after PUC approval. The company became the fourth serious suitor to pursue Oncor, Texas' largest electric utility, when it was able to shove aside Berkshire Hathaway Energy in August. (See *Sempra Outmuscles Berkshire for Oncor*.)

Previous acquisition attempts by Hunt Consolidated and NextEra Energy fell apart before the PUC.

EFH's Texas roots are deep. It was known as Texas Utilities and then TXU before it was acquired in a 2007 leveraged buyout by EFH and its consortium of private-equity investors. The deal went sour when energy prices collapsed, and EFH filed for bankruptcy in April 2014.

In 2016, EFH disposed of its generation (Luminant) and retail (TXU Energy) businesses in a tax-free spinoff. The companies are now under the Vistra Energy umbrella. (See *Luminant, TXU Energy Emerge from Bankruptcy*.)

*— Tom Kleckner*

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member? Those are particular areas where having a corporate membership in the organization affords you a right — and it's an important right."

Like ERCOT staff, Oncor has suggested that a DC tie operator, "if such a member does not fit in any other classification," should participate in the market as an IPM. That segment includes entities that are not transmission/distribution service providers (TDSPs) or affiliates of a TDSP, and are registered at the PUC as power marketers in ERCOT.

Liz Jones, legal counsel for Oncor, compared the discussion to a "big ol' game of keep-away."

"[One segment] says not us, other segments say not us," she said. "ERCOT segments are founded on the notion [that] IOUs should not be running the market. The fact we own transmission, in and of itself, is not distinguishable, because the end-use transmission customers also own transmission elements.

"We, coupled with the NOIEs [non-opt-in entities], are the foundation of the open-access market," Jones continued, referring to cooperatives and municipally owned utilities that offer customer choice in ERCOT. "I do not think it is consistent with the community interest to include Southern Cross in the IOU segment. We have previously found a home for misfit children. I'm sure neither Southern Cross and the power marketers will be particularly thrilled, but that's not enough of a reason to throw them into the IOU segment."

Mark Bruce (standing) explains Southern Cross' position to TAC members. | © RTO Insider

"Southern Cross does not really have religion," Bruce reiterated. "It's just a name and a way to get a vote. As long as we get a vote, it doesn't matter. On the other hand, optics matter. Being called a power marketer when you don't market power is awkward."

SCT foresees qualified scheduling entities (QSEs) buying capacity from it just as they do from the ISO's existing five DC ties. The company would not participate in the settlement process, but the QSEs would. SCT would not have a Texas tariff or collect transmission rates, leaving the QSEs responsible for paying transmission service charges for use of the ERCOT system.

"If the Southern Cross DC tie was located 1 inch further west than planned, it would be a Texas utility and a TSP [transmission service provider]," Bruce said.

He noted that because the tie is not in the state of Texas, SCT is an electric utility under federal law, with a FERC code of conduct and an open access tariff. Bruce said that the fundamental feature of power marketers is that "they take title to the electricity they buy and sell. Southern Cross will not buy or sell energy and will not take title to power."

"Southern Cross will do the exact same thing at a DC tie that AEP does, that Sharyland does," he said. "Southern Cross will follow ERCOT instructions to net out approved e-Tags and provide open access to the ERCOT system."

SCT obtained FERC approval in 2014 for interconnection to and transmission service in ERCOT that maintains the ISO's jurisdictional status quo.

The project would link ERCOT to the Eastern Interconnection through a 38-mile, 345-kV line owned by Garland Power & Light that connects with a converter station just across the Louisiana border. SCT would build a 400-mile, 500-kV DC line to connect with Southern Co.'s existing 500-kV system in Alabama.

The PUC last May approved Garland's application for the 345-kV line, which has an established route (Docket No. 45624).

### Members Reject Appeal from Small Municipalities

Members unanimously rebuffed an appeal of a rejected change to the ISO's Nodal Operating Guide regarding the definition of transmission owners, with some saying the decision should be left to the PUC.

"I think we're the wrong body to handle this," said Citigroup's Eric Goff. "I'd like it to go the commission as soon as possible."

Tom Anson, legal counsel for the Small Public Power Group of Texas (SPPG), said the group has an agreement with the PUC's enforcement staff to pursue the rule change, and would instead take its appeal to the ERCOT board, which next meets in April.

The revision request (NOGRR149) would exempt municipal distribution service providers without transmission or generation facilities from having to procure designated TO services from a third-party provider if their annual peak load is less than 25 MW. The proposal was developed in 2015 to settle the noncompliant status of six municipally owned utilities with loads of 9 to 21 MW.

The cities of Goldsmith and Bartlett, with a combined peak of less than 4 MW, have since joined the SPPG appeal.

The group has been filing regular monthly progress updates with the TAC. Anson refreshed the committee on the group's most recent status report, which indicated none of the municipalities has been able to reach an agreement with its TSP.

"As a group, some of them have been able to make more progress than others … but none of them have a permanent [market] solution in place today," Anson said, acknowledging the committee's concerns over the lack of progress. "TAC asked us to look at potential market solutions, and we have done that. Whether it's a potential market solution with third parties or some other solution, it can't happen overnight. We're dealing with other parties who sometimes are dealing with other parties."

Anson proposed several alternatives to finding market solutions for the SPPG members, including a "TO light" category representing small systems that would get a partial exemption to a lower level of

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standing within ERCOT. However, none found favor with the TAC.

"You have asked SPPG members to pursue market solutions, and they have done so," Anson said. "If you decide nevertheless to have a vote today, to me, that is essentially determining there are no sufficiently available market solutions."

"It frustrates me that this revision request isn't what we want, which is to exempt [municipalities] from load-shed obligations," Goff said. "I understand why it's complicated. Why would you want to pay for something that's expensive for the size of the customer? Not that there aren't any options, but it would be worth pursuing those in another venue."

"We can't be on the record for supporting an appeal that exempts someone from the market," said Austin Energy's Barksdale English. "We all have our obligations, and we have to meet them."

The appeal was tabled for six months when brought to the TAC in March 2016, shortly after it failed to pass the Reliability and Operations Subcommittee. (See "Small Municipalities' Appeal Tabled Again," *ERCOT Technical Advisory Committee Briefs: Aug. 24, 2017*.)

Eight members, representing cooperatives, municipalities and independent generators, abstained from the vote, which led to a five-minute recess to review TAC's bylaws. Eventually, ERCOT staff and TAC Chair Bob Helton determined there had been enough votes from the 22 remaining members to reject the appeal.

## Committee Endorses Task Force Restructuring Recommendations

TAC members unanimously endorsed a task force's recommendation to designate the Commercial Operations Subcommittee (COPS) and several of its working groups as inactive, and to move its remaining groups to other subcommittees.

The TAC Subcommittee Restructuring Task Force (TSRTF) noted that COPS was created to focus on "substantial and urgent" market communication and settlement issues, but it has now reached a "steady state concerning those issues." Designating the subcommittee as inactive will protect access to historical information and allow for its reactivation, if necessary, the task force said.

The TSRTF and COPS agreed to also designate the Communications and Settlements and Market Data working groups as inactive, with some of their responsibilities inherited by other subcommittees. Settlement discussion items will move under the Wholesale Market Subcommittee.

As part of its work, the task force looked at the Retail Market Subcommittee (RMS), which, after meeting with the task force, agreed to move the Advanced Metering Working Group to inactive status and distribute several COPS duties to its other working groups. The RMS would also inherit and deactivate COPS' Profiling Working Group.

The task force hopes to complete its work reviewing and modifying the TAC and its subcommittee procedures and voting structures, so it can make a formal recommendation to the board in April.

Although COPS may be living on borrowed time, the TAC confirmed its 2018 leadership and goals. Heddie Lookadoo (Reliant Energy Retail Services) and John Moschos (Tenaska) serve as its chair and vice chair, respectively.

## TAC Approves Set of RRs

The committee unanimously approved two NPRRs and two changes to the Resource Registration Glossary (RRGRRs):

- NPRR854: Allows NOIE TDSPs to submit meter data for NOIE points of delivery, rather than incurring the expense of installing, testing and maintaining an ERCOT-polled settlement meter, resulting in decreased expenses for both the NOIE and ERCOT.
- NPRR860: Clarifies certain day-ahead market practices and cleans up protocol language to better match the current implementation, including clarifying 1) the language for offering in three-part supply offers and ancillary service offers for offline non-spinning reserve in the same hour for day-ahead consideration; 2) the self-commitment treatment of resources with only an ancillary service offer submitted for the day-ahead; and 3) the ancillary service offer resubmission rules. Also removes the reference to congestion revenue rights being co-optimized in the day-ahead.
- RRGRR015: Clarifies glossary definitions and detailed descriptions of data fields to help market participants successfully submit their resource asset registration forms (RARFs). The change does not add or delete any data requirements, does not require a revision of the existing RARF form and does not require resubmission of previously submitted data already accepted by ERCOT.
- RRGRR016: Provides amplifying direction to RARF users for completion of certain solar data and narrows the data in order to provide solar forecasters with more precise data.

*— Tom Kleckner*

Left to right: TAC Vice Chair Diana Coleman, Chair Bob Helton and ERCOT COO Cheryl Mele. | *© RTO Insider*

## ISO-NE NEWS

# FERC OKs Settlement on ISO-NE Scarcity Rules

By Michael Kuser

FERC last week approved an uncontested settlement to raise ISO-NE's peak energy rent (PER) adjustment, resolving the issues the commission set for hearing in a 2017 order finding that the mechanism had become unjust and unreasonable because of the interaction between it and higher reserve constraint penalty factors (EL16-120, ER17-2153).

Under the settlement, ISO-NE will increase the PER strike price for each hour "by the amounts that actual five-minute reserve shadow prices exceed the pre-December 2014 reserve constraint penalty factors (RCPF) values for 30-minute operating reserves and 10-minute non-spinning reserves ($500/MWh and $850/MWh, respectively)."

The change will be applied from Sept. 30, 2016 — the date of the initiating complaint by the New England Power Generators Association (NEPGA) — through May 31, 2018, the last day of the capacity commitment period for Forward Capacity Auction 8.

The commission's Feb. 20 order directed ISO-NE to make a compliance filing reflecting the settlement.

NEPGA had asked the commission to apply the revised PER and any resulting refunds to capacity suppliers to an Aug. 11, 2016, scarcity event, but the commission rejected the request in November 2017, saying it would impose "an unforeseen and significant increase in costs" to load. (See *Generators' Rehearing Bid on ISO-NE Scarcity Rules Denied*.)

The Feb. 20 order noted the settling parties did not agree on the application of the revised strike price methodology to FCA 9, the capacity commitment period from June 1, 2018, through May 31, 2019.

The New England States Committee on Electricity (NESCOE) contended that the new methodology should not apply because FCA 9 was held in February 2015 — after the RCPFs were increased, which allowed resources to reflect the change in their supply offers.

NEPGA countered that NESCOE's position "would deny capacity suppliers the full extent of the relief granted by the commission."

The commission chose not to resolve the dispute, saying it was "beyond the scope of this proceeding."

FERC previously agreed to eliminate the PER adjustment effective with the capacity commitment period beginning June 1, 2019 (ER17-2153, EL16-120). ISO-NE said its Pay-for-Performance program and changes to the day-ahead energy market made the adjustment unnecessary beyond that date.

ISO-NE spokesman Matthew Kakley said the PER calculations will revert to the old method for FCA 9. "The existing Tariff language (not the revised settlement language) will apply," he said.

NEPGA president Dan Dolan said on Thursday, "PER and the appropriate strike price level has been a persistent issue in the New England markets for years. The settlement and this order help provide some certainty and stability as the market transitions to the elimination of the PER concept beginning on June 1, 2019."

## NYISO NEWS

# NYPSC Expands VDER Project Size to 5 MW

*By Michael Kuser*

The New York Public Service Commission on Thursday ordered the state's utilities to open participation in their "value stack" programs to distributed energy resource projects up to 5 MW, more than doubling the current 2-MW limit starting April 1.

The commission's Value for Distributed Energy Resources (VDER) Phase I order of March 2017 (Case 15-E-0751) directed that compensation for eligible DER transition from net energy metering (NEM) to the "value stack," a methodology that bases compensation on the benefits provided by the resources. (See *NYPSC Adopts 'Value Stack' Rate Structure for DER*.)

"Our decision to expand the size of the projects eligible for compensation will further reduce costs and spur the development of solar power, energy storage and other localized forms of electric generation," PSC Chair John B. Rhodes said.

Commissioner Diane Burman asked if Department of Public Service staff had discussed with NYISO what impact New York's expansion of eligibility might have on the wholesale market, considering FERC's recent order that RTOs and ISOs revise their tariffs to allow energy storage resources full access to their markets. Each grid operator will be required to develop a "participation model" for storage resources and establish a minimum participation threshold not to exceed 100 kW. (See *FERC Rules to Boost Storage Role in Markets*.)

"I don't believe there were discussions with the ISO about this specific increase," DPS Assistant Counsel Ted Kelly said. "Projects of this size already are covered by utility interconnection rules rather than ISO interconnection rules, so that's not a change, and also would generally be covered by utility compensation policy, currently by the buyback rate, or in some cases, for some small hydro producers, by long-term contract with the utility."

The commission last month also approved implementation of the fourth tranche in its VDER tariff, continuing the transition of DER away from NEM.

