

# Electric Power Daily

Friday, July 25, 2008

## Indiana, over objections, OKs first wind purchase by NipSCO

Determining the deal “may increase consumer interest in protecting the environment by supporting renewable, environmentally friendly energy sources,” Indiana regulators on Thursday approved Northern Indiana Public Service’s first wind energy purchase over the objections of the state’s consumer advocate and large industrials.

NipSCO, a NiSource subsidiary and the state’s second-largest electric utility, plans to buy about 50 MW each from Barton Windpower and Buffalo Ridge wind farms in Iowa and South Dakota, respectively. Both are owned by Iberdrola Renewable Energies USA. Its parent company, Iberdrola, is the largest owner/operator of wind farms in the world.

Frank Shambo, NipSCO vice president of legislative and regulatory affairs, told the Indiana Utility Regulatory Commission that utilities “cannot ignore the increasing demand” for greenhouse gas regulation and must develop an emission

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## DPL sees Q2 earnings slide on Ohio economic slowdown

A decline in southern Ohio’s industrial sector and less favorable weather dampened DPL’s second-quarter earnings as income for the parent company of Dayton Power & Light fell to \$47.6 million, or 41 cents/share, from \$58.7 million, or 45 cents/share, in the year-ago quarter. Revenue rose to \$378.8 million from \$343.1 million.

“We’re seeing the impact of the general economic slowdown,” Paul Barbas, DPL president and CEO, told financial analysts on Thursday during a conference call. The loss of several large industrial customers in the Dayton area took a financial toll. General Motors, for instance, is phasing out a large manufacturing plant, producing a trickle down effect for some 130 regional suppliers.

Barbas said DPL also is experiencing “some lower residential and commercial use” of electricity, “but whether that’s due to weather or the economy I don’t know.”

The company estimated weather had a negative \$8 million to \$10 million

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## Texas utilities, co-ops assess damage from Hurricane Dolly

Utilities and electric cooperatives near the southern tip of Texas on Thursday started assessing the damage their systems suffered from Hurricane Dolly, and reconnected tens of thousands of the quarter-million customers that lost power as a result of the storm