The DPS' consumer advocate, the Utility Intervention Unit, expressed concerns

The New York Public Service Commission convened on Thursday.

about expanding eligibility while a rehearing petition challenging those regulations is pending.

However, the commission ruled that because it was not increasing the total capacity allocation for community distributed generation resources, its order "will not increase the total potential customers for DER suppliers, nor is there any reason to believe it will result in longer contracts than would otherwise be employed."

## PSC OKs Con Ed Energy Storage Tariff

The commission last week also approved amendments to Consolidated Edison's tariff intended to increase the ability of energy storage to export power to the utility's primary and secondary voltage distribution systems, but it ordered the utility to clarify vague language that "may lead to unnecessary disputes between customers and the company."

Con Ed's changes will broaden the definition of energy storage beyond batteries to include flow batteries, flywheels, compressed air systems and other technologies. The utility will also expand the ability for energy storage systems to participate in any non-wires alternative project, instead of a few specific projects such as the Brooklyn-Queens Demand Management program.

Energy storage technologies equipped with inverters will be allowed to export to either the secondary or primary voltage distribution system, whereas non-inverter-based technologies will be limited to exporting to the primary voltage system.

Standalone energy storage systems will be excluded from earning the reliability credit applicable to standby service customers, which is designed to compensate customers for offsetting their native load.

In response to concerns by the New York Battery & Energy Storage Technology Consortium that standalone energy storage systems would be charged retail rates for charging and wholesale rates for discharging, the commission ruled those issues will be considered as part of Phase II of the VDER proceeding.

Gov. Andrew Cuomo last month announced his clean energy jobs and climate agenda, which includes directing NY Green Bank to invest $200 million toward meeting an energy storage target of 1,500 MW by 2025. In November, Cuomo signed legislation requiring the commission to establish targets for energy storage by early 2018.

The New York State Energy Research and Development Authority is also this year investing at least $60 million in storage demonstration projects. (See *Cuomo Pushes Clean Energy in Annual Address*.)

Burman reiterated her concerns about the VDER expansion, asking whether DPS staff had done their own analysis or had "reached out to the ISO in terms of the recent cases with FERC as it relates to the wholesale market, energy storage and the DER issues." She also asked how the Con Ed order would affect the recent state bill on energy storage and its pending amendments.

"We are in continuous discussion with the ISO related to their roadmap in addition to our own development of a storage roadmap, so it's ongoing," said Marco Padula, DPS deputy director for market structure. "This is one piece of the puzzle. It's a very complicated puzzle, but this is one step in a very positive direction of enabling storage to connect to the grid."

## PSC Accepts Offshore Wind Environmental Impact Statement

The PSC also resolved that, as lead agency, it has completed and accepted a draft generic environmental impact statement for a state-mandated program (18-E-0071) to procure 2.4 GW of offshore wind energy by 2030. Public comments on the draft will be accepted by the commission until April 9.

NYSERDA in January issued a master plan for offshore wind and filed a policy paper

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## NYISO News

# NYPSC Expands VDER Project Size to 5 MW

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with the commission proposing two initial offshore wind procurement rounds of 400 MW, one each in 2018 and 2019.

The master plan projects that the full deployment of offshore turbines by 2030 would reduce greenhouse gas emissions by more than 5 million short tons, or approximately one-third the expected reductions from new renewable energy projects developed to meet the 50% renewable electricity target under the state's Clean Energy Standard. (See NY Offshore Wind Plan Faces Tx Challenge.)

Thomas Rienzo, DPS chief of clean energy programs, said that NYSERDA's policy paper does not propose development of a particular offshore wind generation facility or site. However, he said the paper does include various program and financing options intended to broadly apply to the development of multiple projects over time in different locations, which will result in installation of 2.4 GW of offshore wind able to deliver electricity by 2030.

"Since these options are strictly financial, the environmental impacts are not expected to vary among the options presented," Rienzo said.

Rhodes said, "Moving forward to enable offshore wind that is appropriately sited and in careful consideration of environmental impacts is critical to achieving the state's vital clean energy goals."

## PSC Orders Revision to ZEC Calculation for LSEs

The PSC on Thursday ordered NYSERDA to suspend 64.4% of energy service company Astral Energy's zero-emission credit (ZEC) obligation for the April 1, 2017, to March 31, 2018, compliance period. It also directed NYSERDA and DPS staff to modify the way in which load-serving entities remit ZEC payments.

The commission's Feb. 22 order directed that ZEC obligations no longer be based on a fixed-fee payment structure calculated from each LSE's historic share of the statewide load, but rather on a flexible, "pay-as-you-go" model based on each LSE's actual load.

Astral twice petitioned the PSC for relief, saying in January 2018 that its load had dropped a total of 64.4% since the 12-month period used to calculate each LSE's percentage of total load, in turn reducing its ZEC obligation. The company argued that, as a result, the number of ZECs it was required to purchase for the current compliance year created a financial burden without reasonable compensation.

Although the overpayment would ultimately be refunded through the true-up process, Astral said that it nonetheless represented a substantial burden, as it was being required to bear an interest expense not borne by other LSEs.

In approving the order, Rhodes said, "This item is an important example of our approach to managing our policy-driven programs, particularly the aspect where we adjust the mechanics of their implementation as circumstances change, and … in a manner that's consistent, predictable and pragmatic."

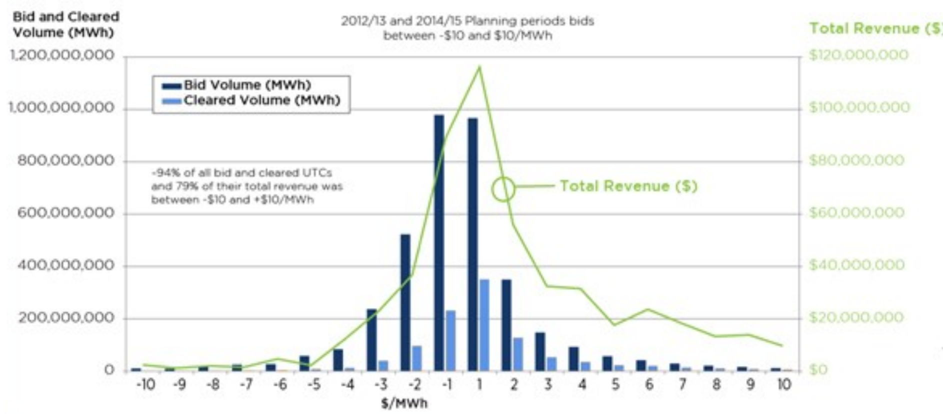
In August 2016, the commission adopted the Clean Energy Standard, which requires LSEs, including ESCOs, to purchase ZECs from NYSERDA in order to preserve existing zero-emission nuclear generation resources.

The commission's Nov. 17, 2016, order approving cost recovery in the same proceeding required all LSEs to enter into contracts with NYSERDA for the purchase of renewable energy credits (RECs) and ZECs monthly, beginning Jan. 1, 2017, for RECs and April 1, 2017, for ZECs.

## PJM NEWS

# FERC OKs Slash in Virtual Bidding Nodes for PJM

By Rich Heidorn Jr. and Rory D. Sweeney




UTC activity by offer price | *PJM*

FERC last week approved PJM's proposal to reduce by almost 90% the number of bidding locations for increment offers (INCs), decrement bids (DECs) and up-to-congestion transactions (UTCs) (ER18-88).

Known as virtual transactions, these trades can be used to arbitrage price differences between the day-ahead and real-time markets and hedge financial exposure to physical positions. PJM contends that while the trading can mitigate supply-side and demand-side market power by allowing those without physical assets to compete with asset owners and load-serving entities, too many of the trades provide no benefit to the market and can increase market solution times and skew transmission flows.

Following a white paper published in 2015, the RTO won Members Committee approval for the changes in June. (See "Stakeholders Endorse Third Phase of PJM's Uplift Solution Despite Opposition," *PJM MRC/MC Briefs: June 22, 2017*.)

PJM's proposal, filed last October, asked FERC to limit INCs and DECs to nodes where either generation, load or interchange transactions are settled, or at trading hubs where forward positions can be taken. The RTO said this would ensure the day-ahead market produces a resource commitment close to the set of resources required for real-time operations.

The changes reduced the number of INC/DEC trading nodes from 11,727 to 1,563, retaining all hub and interface nodes but eliminating some aggregate and generator nodes. Also retained were residual metered nodes — locations at which load settles the remaining portion of a zone that is not settled at a more granular aggregate location.

The new rules also eliminate zone, Extra High Voltage (EHV) and individual load nodes as trading points for both UTCs and INCs/DECs. Also barred from UTC trades are some interface nodes, while the number of eligible residual metered and hub nodes was increased. In total, the number of UTC trading points was reduced to 49 from 418.

Under the former rules, PJM said, some traders took very small, low-risk positions in the day-ahead market over weeks waiting for a single path to bind in real time. Others bid at locations with systematic price differences between the day-ahead and real-time markets because of a modeling difference between the two markets, according to the RTO.

"The extremely broad set of eligible nodes for virtual transactions that exist today also expose PJM market participants to increased financial exposure due to discrepancies between the day-ahead energy market and real-time energy market network models," PJM said in its filing. "Something as simple as an inconsistent breaker status (open or closed) from the day-ahead energy market to the real-time energy market can create a systematic difference between day-ahead and real-time prices that provide a revenue opportunity for virtual transactions without the ability to provide any convergence between the day-ahead energy market and real-time energy market. Because individual nodes are more highly impacted by modeling discrepancies than aggregated locations due to averaging, they are often locations where virtual transactions can profit. Profits collected by virtual transactions in these cases lead to additional costs for PJM members without any benefits."

The changes were backed by the Independent Market Monitor and some generators and LSEs, but they were opposed by financial traders, who said it would lead to less efficient, less granular markets.

"With 80% of INC/DEC activity occurring at pricing nodes of type hub, zone and interface, according to PJM's own empirical analysis, eliminating zone for INC and DEC virtual transactions can be disruptive to the market," said Macquarie Energy.

Some opponents contended PJM had not made its case because it did not perform any quantitative analysis to compare the potential benefits with potential harms at individual load buses.

FERC sided with PJM, saying the RTO had provided sufficient evidence to support its proposal without such an analysis.

The commission said PJM's proposal to remove zone nodes from INC/DEC trading will not significantly hinder market participants' ability to manage exposure at the zones. "Given that market participants may bid at residual metered nodes and aggregate nodes where load is settled, they maintain a reasonable ability to manage their risk, including the risk of their day-ahead positions," FERC said. "We note that market participants will continue to be able to hedge exposure at the zones on [Intercontinental Exchange] and Nodal Exchange and that PJM will continue to post LMPs at the locations where these futures contracts will settle."

### UTCs

Most of the commissioners also backed PJM's reasoning for reducing UTC trading

*Continued on page 18*

## PJM NEWS

# FERC OKs Slash in Virtual Bidding Nodes for PJM

*Continued from page 17*

points. The RTO said UTCs create a divergence in either the source or sink location in 90% of occurrences. The transactions cannot reliably drive convergence in commitment, dispatch and pricing between the day-ahead and real-time markets because UTCs have no real-time equivalent, PJM said.

The Monitor said some traders had pursued a "penny bid strategy" — high volumes of low-risk, low-cost bids that can win large profits during low-probability events causing significant real-time price spreads. (See chart on previous page.)

Opponents of the changes insisted UTCs do have real-time equivalents in ISO-NE and ERCOT and noted that MISO and NYISO are considering adding UTC trading to improve price convergence.

The commission said it agreed with the Monitor that limiting UTC bidding to interfaces, zones and hubs "will minimize false arbitrage opportunities for UTCs currently being pursued through penny bids, as the effect of modeling differences between the day-ahead and real-time markets are minimized at these aggregates."

FERC also agreed with PJM that reducing the biddable UTC locations should reduce the time to solve the day-ahead market, although it acknowledged the "reductions may be modest under most circumstances."

"We acknowledge that the instant proposal may greatly reduce the opportunity to utilize UTCs in general, as well as the level of granularity at which UTCs can be utilized. We also acknowledge that the biddable points PJM proposes to delete may provide some value to the market," FERC said. "We are not persuaded by protestors that forgoing some of the theoretical benefits associated with retaining the bidding points for UTCs at zone, EHV or aggregate nodes necessarily renders PJM's proposal unjust and unreasonable."

Commissioner Cheryl LaFleur dissented, saying PJM and the Monitor had "not demonstrated that eliminating certain types of biddable points is a targeted solution to address the problematic usage of UTC transactions."

"UTCs can provide value by converging the congestion and losses component of LMPs and allowing market participants to hedge potential congestion," she continued. "Given these potential benefits, I feel that moving in the direction of reduced granularity for the use of these products is a move in the wrong direction. However, I would be open to other solutions more targeted to the specific problems that PJM has identified."

At the Markets and Reliability Committee meeting last week, PJM's Adam Keech announced that staff had revised the list of biddable points to reflect the Feb. 20 order, but they planned to ask FERC how to address results since the order's effective date of Jan. 16.

UTCs have seen explosive growth since 2011, in part because — unlike INCs and DECs — they were not assessed uplift costs. Last month, FERC denied PJM's plan to allocate uplift to the transactions, another part of its three-phase solution to address uplift. The commissioners said it's unfair to apply uplift to UTCs in the same way it's applied to INCs and DECs (ER18-86).

PJM said last month that it believes FERC erred in its logic and might ask the commission to suspend UTCs until an approved solution can be worked out. (See "PJM Not Done on UTCs," *PJM MRC/MC Briefs: Jan. 25, 2018*.)

**PJM NEWS**

# MRC Briefs

## Generators Hesitate on Ownership Transfer Rules

WILMINGTON, Del. — Stakeholders remain reticent to cede too much command and control to PJM, voting at last week's Markets and Reliability Committee meeting to defer a vote on revisions to Manual 14D because they felt the requirements for generation owners to submit ownership-transfer information were too strict.

GT Power Group's Dave Pratzon said the changes could make it impossible for generators to meet PJM's deadlines. (See "Owner Transfer Rules Revision," *PJM Operating Committee Briefs: Dec. 12, 2017*.)

"The problem the generator owners have when they're negotiating these deals is primarily timing. The timing set forth by PJM is not necessarily viable," he said. "Certain information PJM needs may not have been negotiated in time to meet PJM's deadline."

Deals often need to be more fluid than PJM's deadlines allow. "We feel the manual also needs to recognize commercial realities," he said. He said one of his clients supplied him with a "page-long list" of issues and asked for more time to negotiate language changes before an endorsement vote.

PJM staff said there is a clause that allows staff to waive the requirements for more flexibility, but that the final five-day deadline can't be adjusted.

"For those five days, we need to be sure that we have our units where they need to be in our system," PJM's Rebecca Stadelmeyer said.

However, Pratzon was not alone.

"We have similar concerns about the commercial reality," EDP Renewables' John Brodbeck said.

"The way it's written right now, it looks like if [PJM doesn't] feel like it, you won't have to [provide the waiver]," Calpine's David "Scarp" Scarpignato said.

Members subsequently agreed by acclamation to defer the vote. It will go back to the Operating Committee for reconsideration.

## Overlapping Congestion

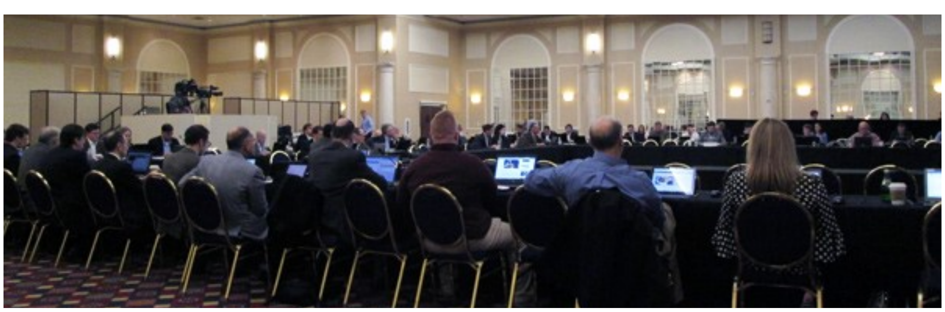
Members also deferred endorsement of a joint plant from PJM and MISO to address overlapping congestion charges for pseudo-tied resources. The decision came after PJM's Tim Horger confirmed that consideration of the proposed Tariff and Operating Agreement (OA) changes could wait until next month's meeting and still meet staff's timeline.

"Ideally, we would file by the end of March," Horger said.

PJM and MISO have been working to remove repetitive congestion charges and have developed a two-phase plan to eliminate them. These changes encompass the second phase. (See *MISO, PJM Pursue Pseudo-Tie Double-Charge Relief*.)

Carl Johnson, who represents the PJM Public Power Coalition, asked for clarification on a concern that certain market-to-market payments could simply be canceled under the rule. Horger said the payments are automatically created based on the pseudo-ties in the system and that he wasn't aware of any concerns on that issue.

Johnson said he would research the topic further, and American Municipal Power's Steve Lieberman asked if the endorsement vote could be delayed to address the question. To make the requested timeline, stakeholders must vote on the changes at both the MRC and Members Committee meetings next month.



| © RTO Insider

## OVEC Integration Set

Staff announced that the Ohio Valley Electric Corp.'s Board of Directors voted to change its date for integration into PJM from March 1 to June 1. (See *FERC OKs OVEC Move to PJM*.)

Staff also announced later in the day the cancellation of proposed transitional auction revenue rights for OVEC's two coal-fired power plants. OVEC's integration adds 705 miles of 345-kV transmission lines and 2,200 MW of capacity to PJM's footprint.

## Advocates Push Beyond FERC Order

Staff and transmission owners disagreed with customer representatives on how much change FERC recently ordered to PJM's process for supplemental transmission projects. (See *FERC Orders New Rules for Supplemental Tx Projects in PJM*.)

PJM's Steve Herling said the commission's instructions call for more detailed delineation of how stakeholders can engage as TOs develop their supplemental projects.

"The bottom line is there's a very short clock on the compliance filing," he said, but the orders "seem to be relatively straightforward."

Greg Poulos, executive director of the Consumer Advocates of the PJM States, said the order's language "really raised a lot of alarms for me" and appeared to demand much more drastic changes.

"I'm reading this as FERC saying we're going to tell you what to do because you're not going in the right direction," he said. "I was really hoping to see PJM do more than just the minimal amount that FERC orders transmission owners to do going forward."

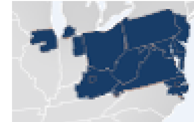
"Most of my read of the order was just to be more clear about" details and expanding access by adding more meetings, Herling said. "That's the part that I think is going to be really straightforward to implement."

"My reading of that is that the process has failed. And I don't know that putting some more meetings in there addresses that," Poulos responded.

Stakeholders agreed to further discuss the order's implications at next month's Planning Committee meeting.

*Continued on page 20*

## PJM NEWS



# FERC Endorses Previously OK'd PJM Aggregation Rules

*By Rory D. Sweeney*

FERC has given an unconditional thumbs-up to resource-aggregation rules for PJM that staff conditionally approved last year when the commission lacked a quorum (ER17-367).

The order officially approves rule changes PJM filed in November 2016 to allow seasonal resources to aggregate across locational delivery area borders, along with methodology changes to better account for demand response and wind performance in the winter. The new rules were implemented in time for last year's Base Residual Auction, the first requiring all resources meet tougher Capacity Performance standards. (See *PJM Outlines Aggregation Rules for Upcoming Capacity Auction*.)

### Aggregation

The commissioners affirmed staff's decision without any changes, dismissing multiple protests. Throughout the order, the commission acknowledged that other strategies could work but that there were no compelling arguments for why PJM's plan failed the "just and reasonable" standard.

The RTO argued to relax the rules prohibiting seasonal resources from aggregating across LDAs because they inhibit "what otherwise would be considered logical pairings" of resources that perform much better in one season compared to others, such as solar in the summer and wind in the winter. The rules model the aggregated resource in the lowest common tier of the LDA hierarchy, which could be RTO-wide; the resource would receive the corresponding LMP as compensation.

Opponents argued that the changes would interfere with accounting for a variety of factors, including reliability, resource adequacy and compensation. FERC denied all the protests, agreeing with PJM that the resources will remain responsible for actions in their individual LDAs, such as paying penalties during penalty-assessment intervals. The order approves PJM's creation of a new mechanism called "RPM aggregation," along with defining summer- and winter-only resources that submit offers for only half of the year.

### Winter CIRs

FERC also approved PJM's plan for modifying how it calculates winter-period capacity interconnection rights (CIRs) and dismissed multiple protests, allowing wind resources to put substantially more onto the grid. The commission agreed that the previous methodology, which relied on resources' performance in the summer, grossly understated wind's potential in the winter production, typically granting them the rights to inject just 13% of their nameplate capacity regardless of actual production.

Opponents argued that the changes will give resources rights to use more infrastructure than they paid for, but the commission agreed with PJM's guarantee to prevent infringement on other resources' available system capabilities as well as overwhelming the system's existing topology.

PJM also sought to eliminate rules that limited how DR resources measured performance in the winter. The approved changes allow curtailment service providers to specify either a seasonal load cap resources are willing to commit if called upon or a firm amount of demand the resources are willing to drop in each season if dispatched by PJM.

"Specifically, PJM states that stakeholders are concerned that customers with winter load that reduce their load prior to PJM dispatch may not be recognized by PJM as having performed consistent with the Capacity Performance rules," the order explains. "PJM … will ensure that customers with winter load consume electricity at a lower level when dispatched by PJM for an emergency or pre-emergency load management event, and that customers without winter load will not receive credit under the Capacity Performance rules for a load reduction just because they do not have load in the winter."

# MRC Briefs

*Continued from page 19*

### Stakeholders Approve Variety of Actions

Stakeholders endorsed by acclamation several manual revisions and other operational changes:

Manual 2: Transmission Service Request. Revisions developed in conjunction with revisions endorsed at last month's meeting to amend the process for analyzing transmission service requests. The changes come after a FERC judge criticized PJM's current procedures. (See *FERC Judge Faults PJM, TOs on Transmission Upgrade Process*.)

Manual 11: Energy & Ancillary Services. Clarifies the energy offer verification process for demand-side bids, including caps on price-sensitive demand bids and eliminating certain restrictions on bids from curtailment service providers for pre-emergency and emergency demand response.

Manual 18: PJM Capacity Market. Revisions developed to adhere to a FERC compliance filing on rules for pseudo-tie requirements and a transition period for existing pseudo-ties.

A draft charter for the Summer-Only Demand Response Senior Task Force. The task force, which was developed to consider ways to take advantage of excess summer-only resources, has met several times. (See *Stakeholders Seek Load Discussion in PJM DR Task Force*.)

Members agreed to sunset the Underperformance Risk Management Senior Task Force (URMSTF) and the Regulation Market Issues Senior Task Force (RMISTF). The URMSTF developed proposals on underperformance risk management, which failed to receive MRC stakeholder endorsement, and changes to external Capacity Performance requirements, which was endorsed. The RMISTF resulted in implementation of a new regulation signal, along with a package of regulation procedure and requirement changes. (See *PJM Regulation Compensation Changes Cleared over Opposition*.)

*— Rory D. Sweeney*

## PJM NEWS

# Advocate Group Questions PJM Campaign Contributions

By Rory D. Sweeney

Consumer advocate Public Citizen has filed a complaint with FERC, accusing PJM of violating the Federal Power Act by making political contributions with membership funds (EL18-61).

Tyson Slocum, director of Public Citizen's energy program, said PJM has made at least $456,500 in campaign contributions to the Democratic Governors Association and the Republican Governors Association since 2007 and hasn't disclosed the contributions to either FERC or its stakeholders.

Neither ERCOT nor any of the FERC-jurisdictional RTOs and ISOs make political contributions, officials told *RTO Insider*.

Susan Buehler, a PJM spokesperson, said the contributions were meant to allow staff access to energy-related policy summits and "were not intended to support any political campaign."

"PJM has acted in accordance with all applicable laws and regulations," she said in an emailed statement. "PJM's external affairs and communications costs, including these memberships, are collected through PJM's filed stated rates consistent with FERC's order authorizing these costs to be collected from ISO-RTO members. PJM operates as a profit-neutral organization for which educating and informing are essential to our FERC-defined functions."

Slocum said that's the problem.

| Contribution Date | Amount | Recipient |
|---|---|---|
| 8/15/2017 | $ 25,000 | Democratic Governors Assn |
| 5/12/2017 | $ 25,000 | Republican Governors Assn |
| 6/21/2016 | $ 25,000 | Democratic Governors Assn |
| 6/17/2016 | $ 25,000 | Republican Governors Assn |
| 10/15/2015 | $ 25,450 | Republican Governors Assn |
| 6/22/2015 | $ 25,000 | Democratic Governors Assn |
| 12/16/2014 | $ 26,050 | Democratic Governors Assn |
| 11/10/2014 | $ 25,450 | Republican Governors Assn |
| 11/4/2013 | $ 25,450 | Republican Governors Assn |
| 7/8/2013 | $ 25,700 | Democratic Governors Assn |
| 6/5/2012 | $ 25,000 | Democratic Governors Assn |
| 4/23/2012 | $ 25,000 | Republican Governors Assn |
| 11/18/2011 | $ 25,450 | Republican Governors Assn |
| 6/1/2011 | $ 25,250 | Democratic Governors Assn |
| 10/20/2010 | $ 25,450 | Republican Governors Assn |
| 9/30/2010 | $ 25,500 | Democratic Governors Assn |
| 10/21/2009 | $ 25,750 | Democratic Governors Assn |
| 10/16/2008 | $ 25,750 | Democratic Governors Assn |
| 10/25/2007 | $ 250 | Democratic Governors Assn |
| **Total PJM** | **$ 456,500** | |

Public Citizen identified $456,500 in campaign contributions made by PJM to the Democratic and Republican governors associations since 2007. | *Public Citizen*

"That's a violation of the Federal Power Act's just and reasonable standard," he said. "Given PJM's admission that they funded these contributions with filed rate money makes this much more complicated for PJM. … They can talk about, 'Oh, it wasn't our intent.' … When you give political actions committees money, you are enabling the financing of partisan election campaigns. … That is totally inconsistent with just and reasonable rates, and I think that we now have a very good case that they're in violation."

Slocum said the contributions came to light during a broader investigation of corporations using PACs to make otherwise unlawful campaign contributions.

"You simply launder the money through the Democratic or Republican association, who then gives it to the candidate. It's money laundering in the political sense," he said.

Slocum said he does not suspect PJM of attempting to funnel the money to any particular candidate but is concerned that it is not disclosed.

"PJM has not disclosed that level of detail to FERC or its stakeholders. This is not a FERC-approved transaction. [PJM is] saying they think it's consistent with FERC's order, but FERC is not aware that PJM has been using revenues from its filed rate to make contributions to a 527 [PAC]," he said.

Spokesmen for ISO-NE, NYISO, MISO, SPP, ERCOT and CAISO all told *RTO Insider* they do not make campaign contributions.

"SPP has no political action committee nor does it make contributions to any political candidate, political action committee, political party, political organization or ballot initiative," said SPP spokesman Derek Wingfield. "In fact, SPP's articles of incorporation preclude it from doing so."

"Pursuant to our FERC-approved bylaws, MISO does not make, nor has it ever made, political campaign contributions," said MISO spokesperson Mark Brown.

*Tom Kleckner, Michael Kuser, Jason Fordney and Amanda Durish Cook contributed to this article.*

# FERC Rethinking PJM Capacity Performance Rules

Continued from page 1

al capacity product;

- standalone participation by seasonal resources in non-summer months would jeopardize reliability;
- alternative models, such as establishing distinct summer and winter capacity markets, could assure reliability at lower costs;
- if it is true that nearly all loss-of-load-expectation (LOLE) risk currently exists in 10 summer weeks, there is an alternative distribution of LOLE risk that could meet the one-day-in-10-years reliability target at a lower total cost; and
- PJM's load forecast methodology incorporates load-serving entities' peak-shaving actions in an adequate and timely manner to yield just and reasonable rates for consumers.

The order indicates that FERC is having second thoughts about PJM's year-round Capacity Performance construct — even before the rules have been fully implemented.

PJM proposed CP, which eliminated summer-only DR, to address generator outages that peaked at 22% during the January 2014 polar vortex. The rules call on all resources to be able to respond to dispatch calls throughout the year and requires the RTO to contract for enough year-round capacity to meet its annual demand peaks in the summer. The rules also

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## PJM News

# FERC Rethinking PJM Capacity Performance Rules

*Continued from page 21*

subject resources to stiff financial penalties if they fail to perform during critical periods known as "performance assessment" intervals. But much of the capacity goes unused in the periods of lower demand: Summer peaks can top 150 GW, while the winter typically peaks at less than 100 GW.

Under PJM's transition, "base capacity" resources that operate only in certain seasons, such as renewables and DR were phased out. Only CP resources were permitted in last year's Base Residual Auction, which procured capacity for the 2020/21 delivery year.

The two complaints offered different justifications, but both asked FERC to delay full implementation of CP and continue to allow base capacity resources until rules are developed to allow meaningful participation from seasonal resources. The Pennsylvania Public Utility Commission filed comments in support of their arguments.

AEMA pointed out recent analysis from PJM that showed that the RTO could increase its summer requirements by roughly 500 MW to allow more than 17,000 MW of annual capacity to be replaced by less expensive summer-only resources, and that an additional unit of summer-only capacity has 97% of the reliability value of an additional unit of year-round capacity.

"Once base capacity resources are eliminated, customers will need to pay for tens of thousands of megawatts of unnecessary capacity in non-summer weeks to compensate for the loss of base capacity resources during the peak summer period," the commission wrote, summarizing AEMA's argument.

PJM and several generators opposed the complaints, arguing they don't bring up anything new and aren't justified. They said the RTO had provided an ample opportunity for participation by seasonal resources. In a separate order last week, FERC approved Tariff revisions that allow offsetting seasonal resources to aggregate into a single, annual product that conforms with CP's requirements. (See related story, *FERC Endorses Previously OK'd PJM Aggregation Rules*, p.20.)

FERC sided with the complainants.

"Capacity Performance has now been in effect for two years, and the complainants have raised important issues as to whether certain aspects of the construct are performing as well as expected," the order said. "Complainants present analyses prepared by PJM which call into question the assumption that permitting any standalone participation by seasonal resources would negatively impact reliability in non-summer months."

FERC Chairman Kevin McIntyre and Commissioner Robert Powelson, former chairman of the Pennsylvania PUC, did not participate in the order. Of the three other commissioners, only Cheryl LaFleur was on the panel when it approved CP in 2015.

## SPP NEWS

# SPP: FERC Resiliency Effort Should Go Beyond RTOs

*By Tom Kleckner*

SPP's Strategic Planning Committee and other stakeholders on Friday reviewed a draft of a staff-written response to FERC's grid resiliency docket (AD18-7), agreeing that the commission should consider "the roles and relationships of all participants in the electric industry, not just RTOs and ISOs."

In a conference call, staff invited comment on the draft and said they are considering raising other issues that affect resiliency but aren't addressed in FERC's questions.

Among the issues SPP said it intends to raise is whether FERC should involve others in the proceeding. The commission opened the docket in January, after terminating the Department of Energy's proposed rulemaking that called for cost-of-service payments to coal and nuclear generators to strengthen grid resilience. (See FERC Rejects DOE Rule, Opens RTO 'Resilience' Inquiry.)

Staff's draft response thanks FERC for being able to share its practices and perspective on resilience, but it also urges the commission to widen industry involvement.

"If [grid resilience] is so important to the nation, why are RTOs the only ones looking at it?" SPP General Counsel Paul Suskie asked.

Jim Eckelberger in July 2017 | *© RTO Insider*

SPP Chairman Jim Eckelberger agreed, suggesting FERC should be looking at the broader picture of how RTOs and ISOs interact with each other.

"If I were FERC, it wouldn't be just the reliability of each RTO, but how can neighbors help neighbors?" he said. "If the point is efficiency in the national system, it ought to be highlighted."

SPP is also suggesting that FERC consider cost-allocation and jurisdictional issues and determine who would pay for supplies necessary to protect resilience. SPP is asking for stakeholder feedback by March 2 so it can meet its March 9 filing deadline.

American Electric Power is among those that have already responded with input. AEP's Jim Jacoby reminded those on the call that the resilience issue began with DOE's call to protect coal and nuclear plants.

"All of this needs to be based on engineering studies and judgment," Jacoby said. "We're not for across-the-board subsidies by fuel type. We think solid fuel, or stored fuel, provides a lot of benefits, but you need to look at where that plant is needed and when it's needed."

SPP drafted its initial response using five teams of staff members, each addressing one topic: planning, operations, cybersecurity, compliance/NERC standards and legal/regulatory. The teams focused their work on how RTOs and ISOs should assess threats to resilience, and how SPP mitigates those threats. The teams held a conference call on Feb. 14 with FERC staff to discuss the issues.

"Clearly, we could build a grid where the lights would absolutely not go out," Suskie said. "But I don't think the public would want to pay for that."

# Entergy Mississippi Backs Bill to Curb State Attorney General

By Amanda Durish Cook

After fighting a decade-long battle against a billion-dollar lawsuit over retail rates, Entergy Mississippi is supporting a bill that would restrict the ability of the state's attorney general to sue utilities.

Hood

Attorney General Jim Hood is urging Mississippi residents to call legislators to vote against the bill, saying its defeat would ensure families remain protected against "greedy corporations."

State legislators are considering a total of three bills to limit instances in which the attorney general's office can sue corporations on behalf of the state.

A bill introduced in the Senate would reauthorize funding for the Mississippi Public Service Commission, which faces a June 30 shutdown without reauthorization. However, Hood says new provisions in the bill attempt to impede his 2008 antitrust lawsuit over Entergy Mississippi's rates by requiring him to first seek permission from the PSC before proceeding with legal action.

SB 2295 would give the PSC "exclusive original jurisdiction over the intrastate business and property of public utilities," including "the establishment of retail rates; challenges, including customer complaints, to the amount of a retail rate or customer bill or whether such rate is just and reasonable; and challenges to the validity or accuracy of rates charged by a public utility, or to the accuracy or reliability of information submitted to the Public Service Commission by a public utility or other person in support of or in opposition to a proposed or approved rate, regardless of the legal theory upon which any such challenge is made."

The Mississippi House of Representatives is considering two other bills that would also weaken the attorney general's authority. HB 1238 would allow regulated entities to claim they do not have to abide by the Mississippi Consumer Protection Act because of other state and federal regulations, while HB 1177 seeks to bar the attorney general from filing suit and collect damages owed to the state, instead vesting that authority with state agencies and private citizens.

"These bills directly impact every Mississippian, and if they are signed into law, it would be devastating to everyone," Hood tweeted on Feb. 21. Explaining why the attorney general is tasked with representing the state, Hood said state agencies "do not generally have resources needed to investigate and prosecute and could use different theories."

But Entergy Mississippi is "strongly" backing SB 2295 and maintains the bill will provided needed clarity over which agency can regulate utilities, said utility spokesperson Mara Hartmann. Entergy Mississippi says it only supports SB 2295, not the other House bills.

The bill "includes language that reinforces and clarifies the 1956 law establishing the Mississippi Public Service Commission and making it the original jurisdiction for matters involving utilities," spelling out that the PSC is the "proper forum" for state claims such as the attorney general's "improper lawsuit" against the utility, Hartmann said.

"Now is the appropriate time to make the statute absolutely clear that the PSC is the body to regulate utilities," she said. She also noted that the attorney general is allowed to participate in any PSC proceedings.

### The Lawsuit

It's not yet clear if the bills would affect Hood's ongoing antitrust lawsuit against Entergy Mississippi. Hood filed the lawsuit in 2008, alleging the utility engaged in deceptive trade practices when it forced customers to buy the most expensive electricity the company generated while selling the lowest-cost power to outside companies from 1998 to 2009, prior to the utility's MISO membership.

Hood claims Entergy owes $1.1 billion in refunds to customers and additional penalties, though he's fighting in federal court to obtain documents from the utility to strengthen his claims. Entergy Mississippi so far has resisted efforts to turn over documentation related to its fuel-procurement practices. The private lawyers now handling the case for Hood won $106 million in class-action damages a decade ago for Louisiana customers of two Entergy subsidiaries in Louisiana using similar arguments of overcharging. That case was settled by Louisiana utility regulators.

Hartmann says it's ultimately up to the court to determine how SB 2295 would affect the lawsuit should the bill pass.


Attala Plant | *Entergy*

Hood takes a different view, predicting that Entergy would try to use the new provisions to get the lawsuit thrown out.

"This isn't kids' games and should not be dismissed as just partisan politics," Hood said in a Feb. 21 press release. "This is a billion dollars of the people's money. The legislators driving these bills are attempting to give taxpayer money to corporations. We don't want to believe it, but you can see corporations writing our laws. This should shock the conscience of Republicans and Democrats alike. With a billion dollars on the line, no reasonable prosecutor would dismiss the possibility of bribes, kickbacks and campaign contributions being offered."

The U.S. District Court for the Southern District of Mississippi last year said the "only thing exceptional about this case is how long it has lingered in the federal courts prior to the commencement of discovery. And the cure to that problem … is to proceed as expeditiously as possible to trial." The court later denied Entergy's motions to dismiss the suit. Hood hopes to bring the case to trial later this year.

Entergy Mississippi contends that Hood "improperly bypassed" the PSC when filing the lawsuit and that his allegations remain unsubstantiated. Hartmann also noted that the PSC and the Mississippi Public Utilities Staff audit energy purchases that Entergy Mississippi makes for its customers.

"Entergy's customers already pay for annual audits of the company's power purchases. The attorney general's improper lawsuit has exposed them to the potential of paying legal costs on the same issue," Hartmann said.

## Q4 COMPANY EARNINGS

# Avangrid Posts Q4 Loss, Sharpens Focus

By Michael Kuser

Avangrid lost $77 million in the fourth quarter after taking a one-time charge related to the sale of its gas storage and trading units, the company said last week.

But the company is sharpening its focus on its core businesses, with 12 GW of renewable projects in the pipeline, healthy growth in transmission and a nearly $9 billion utility rate base in the Northeast.

Fourth-quarter earnings plunged from $207 million a year earlier, while 2017 net income was down 40% to $381 million, in large part because of the charge.

CEO James P. Torgerson told analysts during an earnings call that the company achieved consistent results last year, despite poor wind production and the impact of an unplanned transmission outage that affected its new 298-MW El Cabo wind farm in New Mexico.

"We're the third-largest wind operator in the United States, and we have 90% emission-free capacity," Torgerson said. "And we look to be carbon neutral by 2035."

### Transmission Opportunity

Avangrid's earnings came less than a week after its Central Maine Power subsidiary learned it's next in line for winning Massachusetts' 9.45-TWh clean energy solicitation if New Hampshire regulators do not approve the Northern Pass transmission line by March 27. (See Mass. Picks Avangrid Project as Northern Pass Backup.)

The state initially awarded the contract to Eversource Energy and Hydro-Quebec's Northern Pass on Jan. 25, only to see the New Hampshire Site Evaluation Committee (SEC) unanimously reject the 1,090-MW transmission project a week later. Eversource has appealed the decision.

"People can make their own judgment as to what's going to happen in New Hampshire but [should] keep in mind that they ruled 7-0 not to approve the project previously," Torgerson said.

The company expects its rate base to increase by two-thirds from 2016 levels to $14.5 billion in 2022.

"So 85% of our rate base is secured by multiyear rate agreements and FERC formula rates," Torgerson said. "And the rate base increases with investments. We don't have bonus depreciation, and remeasurement of the deferred tax assets also boosts the rate base."

The recent corporate tax cuts created some benefits for the company, but Avangrid intends to work with state regulators in New York and New England to ensure utility customers benefit fully, Torgerson said.

### 'Smarter' and 'Cleaner'

Torgerson also highlighted the company's work to install advanced metering infrastructure (AIM) and electric vehicle charging stations, and develop smart grid technology and programs to benefit its customers in the Northeast and Pacific Northwest.

Avangrid will invest about $14.4 billion in "smarter" and "cleaner" energy from 2017 to 2022, Torgerson said. Repair and replacement of traditional electric and gas distribution infrastructure and transmission repair and replacement will account for 64% of the investment, with Avangrid Renewables providing the remainder.

The company is investing about $285 million in upgrading transmission lines in Maine and $680 million in AIM and a distributed system integrity program in New York.

Not included in the company's formal outlook, but mentioned in the call, was Avangrid's proposed Connect NY project, a 1,000-MW underground DC line from Utica, through the congested Central East interface, to New York City, which the company said will support the retirement of the Indian Point nuclear plant and is well-positioned for regulatory approval.

The company is also a 20% partner with other utility owners in NY Transco, which plans to build an AC line from upstate New York to the load areas around New York City. The company's Networks division is also poised to develop transmission options in the Massachusetts offshore wind solicitation. (See Mass. Receives Three OSW Proposals, Including Storage, Tx.)

"Offshore wind is going to be huge for everybody, but particularly for us with our partnership with [Copenhagen Infrastructure Partners] and our ownership of a lease off Kitty Hawk, N.C.," Torgerson said.

Avangrid Networks plans to expand beyond the Northeast and into other RTOs across the country. This year it is identifying opportunities to invest about $3 billion per year on requests for proposals, particularly in CAISO, MISO and PJM.

Avangrid transmission lines | *UWUA*

# Q4 COMPANY EARNINGS

## FirstEnergy CEO Predicts Death of FES, Coal, Nuclear

By Rory D. Sweeney

FirstEnergy CEO Charles Jones said Wednesday the company's floundering FirstEnergy Solutions (FES) merchant generating arm is now under a death watch and that, in his "simple view of the future," coal and nuclear generation will become extinct without market changes.

Jones told analysts on the company's earnings call that "unless something is done to change the construct of these administrated markets, which have been administrated in a way to disadvantage coal and nuclear plants" and "unless the states step in to provide support, there will be no coal or nuclear plants left in these markets."

During the call, Jones revealed the extent to which the company has cut ties with FES and that he expects the subsidiary will not survive the winter. He said FES has been operating independently since early last year and will no longer have access to its parent's internal bank by the end of March, "and that will be the last tie that we have with that business." (See FirstEnergy Selling Merchant Fleet Despite NOPR.)

"While I can't speak for FES, I will be shocked if they go beyond March without some type of a [bankruptcy] filing," he said.

### 'Personally Disappointed'

Jones said it would be up to the subsidiaries that own generation — FES, Allegheny Energy Supply and Monongahela Power — to determine whether they will bid into PJM's Base Residual Auction in May. He also touched on the U.S. Department of Energy's Notice of Proposed Rulemaking and other efforts that could provide support for the company's ailing nuclear and coal-fired resources.

"I'm personally disappointed that the endeavors haven't resulted in a meaningful legislative or regulatory support, given the importance of these plants to grid resiliency, reliable and affordable power and the region's economy," he said.

The company is also "not planning to make another attempt at Pleasants," he said, referring to FirstEnergy's recently abandoned plan to transfer ownership of its 1,300-MW coal-fired plant from Allegheny to Mon Power, where the plant would have

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## CMS Energy Plans a Zero-Coal Future by 2040

By Amanda Durish Cook

CMS Energy last week pledged it would phase out all coal generation by 2040, days after releasing 2017 earnings that were hampered by one-time adjustments relating to recent federal tax cuts.

Michigan-based CMS, which owns Consumers Energy, said the move will cut its emissions by 80%. The company also said it plans to generate 40% of its electricity from renewables and storage by 2040. By then, the utility will also heavily rely on natural gas, hydropower and improved efficiency to meet demand.

Consumers currently relies on an energy mix of 34% natural gas, 24% coal, 11% pumped storage, 10% oil, 10% renewable sources, 8% nuclear and 3% market purchases.

The utility began moving away from coal in 2016 by closing seven of its 12 coal-fired generating plants, eliminating 38% of its carbon emissions when compared to the company's 2008 levels. (See CMS Touts Generation Reliability, Palisades PPA Replacement.)

The utility currently operates five coal plants, including three units at the 1,450-MW J.H. Campbell generating station in Ottawa County and two units at the 511-MW Karn generating station near Bay City, Mich.

Consumers said it will release a detailed timeline on its plans to phase out the remaining coal units and reach renewable goals in June when it files its integrated resource plan with the Michigan Public Service Commission. The commission requires regulated utilities to file an IRP once every five years, detailing how they will meet customer demand.

"Consumers Energy is embracing a cleaner, leaner vision focused primarily on reducing energy usage and adding additional renewable energy sources, such as wind and solar," the company said in Feb. 19 statement announcing its plan.

CMS CEO Patti Poppe told the Associated Press that the company believes that climate change is real and it wants to be on the right side of history.

The company also announced new five-year environmental goals for its Michigan locations, including saving 1 billion gallons of water, reducing waste sent to landfills by 35% and restoring or protecting 5,000 acres of Michigan land.

"We're proud and uniquely qualified to provide the strong leadership needed to protect our planet and our home state for decades to come," Poppe said.

Consumers supplies power to 6.7 million Michigan residents, two-thirds of the state's population.

### 2017 Earnings

CMS earlier this month announced 2017 net income of $460 million ($1.64/share), reflecting a charge associated with federal tax reform, compared to the $551 million ($1.98/share) reported for 2016. Last year's figure reflected a one-time charge related to the federal tax cut passed in December. Without that charge, CMS would have earned $610 million ($2.17/share), at the high end of the company's prediction.

Poppe said the tax cut will overall have a long-term positive impact on CMS' business model, lowering customer rates and providing "headroom for necessary capital investments." She also noted that CMS managed a 7% annual growth rate last year despite "atypical weather and [a] record level of storms." The company predicts it will see a 6 to 8% annual growth rate throughout 2018.

## Q4 Company Earnings

# FirstEnergy CEO Predicts Death of FES, Coal, Nuclear

Continued from page 26

received a defined return based on regulatory review. He said Mon Power would meet any supply needs through PJM's markets while the company determines how to address a capacity shortfall in its most recent integrated resource plan. Another IRP is due in two years, Jones said. (See FirstEnergy Shutting down Unsold Coal Plant.)

FirstEnergy reported a fourth-quarter GAAP loss of $5.62/share based on asset impairments and plant exit costs of $2.4 billion (3.38/share), which included reducing the carrying value of Pleasants, fully impairing nuclear assets and increasing nuclear asset retirement obligations, said Jim Pearson, the company's new executive vice president of finance. The company also took a non-cash charge of $1.2 billion ($2.68/share) related to the Tax Cuts and Jobs Act.

K. Jon Taylor, the new president of FirstEnergy's Ohio operations, said the tax law's elimination of bonus depreciation would add about $400 million to the rate base, but that depreciation was already scaling down to 40% in 2018 and 30% in 2019.

Adjusted earnings were 71 cents/share for the quarter, driven by a 23 cents/share year-over-year increase from the company's distribution segments. Jones said operating earnings for the company's transmission and distribution segments increased 14% in 2017, or 25% if the distribution modernization rider (DMR) in Ohio is included. The company is looking for the Public Utility Commission of Ohio to approve a $450 million distribution platform modernization plan to better gird against blackouts and to prepare for "smart grid technologies."

### Wired Future

To pump up its transition to becoming a fully regulated "wires" company, FirstEnergy plans to invest $10 billion in its distribution and transmission infrastructure by 2022, starting with 2018 operating earnings guidance of $2.25 to $2.55 per diluted share, with a long-term growth-rate projection of 6 to 8% through 2021, Jones said. He said that each year between $1 billion to $1.2 billion of that investment will be targeted to transmission. That excludes the DMR in Ohio and is offset by the corporate segment.

Jones was quick to squelch any thoughts that the company is profiteering in its

Continued on page 36

# Tax Adjustments Dampen NiSource 2017 Earnings

By Amanda Durish Cook

NiSource lost $52.4 million during the fourth quarter due to one-time charges related to the federal tax cuts passed late last year, the company said last week.

But during a Feb. 20 earnings call, CEO Joe Hamrock focused on adjusted earnings, noting the company would have made $110.3 million ($0.33/share) in the fourth quarter absent the charges — beating analyst estimates by a penny. The Merrillville, Ind.-based company earned $88.8 million ($0.28/share) during the fourth quarter of 2016.

Hamrock said that "2017 was a year of solid execution," aided by record utility infrastructure and a growing customer base helped by an upswing in the housing market. NiSource added 28,000 new customers in 2017.

"We're well positioned for continued growth," Hamrock told investors.

NiSource earned $128.6 million ($0.39/share) for the year, compared with $328.1 million ($1.02/share) in 2016. Still, the company's 5% increase in operating income to $901.6 million was accompanied by a 72% jump in income taxes — to $314.5 million — based on "certain balance sheet adjustments and other items as a result of federal tax reform legislation," the company said.

Chief Financial Officer Donald Brown said NiSource's continuing commitment to utility investment will be boosted by last year's federal tax law change despite the nonrecurring write-down. Hamrock said the company continues to work with stakeholders and regulators in the seven states it serves on how to best pass the benefits of tax reform on to customers.

"This effort should play out over the next six months or so," Hamrock said.

During 2017, the company refinanced almost $1 billion of its long-term debts at more favorable rates, which is expected to result in "significant interest savings and positively impact its earnings," according to the company.

NiSource also invested $1.7 billion in infrastructure last year, the company's largest-ever single-year investment, Hamrock said. The investment involved replacing 377 miles of gas pipeline, replacing 1,300 electric poles and placing 68 miles of underground electric cable.

The company's future financials will be helped further by a recent settlement over the cleanup of several coal ash ponds at two of its Northern Indiana Public Service Co. coal plants. The Indiana Utility Regulatory Commission in December approved a settlement allowing the utility to recover 80% of federally mandated costs to clean up the ponds through surcharges in customer bills (44872). The $193 million bundle of projects — at Michigan City Unit 12 and R.M. Schahfer Units 14 and 15 — is expected to bring NIPSCO in compliance with EPA's Coal Combustion Residuals rule. The other 20% of project cost recovery will be deferred until NIPSCO's next rate case before the IURC.

Hamrock said NiSource expects to complete the environmental mitigation project by the end of this year.

He also said the company is still on track to reduce its greenhouse gas emissions 50% from 2005 levels by 2025. NiSource last year announced plans to retire half its coal generation by 2023, shuttering more than 1.2 GW in coal between its Bailly and Schahfer plants. (See Big Spending, Shrinking Coal Fleet in NiSource's Future.) NIPSCO officials have said new EPA rules on coal ash contributed to the company's decision to partially close Schahfer.

## Q4 COMPANY EARNINGS

# PSEG Head Confident Nukes Will Get Support

By Rory D. Sweeney

Public Service Enterprise Group CEO Ralph Izzo expressed confidence Friday that his company's five nuclear units will receive the price supports he contends they need to keep them running.

Speaking during PSEG's fourth-quarter earnings call, Izzo said he was pleased with the progress of New Jersey legislation to support the three reactors the company operates in the Garden State (A2850, S877), but he cautioned that the bills' fate isn't guaranteed. (See related story, *NJ Lawmakers Advance Latest Nuke Subsidy Bills*, p.1.)

Izzo also said he expects PJM's response in FERC's resilience proceeding to include a proposal to allow large, inflexible generation like nuclear units to set LMPs rather than seek out-of-market "uplift" cost recovery (AD18-7). "There have been very public conversations and statements by PJM that they believe, in particular, [that] their inflexible unit challenges are things that need to be corrected in the market," he said.

### Fourth-Quarter Rebound

PSEG reported net income of $956 million ($1.88/share) in the fourth quarter of 2017, compared to a loss of $98 million (-$0.19/share) in the same quarter a year prior. Its non-GAAP operating earnings were $289 million ($0.57/share), which beat the Zacks Investment Research consensus estimate by a penny and were up from $279 million ($0.54/share) the year before. PSEG's revenue in the fourth quarter of 2017 was $2.1 billion, less than the Zacks consensus estimate of $2.36 billion, but slightly more than the $2.09 billion the company posted in the fourth quarter of 2016.

"We ended 2017 on a strong note with operating earnings for the year above the midpoint of our guidance," Izzo said in PSEG's earnings release. "The recent action by the board of directors to increase the common dividend by 4.7% to the indicative annual rate of $1.80/share is recognition of our financial strength and commitment to growth."

PSEG enters 2018 "from a position of financial strength aided by a strong balance sheet, continued execution of our strategic growth objectives and tax reform," Izzo said. "This is possible, despite the challenges we continue to face in wholesale power markets, especially at our nuclear plants."

Public Service Electric and Gas, the company's regulated electric and gas utility, was responsible for two thirds of PSEG's non-GAAP operating earnings. "Despite the challenges we continue to face in the wholesale markets, especially at our nuclear units, the continued successful investment in regulated programs have provided reliability and quality service to our customers," Izzo said.

### Warnings on Nuclear Plants

Izzo's rosy words about the company's financial state were tempered by his warnings about the state of its nuclear operations: three generation units at Hope Creek Generation Station and Salem Nuclear Generation Station in New Jersey and two units at Peach Bottom Atomic Power station in Delta, Pa. PSEG shares ownership of Peach Bottom and Salem with Exelon.

The fleet had a capacity factor of 93.9% in 2017 and produced a record electric output of 31.8 TWh, up almost 8% from 29.6 GWh in 2016. But PSEG says its New Jersey nuclear units are profitable now only because of sales hedges that expire within two years.

The bills being considered by the New Jersey Legislature would make Salem and Hope Creek eligible for subsidies from a 0.4-cent/kWh charge to the state's electric ratepayers if the Board of Public Utilities finds the units economically unviable.

Critics of previous versions of the bills have complained that PSEG hasn't demonstrated that its nuclear plants are unprofitable.

Izzo insisted the legislation is needed and that the company will pull the plug on its nuclear plants if it isn't passed.

"The loss of the approximately 32 TWh of clean electric energy produced by [PSEG's] Power [unit's] nuclear generation in 2017 would represent a severe setback to [New Jersey's] ability to meet its clean-energy goals and result in crushing economic impacts due to resulting increases in electricity prices and major job losses," Izzo said.

"But the risk of closure remains without a change in the financial condition of nuclear. To that end, Power recorded a $276 million increase in its asset retirement obligation liabilities at the end of 2017 to take into account a higher assumed probability of early retirement of its nuclear units."

Izzo also was optimistic about other efforts that could increase the nuclear plants' revenue.

"There's multiple things going on at FERC that matter [to] PJM," Izzo said in response to a question from an analyst. "There's capacity market reform, there's fast-start pricing, there's price formation. So there's multiple issues. … I think we're all visiting with the commissioners and telling them how important it is. And I think we're all seeing the same comments come out of PJM."

### PJM Stakeholders Debate Resilience Filing

At a special session of PJM's Markets and Reliability Committee on Friday, stakeholders battled over what PJM's response should be to FERC's questions on resilience. Nuclear and coal proponents argued for rule changes on price formation and payments for "fuel diversity," which would benefit aging coal and nuclear plants. Customers argued that fuel diversity should not be considered synonymous with resilience. PJM has until March 9 to file its comments.

FERC's five commissioners all recently voiced their commitment to scrutinize any proposals purporting to address resilience. "It seems to me … that some RTOs are suggesting things that don't necessarily [relate] to resilience," Commissioner Richard Glick said at the National Association of Regulatory Utility Commissioners' winter meetings on Feb. 13. (See *Overheard at NARUC Winter Policy Meetings*.)

## Q4 COMPANY EARNINGS

# Edison International Presses Wildfire Cost Recovery

By Jason Fordney

Edison International on Thursday joined other California utilities in protesting difficulties in recovering costs related to devastating wildfires, saying it will pursue "legal, regulatory and legislative" avenues on the issue.

During a fourth-quarter earnings call, Edison CEO Pedro Pizarro said the company faced "significant challenges in December and into January of this year due to wildfires and the related legal and regulatory framework in California." He said the wildfires have increased in severity because of climate change, long-term drought and forest management policies that have led to a buildup of vegetation and dead trees. Eight of the state's 20 worst wildfires having occurred in the last three years, Pizarro said.

The statements echo recent vows by Pacific Gas and Electric to fight for wildfire cost recovery. Both PG&E and Southern California Edison have asked state regulators to rehear a November decision denying cost recovery to San Diego Gas & Electric for about $380 million in damages costs above its insurance coverage from wildfires in 2007. (See PG&E Vows Fight over Wildfire Cost Recovery.)

Fires raged across California much of the fall, leading the California Public Utilities Commission to take on a larger response role and lawsuits against PG&E and SCE over the possible role of utility infrastructure in causing the fires. (See Wildfires Color California PUC Utility Decisions.)

Edison, the parent of Southern California Edison, said the CPUC has not indicated whether it will allow recovery of premiums SCE spent on incremental wildfire insurance at the end of the year, which cost 29 cents/share. About a quarter of SCE's 50,000-square-mile service territory is in high-fire-risk areas, Pizarro said.

California's courts have held investor-owned utilities liable when their utility equipment was found to be a substantial cause of a wildfire.

"This is a statewide crisis that needs a statewide solution," Pizarro said. In addition to ensuring sufficient fire suppression resources and improved vegetation management and zoning regulations, Pizarro said the state's infrastructure must be hardened.

"We should evaluate the safety impacts, along with the reliability and cost tradeoffs, of steps like undergrounding more of the distribution network in selected areas, installing steel or composite poles instead of wood ones in specific locations, and using further preventive public safety shutoffs of power under high-risk conditions such as red flag warnings, which we have done selectively in the past," Pizarro said. "When a catastrophic event occurs in spite of all these efforts, we need thoughtful policies around how financial risks are allocated, including fire suppression costs and damages."

| Project Name | Total Cost | Remaining Investment (as of 12/31/2017) | Estimated In-Service Date |
|---|---|---|---|
| West of Devers | $848 million | $757 million | 2021 |
| Mesa Substation | $646 million | $568 million | 2022 |
| Alberhill System | $486 million | $449 million | 2021 |
| Riverside Transmission Reliability | $405 million | $397 million | 2023 |
| Eldorado-Lugo-Mohave Upgrade | $233 million | $202 million | 2021 |

Summary of large SCE transmission projects | *SCE*

### Fourth-Quarter Loss

Edison reported a net loss of $545 million ($1.67/share) in the fourth quarter, compared with net income of $329 million ($1.01/share) in fourth quarter 2016. On an adjusted basis, fourth-quarter core earnings were $357 million, up from $316 million a year earlier.

SCE's fourth-quarter earnings decreased by $437 million ($1.34/share) from the fourth quarter of 2016, with a $44 million increase in core earnings offset by $448 million in charges from the revised settlement agreement on the retirement of the San Onofre nuclear plant. SCE reported operating revenue of $6.6 billion in 2017 and net income of $1.1 billion, compared with revenue of $6.5 billion and net income of $1.5 billion in 2016.

The utility filed a general rate case with the CPUC in September 2016 for 2018-2020. It is seeking a $5.5 billion revenue requirement for 2018, down $106 million from the 2017 requirement. It has requested increases of $431 million in 2019 and $503 million in 2020.

The requested increases would result in a 9.7% compound annual growth rate through 2020. However, the company noted that the CPUC has approved 81%, 89% and 92% of its previous three general rate requests.

### Storage Filing

Edison's future will include a focus on electric vehicle integration and energy storage.

SCE intends to file an energy storage procurement and investment plan application March 1 to meet its 166-MW share of distribution-level energy storage under Assembly Bill 2868.

Last October, SCE released a white paper that estimated that California will need more than 7 million EVs, the electrification of one-third of space and water heaters and more energy-efficient buildings to meet the state's 2030 greenhouse gas reduction target.

In January, the CPUC approved five of the six "fast track" projects, totaling $10 million, that SCE proposed as part of a $574 million transportation electrification initiative in January 2017. Pizarro said the company expects a decision in the second quarter on the long-term projects in the plan.

## Q4 COMPANY EARNINGS

# Eversource Outlook Unhampered by Northern Pass

*By Michael Kuser*

EVERSOURCE Eversource Energy last week said it has the levers to keep earnings growing — with or without its troubled Northern Pass transmission project in New Hampshire.

The company on Feb. 22 reported full-year 2017 earnings of $988 million, up 4.8% from the previous year on a strong rate base and good results from its transmission business, which earned $391.9 million. The electric distribution and generation segment earned $497.4 million for the year.

Fourth-quarter earnings rang in at $237.4 million, up 3.6% from $229.2 million in the same period a year ago.

### Humble Pie

During a Feb. 23 earnings call, CEO Jim Judge told analysts the company was surprised and "humbled" by the New Hampshire Site Evaluation Committee's (SEC) Feb. 1 rejection of its Northern Pass transmission line, just one week after Massachusetts awarded the project its solicitation for 9.45 TWh/year of hydro and Class I (wind, solar or energy storage) renewables. (See *New Hampshire Rejects Permit for Northern Pass*.)

Eversource partnered with Hydro-Quebec on the 1,090-MW line to bring up to 9.4 TWh of Canadian hydropower to New England each year for 20 years, starting in December 2020.

Massachusetts this month selected a transmission project proposed by Avangrid subsidiary Central Maine Power as an alternative if New Hampshire regulators fail to approve Northern Pass by March 27. (See *Mass. Picks Avangrid Project as Northern Pass Backup*.)

Lee Olivier, Eversource executive vice president for business development, said the company is confident that it can make a good case for Northern Pass if the SEC grants a rehearing.

CFO Phil Lembo said the company can sustain earnings growth of 5 to 7% a year with or without Northern Pass, and that the project was not dependent on any request for proposals.

Olivier said that Eversource partnered with Orsted to form Bay State Wind for the offshore wind solicitation in Massachusetts but was not yet disclosing the specific amount of investment involved. In December, the joint venture proposed a 400-MW or 800-MW wind farm 25 miles off New Bedford to be paired with a 55-MW battery storage facility. (See *Mass. Receives Three OSW Proposals, Including Storage, Tx*.)

### Regulatory and Operational Highlights

Lembo said Eversource in January closed a $258 million sale for 1,200 MW of the remaining generation assets belonging to its Public Service Company of New Hampshire subsidiary.

The company in December merged its Western Massachusetts Electric Co. and NSTAR Electric subsidiaries and will no longer report the former as a separate unit, Lembo said. Massachusetts regulators also approved spending on grid modernization and energy storage, and a performance-based rate design effective Feb. 1, 2018. Eversource so far has invested $100 million in solar projects in the state.

Subsidiary Connecticut Light & Power last month filed a settlement with state regulators on a rate plan that proposes $154.5 million in increases over the next three years and a 9.25% return on equity, with the final figures to reflect a decline in the federal income tax rate to 21%. The company expects a decision on April 18.

### FERC and ROE

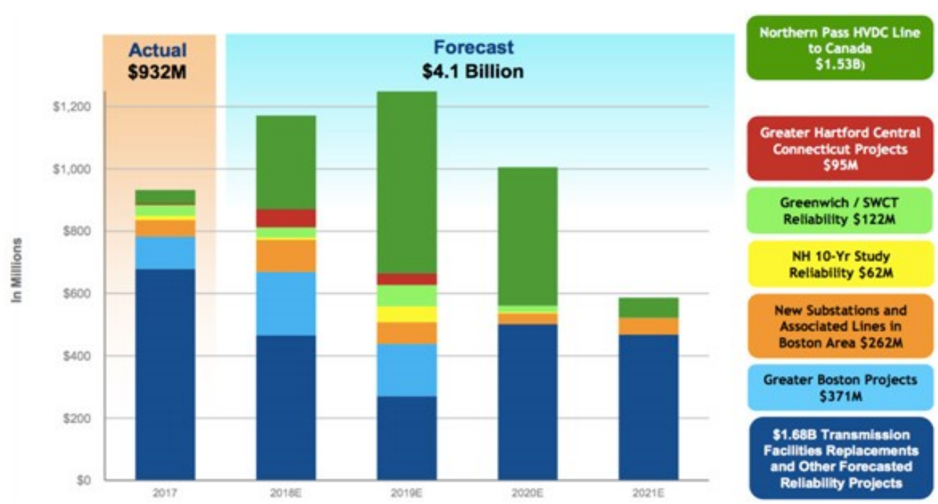
The federal regulatory situation "remains unclear" as Eversource and "the other New England transmission owners continue to litigate the fourth transmission ROE complaint before FERC," Lembo said.

Hearings were held in December and an administrative law judge decision is due next month, he said.

"Meanwhile, we're awaiting a ruling from the commission on how they will address the court-ordered remand of their decision in the first complaint, as well as initial rulings in the second and third complaints," Lembo said, adding that the earnings results reflect the current 10.57% base ROE the commission approved four years ago.

FERC last October rejected a bid by New England transmission owners, including Eversource, to increase their ROE to the levels in place before being reduced by a 2014 commission order that was vacated by an appellate court early last year. The commission said it would address the actual rate in a later remand order, but has yet to do so (ER15-414, EL11-66.)

The D.C. Circuit Court of Appeals ruled last April that FERC had "failed to provide any reasoned basis" for setting the base ROE at 10.57%, adding that the commission failed to meet its burden of proof in declaring the existing 11.14% rate unjust and unreasonable. (See *FERC Rejects New England Tx Owners on ROE*.)




Transmission capital expenditures | *Eversource*

## Q4 COMPANY EARNINGS

# OGE, CenterPoint, Entergy Results Up on Tax Cuts

*By Tom Kleckner*

The cut in federal corporate income taxes figured prominently in fourth quarter earnings reports by OGE Energy, CenterPoint Energy and Entergy last week. The Tax Cuts and Jobs Act of 2017, signed into law by President Trump in December, reduced corporate income taxes to 21% from 35%.

### Tax Savings Result in Positive Earnings for OGE

OGE said last week that the tax legislation was a major factor as the company reported 2017 earnings of $619 million ($3.10/share), almost double the previous year's performance of $338.2 million ($1.69/share).

For the quarter, OGE reported net income of $294.8 million ($1.48/share), compared to $57.9 million ($0.29/share) for the same period in 2016.

In a conference call with analysts, OGE CEO Sean Trauschke said $49.3 million in federal tax breaks contributed to much of the increase.


Trauschke

"For us, tax reform is a positive," Trauschke said during the Feb. 22 call. "Tax reform will be beneficial to our customers and accretive to shareholders of OGE. We worked hard to maintain a strong financial position that gives us this flexibility and helps us weather financial challenges that may come."

The tax savings will be a factor as OGE's electric utility, Oklahoma Gas & Electric, works its way through current and planned rate cases before the Oklahoma Corporation Commission. The utility requested a $72 million increase last year to recover the installation of new gas units at its Mustang Energy Center but projects the tax benefits will be used to account for much of that increase.

OG&E also plans to file a rate case later this year to cover the cost of coal scrubbers at its Sooner plant. A third rate case will likely be filed in 2019 for smart grid upgrade costs.

"We delayed our [Sooner] filing from late December to ensure customers benefited from the lower tax rate," Trauschke said.

OG&E reported a gross margin of $1.36 billion for the year, down $16 million from 2016, because of unfavorable weather that was partially offset by new customer growth. However, the utility's net income was up $22 million to $306 million because of lower depreciation and amortization expenses and an increase in funds used during construction of the Mustang Energy Center and environmental compliance projects.

OGE stock gained $2.13/share following its Feb. 21 close to finish the week $32.95/share.

### CenterPoint Energy Records $1.1B Tax Benefit

The corporate tax cuts resulted in a $1.1 billion benefit to CenterPoint, which reported year-end earnings on Feb. 22 of almost $1.8 billion ($4.13/share), up from $432 million ($1/share) for 2016. Excluding the tax benefit, earnings were $593 million ($1.37/share).

For the quarter, the Houston-based company reported a net income of nearly $1.3 billion ($2.99/share), compared to $101 million ($0.23/share) over the same period last year. Excluding the tax benefit, earnings were $141 million ($0.33/share).

The Public Utility Commission of Texas wants to bring CenterPoint in for a comprehensive rate case, which would be its first in eight years. The company recently filed terms of a settlement it reached with PUC staff and other parties, and has agreed to a base rate case that would be filed no later than April 2019.

CenterPoint shares gained $1.50 following the earnings announcement, finishing last week up 5.7% at $27.23/share.

### Entergy Beats Expectations, as Losses Narrow

Entergy beat Wall Street expectations by reporting fourth-quarter operating earnings of $137.6 million ($0.76/share) on Feb. 23, almost double the Zacks Investment Research consensus estimate of 42 cents/share.

When adjusted for higher expenses for nuclear operations and the write-down of tax assets not subject to the ratemaking process, Entergy reported a GAAP earnings loss of $479.1 million (-$2.66/share). Still, that was a marked improvement from the loss of $1.77 billion (-$9.88/share) for the same period in 2016.

For the year, the New Orleans corporation reported earnings of $411.6 million ($2.28/share), compared to losses of $583.6 million (-$3.26/share) in 2016.

Entergy also initiated 2018 consolidated operational guidance of $6.25 to $6.85/share, assuming "balanced regulatory treatment for the recently enacted tax reform legislation," the company said in a statement.

CEO Leo Denault told analysts Friday the impact of the tax changes will be discussed in rate filings the company plans in each of its jurisdictions this year. "On an ongoing basis, the lower tax rate means that customer bills will be lower than they otherwise would have been. That's important to us as evidenced by the fact that our rates are among the lowest in the country," Denault said. "We expect [that] point to be addressed in the normal course of those proceedings."

The Louisiana Public Service Commission on Wednesday ordered its staff to report back by March 21 on a recommendation for flowing the tax savings to ratepayers.

"As we look ahead to the next three years, our success continues to be less dependent on strategic initiatives and more on our own operational execution," Denault added.

Investors reacted by driving up Entergy's share price 3.7% to $77.74.

# PacifiCorp Picks Wind Expansion Winners

*By Jason Fordney*

PacifiCorp said last week it selected bids from developers of four wind farms, totaling 1,300 MW and advancing an effort that would expand the company's wind portfolio by more than 60% if constructed.

The Portland, Ore.-based company is procuring the wind as part of its Energy Vision 2020 plan, which also includes upgrading its existing wind facilities in Wyoming, Washington and Oregon with longer blades and other technology. Energy from three of the new projects would be carried to the PacifiCorp system via the proposed 140-mile, 500-kV Aeolus-Bridger/Anticline transmission line, a segment of the company's 2,000-mile Energy Gateway, a proposed project under development over the last decade.

"We are committed to expanding the amount of renewable energy serving our customers, and these new wind projects will help us cost-effectively further that goal," said Stefan Bird, CEO of the Pacific Power unit that serves customers in Oregon, Washington and California.

The winning bids resulted from a request for proposals issued last September. (See *PacifiCorp Seeks 1,270 MW of New Wind*.) PacifiCorp estimates the projects will cost an estimated $1.5 billion, much less than when the wind and transmission plan was originally announced last April and lower than the cost of market purchases.

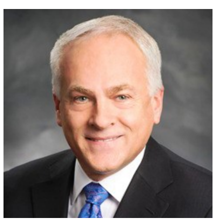
The proposed wind projects, all located in Wyoming, are:

- A 400-MW project in Converse County to be built by NextEra Energy, which would split ownership and operation with PacifiCorp;
- A 161-MW project in Uinta County to be built by Invenergy and owned and operated by PacifiCorp;
- A 500-MW project in Carbon and Albany counties to be built, owned and operated by PacifiCorp; and
- A 250-MW project in Carbon County to be built, owned and operated by PacifiCorp.

The new wind and transmission projects still require state approval, acquisition of rights of way and other permits, with construction targeted for next year. PacifiCorp last year announced it would be procuring more wind energy when it issued its 2017 integrated resource plan. (See *PacifiCorp IRP Sees More Renewables, Less Coal*.)

# COMPANY BRIEFS

## Xcel Puts David Eves in Charge of Operating Companies


Eves

Xcel Energy said Feb. 21 it has promoted David Eves, president of the company's Colorado utility, to oversee all of its utilities, effective March 1.

Eves also will continue in his current position, which he has held since 2009. He replaces Marvin McDaniel Jr., who is retiring.

More: *Xcel Energy*

## Santee Cooper to Preserve Site Of Abandoned Nuclear Project


Finn

Santee Cooper will spend $16 million a year to preserve the site of the abandoned nuclear project it was building with SCANA, the company's acting chairman, Bill Finn, said in a Feb. 21 letter to South Carolina Gov. Henry McMaster.

The $16 million will cover the cost of maintaining the reactors and the equipment that Santee Cooper and SCANA bought for the project, a two-reactor expansion of the V.C. Summer Nuclear Station that they spent $9 billion on before abandoning it last July. Santee Cooper, which is owned by the state of South Carolina, also will have to spend $3 million to buy insurance and lease warehouses to store parts.

The plans detailed in the letter still must be approved by Santee Cooper's board, which is scheduled to discuss them when it meets Feb. 23. A report commissioned last summer for SCANA's South Carolina Electric & Gas subsidiary estimated that parts purchased for the project could be sold for as much as $861 million, a figure that SCE&G disputed.

More: *The Post and Courier*; *The Post and Courier*

## Fake Emails Supporting Dominion-SCANA Deal Called System Abuse

The head of an organization that set up an online system to allow South Carolina residents to send emails to state lawmakers urging them to support Dominion Energy's bid to buy SCANA on Feb. 20 said that the fraudulent emails some lawmakers received last week resulted from one or more people abusing the system.

Consumer Energy Alliance President David Holt said one or more non-South Carolina residents apparently signed up under the names of state residents on his organization's website. Lawmakers realized over the weekend that some of the emails were fake when they talked to the residents themselves.

Dominion and SCANA have denied being involved with the fake emails. The South Carolina Law Enforcement Division is investigating the matter.

More: *The State*

## AWEA Research Director Joins Grid Strategies as Vice President


Goggin

Grid Strategies on Feb. 20 said that Michael Goggin, the American Wind Energy Association's senior director of research, will join it as vice president.

Rob Gramlich, the founder and CEO of Grid Strategies, previously worked at AWEA with Goggin.

Grid Strategies, which is celebrating its one-year anniversary, is a strategic consulting and advocacy firm that works with clients on integrating clean energy into the grid.

More: *Grid Strategies*

# FEDERAL BRIEFS

## NRC Says Southern Co. Workers Faked Inspections at Plant Vogtle

The Nuclear Regulatory Commission said Feb. 21 it is proposing a $145,000 civil penalty against Southern Co. because its workers faked inspections at the Georgia nuclear power plant it is trying to expand.

The commission said that between August and October 2016, at least 13 workers at Plant Vogtle failed to complete required rounds but entered data into an electronic log indicating they had.

The agency said Southern has "taken a number of corrective actions" and there were "no actual safety consequences" as a result of the workers' actions.

More: *Bloomberg*

## Feds Seek Reversal of Dismissal of Four Corners Power Plant Case

The federal government on Feb. 23 filed an *amicus curiae* brief seeking the reversal of a district judge's decision to dismiss a case involving the Four Corners Power Plant and Navajo Mine.

The case stems from a 2016 lawsuit alleging that several federal agencies and officials didn't follow environmental laws when they granted a 25-year extension of operations for the plant and mine. U.S. District Judge Steven P. Logan dismissed the case in September because of an apparent catch-22 situation, ruling that the Navajo Transitional Energy Co. (NTEC) had to be a party to the lawsuit because it owns the mine but simultaneously couldn't be a party to the lawsuit because it's a branch of the Navajo Nation and therefore has sovereign immunity.

In the brief, which was filed in the 9th U.S. Circuit Court of Appeals, the government argues that NTEC is not a necessary party to the lawsuit and that it can represent NTEC's position.

More: *Farmington Daily Times*

## DOE Appointee Who Oversaw Grid Study Departs

Travis Fisher, a political appointee who oversaw the preparation of a study requested last year by Energy Secretary Rick Perry, is leaving the Department of Energy, according to a department official.

The study found that cheap natural gas and the falling cost of renewable power were making coal and nuclear plants financially unviable. After it came out, Perry issued a Notice of Proposed Rulemaking asking FERC to adopt price supports for generators that can maintain a 90-day fuel supply, which would have propped up coal and nuclear plants.


Fisher

A DOE spokeswoman declined to comment on Fisher's departure beyond saying it was an internal personnel matter.

More: *Axios*

## USGS Officials Leave After Zinke Request for Confidential Data

Two senior U.S. Geological Survey officials have left the agency after Interior Secretary Ryan Zinke asked them to provide his office with confidential data on the National Petroleum Reserve in Alaska before it was made available to the general public.


Meinert

Murray W. Hitzman, who was USGS' associate director for energy and minerals, and Larry Meinert, who was its acting deputy associate director for energy and minerals mission area, say the request violated the agency's scientific integrity policy, which says such commercially valuable data should not be shared in advance of its public release.

Heather Swift, a department spokeswoman, said Feb. 21 that the solicitor's office had determined that Zinke and his deputy, David Bernhardt, have the right to "review data, draft reports, or other information as it deems necessary" under the department's 1950 reorganization plan.

More: *The Washington Post*

## Two Organizations Sue EPA, Pruitt For Violating Federal Records Act

Public Employees for Environmental Responsibility and Citizens for Responsibility and Ethics in Washington on Feb. 22 filed a joint lawsuit against EPA and Administrator Scott Pruitt for failing to create and maintain public records in accordance with the Federal Records Act (FRA).

The organizations accuse EPA of operating in "secrecy" to avoid creating paper trails of notes that would be considered public records under the FRA and be subject to Freedom of Information Act requests by journalists and the public.

The suit also accuses Federal Archivist David Ferriero and the National Archives and Records Administration of failing to enforce the law governing the creation and maintenance of public records.

More: *The Hill*

## 236 Mayors File Comment Letter With EPA Opposing CPP Repeal

Mayors of 236 U.S. cities on Feb. 20 released a comment letter they filed with EPA voicing opposition to the repeal of the Clean Power Plan.

The mayors, who represent 51 million residents in 47 states and territories, said repealing the CPP "would put our citizens at risk and undermine our efforts to prepare for and protect against the worst impacts of climate change."

"Our local efforts to address climate change are highly sensitive to national policies like the Clean Power Plan, which shape markets, steer state action and have large direct impacts on nationwide emissions," the mayors wrote.

More: *Climate Mayors*

## DOE Supporting Effort to Extend Nuclear Plant Licenses to 80 Years

The Department of Energy is supporting an effort by some utilities to get permission from the Nuclear Regulatory Commission to extend the 60-year licenses on their nuclear power plants to 80 years.

The department is conducting research and working with the utilities, according to an official who asked not to be named.

Exelon, Dominion Energy and NextEra Energy have said they plan to ask for the extensions on eight reactors in Virginia, Pennsylvania and Florida. The nuclear industry has said extensions will be sought on as many as 20 more.

More: *Bloomberg*

# STATE BRIEFS

## ARIZONA

### APS Gets Approval to Lower Rates To Reflect Federal Tax Cut Savings

The Corporation Commission on Feb. 22 approved a $119 million rate decrease requested by Arizona Public Service to enable the company to pass its savings from the Tax Cut and Jobs Act through to its customers.

The decrease will reduce the bill of the average APS residential customer, who uses 1,100 kWh/month, by $5.40.

More: *The Republic*

## ARKANSAS

### SWEPCO Reaches Settlement Agreement on Wind Catcher Project

Southwestern Electric Power Co. on Feb. 20 said it has reached a settlement agreement in its request to the Public Service Commission for approval of the proposed $4.5 billion Wind Catcher Energy Connection project.

The American Electric Power subsidiary said parties to the settlement agreement besides itself include PSC staff, Attorney General Leslie Rutledge, Walmart and Sam's Club. The parties have filed a joint motion asking the PSC to approve the settlement agreement, SWEPCO said.

Wind Catcher consists primarily of a 2,000-MW wind farm being built in Oklahoma and a 360-mile dedicated transmission line to bring power from the wind farm to the grid in the Tulsa area. SWEPCO will own 70% of the project and its sister company, Public Service Company of Oklahoma, will own 30%. The share of the project's cost attributed to SWEPCO's state operations is $607 million.

More: *Southwestern Electric Power Co.*

## KENTUCKY

### PSC Approves Transformer Transfers Among Utilities

The Public Service Commission on Feb. 22 issued an order in which it agreed to preapprove emergency transfers of large transformers that cost $1 million or more.

The order will allow the four electric utilities that operate in the state to more easily transfer transformers among themselves when necessary. As the transformers typically must be preordered, that will enable the utilities to more quickly restore power during outages.

More: *WTVQ*

## LOUISIANA

### NO City Council Committee Approves Entergy Peaker Plant

The New Orleans City Council's utility committee on Feb. 21 approved Entergy New Orleans' plan to build a $210 million gas-fired peaking power plant in the city's eastern section.

The plan still must be approved by the full council, but the four committee members who voted in favor of it comprise a majority of the seven-member council, which could vote on it as early as March 8.

Entergy says the new plant is necessary to replace two units in Michoud, which it took offline two years ago. Affordable energy advocates, environmentalists and social justice groups oppose it.

More: *The Times-Picayune*

### PSC Orders Utilities to Find Way To Give Customers Tax Savings

The Public Service Commission on Feb. 21 ordered its staff and the state's utilities to find a way for the utilities to pass the money they're saving due to the Tax Cut and Jobs Act through to their customers.

In addition to the money they've saved since January and will save in the future, the commission also wants utilities to return excess money they've collected from ratepayers to cover future taxes, as those now will be lower than the utilities thought they would be when they collected the money for them.

Entergy Louisiana, which serves about 1 million customers, estimated its annual tax savings would be $110 million. Cleco Power didn't calculate how much it would save but said it is accruing its tax savings and will recommend refunding the money to customers on their September bills based on their July power usage.

More: *The Advocate*

## MAINE

### Con Ed Withdraws from Negotiations with UMaine

ConEdison Solutions is withdrawing from negotiations to provide the University of Maine's Orono Campus with wood-fired steam and power from an abandoned paper mill, citing uncertainty about its ability to lease assets in the mill or meet the university's deadline for putting together an energy-delivery plan.

The withdrawal comes after the *Portland Press Herald/Maine Sunday Telegram* published stories about secret recordings that suggested UMaine Vice President Jack Ward had provided the Consolidated Edison subsidiary with information to help it win the right to negotiate the deal, but a UMaine spokesman said the stories had no bearing on the company's decision.

UMaine officials said they would talk to Honeywell International, which came in second to ConEdison Solutions in the competition for the right to negotiate a deal.

More: *Portland Press Herald*

### Renewable Group Files Lawsuit over Wind Turbine Permitting Moratorium

The Maine Renewable Energy Association has filed a lawsuit in Kennebec County Superior Court seeking to nullify a Jan. 24 executive order by Gov. Paul LePage that placed a moratorium on issuing permits for new wind turbines.

The lawsuit challenges the constitutionality of the order, as does a lawsuit by the Conservation Law Foundation filed in Cumberland County Superior Court.

A spokeswoman for LePage's office said it couldn't comment on pending litigation.

More: *Portland Press Herald*

## MISSOURI

### PSC Opens Cases to Determine Effect of Tax Cut Law on Rates

The Public Service Commission said Feb. 22 it has opened cases for seven investor-owned utilities to determine the effect of the Tax Cut and Jobs Act on their rates. The utilities include Ameren Missouri and The

Continued on page 35

# STATE BRIEFS

Continued from page 34

Empire District Electric.

The commission said it will determine how the tax cut affect the rates of Kansas City Power & Light and KCP&L-Greater Missouri Operations Co. in cases those companies have before it.

More: Missouri Public Service Commission

### Ameren Asks PSC to Approve Program Promoting EV Adoption

Ameren Missouri said Feb. 22 it has asked the Public Service Commission to approve a roughly $18 million program to promote the installation of electric vehicle charging stations and the adoption of EVs in workplaces.

Under the Charge Ahead program, Ameren would partner with companies to deploy charging stations near interstate highway corridors, workplaces, multifamily housing and other public spaces. The companies would operate the stations and set the prices they charge. The stations would offer fast- and slow-charging services and have about 1,200 plugs between them.

Ameren also would provide incentives to encourage businesses to replace equipment powered by diesel engines, such as forklifts and airport ground support vehicles, with electrically powered equipment.

More: St. Louis Post-Dispatch

## MISSISSIPPI

### Plaintiff in Mississippi Power Case Won't Appeal Kemper Settlement

Hattiesburg oil man Thomas Blanton on Feb. 20 said he won't file an appeal with the state Supreme Court over the Public Service Commission's Feb. 6 order approving a settlement determining how much Mississippi Power customers should pay for the company's Kemper County power plant.

Blanton, who was the plaintiff in a case that resulted in Mississippi Power being ordered to send refunds to its customers, was considering filing a lawsuit over what he considered to be flaws in the procedure used by the commission to reach the settlement. He didn't, he said, because he doubted that even a successful appeal would produce an outcome different from the settlement.

The settlement relieves Mississippi Power customers from paying for the failed $6.4 billion attempt to build coal-gasification technology at the plant. Instead, most of that cost will be borne by shareholders of Mississippi Power's parent, Southern Co.

More: The Meridian Star

## NEW MEXICO

### PRC Official Recommends Rejecting Key Part of Wind Settlement

Public Regulation Commission Hearing Examiner Elizabeth Hurst wants commissioners to reject a proposal that's a key part of the settlement reached by Southwestern Public Service in the case involving the two giant wind farms that SPS' parent, Xcel Energy, wants to spend $1.6 billion to build in eastern New Mexico and Texas.

The proposal would allow SPS to recover so-called lost earnings on the project. SPS would collect the lost rates through a surcharge after the rates that include the wind farms take effect.

Hurst said the proposal violates legal principles prohibiting "retroactive ratemaking" because it sets up an "interim rate" that includes the wind farms before the commission approves the actual rates that include them. David Hudson, Xcel president for New Mexico and Texas, said the company might not build the wind farms if the proposal isn't approved.

More: Albuquerque Journal

## VERMONT

### Vermont Electric Co-op CEO Steps down to Run for Governor

Christine Hallquist resigned Feb. 20 as Vermont Electric Cooperative CEO, effective March 2, to campaign for the Democratic gubernatorial nomination.

Vickie Brown, the co-op's general counsel, will become its interim CEO. If elected, Hallquist would become the nation's first transgender governor.

More: VtDigger

## WEST VIRGINIA

### PSC Issues Siting Permit for 830-MW Gas-Fired Power Plant

The Public Service Commission on Feb. 20 issued a siting permit for an $884 million, 830-MW gas-fired power plant in Brooke County.

The plant is one of the projects that may receive funding from the $83.7 billion that China Energy Investment signed a memorandum of understanding to invest in in shale gas, power and chemical projects in the state, according to Secretary of Commerce Woody Thrasher.

The plant is expected to be finished in the last quarter of 2020 and in service in January 2021.

More: The State Journal; The Intelligencer

# FERC Grants SPP Waiver to Resettle Z2 Credits

FERC last week granted SPP's request to waive its one-year resettlement window so that the RTO can correctly bill transmission-upgrade customers for a month mistakenly omitted from invoices. The commission said SPP's request satisfied its waiver criteria, and that the RTO had acted "in good faith" to calculate the corrected transmission revenue credits amounts and "ensure that customers' bills are accurately resettled" (ER18-381).

FERC rejected Xcel Energy's contention that SPP had failed to show that there are no undesirable consequences. The commission noted SPP said it alerted stakeholders it needed to correct the settlements. "Therefore, stakeholders have been on notice of and expected the planned corrections," FERC said.

SPP said the waiver would allow it to include September 2016 billable amounts under Attachment Z2 of its Tariff, which assigns financial credits and obligations for sponsored transmission upgrades. SPP said in November that it had inadvertently omitted resettled amounts from September 2016 in its November 2017 invoices, placing the month outside the Tariff's resettlement requirements. (See *SPP Invoices Lead to Confusion on Z2 Payments*.)

*— Tom Kleckner*

# FirstEnergy CEO Predicts Death of FES, Coal, Nuclear

*Continued from page 27*

regulated business.

"There should be absolutely no concern in the market about us overearning in Pennsylvania. And if there is any hysteria out there, you all are smart enough to know that there are people that trade off with the hysteria," he said in response to a question on several rate cases in the state.

The company last month announced the sale of $2.5 billion in equity to investment companies, which included the formation of a "restructuring working group" to advise on any potential restructuring at FES. The group includes three FirstEnergy executives — Pearson, Leila Vespoli and Gary Benz — along with John Wilder of Bluescape Energy Partners and Tony Horton of Energy Future Holdings. The group serves FirstEnergy's interests, while FES is overseen by its own board of directors. Pearson is also in charge of an internal company redesign known as FE Tomorrow.

Jones also bristled at suggestions that the cash won't be enough.

"No additional equity through 2021," he said. "I can't believe it's only one month after doing $2.5 billion that we're already getting that question again, but there will be none."

From left to right: William T. Cottle, Donald Misheff, Sandra Pianalto and George Smart. | *FirstEnergy*

### Changes at the Top

FirstEnergy also announced several changes to its board of directors and executive suite before the call on Wednesday. Donald Misheff, who has been on the board since 2012, was elected chairman effective May 15 to replace George Smart, while Sandra Pianalto became a director. Smart and William T. Cottle, both 72, are retiring in May in accordance with the company's mandatory retirement-age policy.

Within the company:

- Kevin T. Warvell became vice president, chief financial officer, treasurer and corporate secretary for FES. Previously, he was FES' vice president of commercial operations, structuring and pricing and corporate secretary.
- Christine L. Walker became vice president of human resources for FirstEnergy Service subsidiary. Previously, she was the executive director of FirstEnergy's talent management.
- Jason J. Lisowski became vice president, controller and chief accounting officer of FirstEnergy. Previously, he was the controller and treasurer for FES.
- Donald A. Moul became president of FES Generation and chief nuclear officer. Previously, he was president of FirstEnergy Generation.
- Charles D. Lasky became senior vice president of human resources and chief human resources officer for FirstEnergy Service. Previously, he was the senior vice president of human resources.
- Steven E. Strah became senior vice president and chief financial officer. Previously, he was a senior vice president and president of FirstEnergy Utilities.
- Sam Belcher became a senior vice president and president of FirstEnergy Utilities. Previously, he was president and chief nuclear officer for FirstEnergy Nuclear Operating Co.
- Pearson was the company's executive vice president and chief financial officer. Taylor was a vice president, controller and chief accounting officer.

# NJ Lawmakers Advance Latest Nuke Subsidy Bills

*Continued from page 1*

Nuclear plants that the Board of Public Utilities finds economically unviable would receive funding through a 0.4-cent/kWh charge on ratepayers' bills.

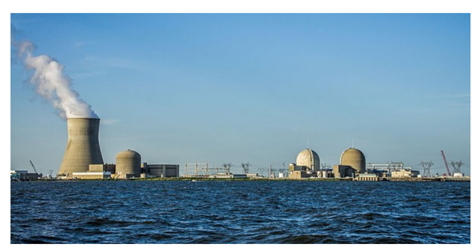
During a nearly four-hour joint hearing of the committees, opponents of the legislation urged lawmakers to slow down and allow the board and the Division of Rate Counsel to study the disparate nuclear and renewable components of the bills and their impact on ratepayers. They criticized the rush to pass the nuclear subsidies, asserting that the renewable elements of the legislation were included without enough consideration.

"This is complex stuff," said Sarah Bluhm of the New Jersey Business and Industries Association. "I think we really have to take a step back, because what we're missing from this is comprehensive planning."

Dennis Hart, executive director of the Chemistry Council of New Jersey, expressed concern that the group's member companies that built their own onsite solar facilities and set their own energy-efficiency standards would be paying more under the legislation. Along with several other speakers, he noted that it took Illinois and New York several years to enact their zero-emission credit programs.

"The BPU clearly needs to study the issue to assess the need for a subsidy before the process even starts," said Scott Ross of the New Jersey Petroleum Council. "In particular, we believe the New Jersey Rate Counsel should have a seat at the table during these meetings."

Legislators who voted against the bills



The Salem and Hope Creek nuclear plants, which PSEG CEO Ralph Izzo claims will become unprofitable in about a year.

expressed similar sentiments.

"I support the nuclear power plants, but there's way too many unknowns," Assemblyman Harold Wirths said.

"There's way too much in this bill that it's impossible for the ratepayers to follow what's going on," said Assemblyman Edward Thomson.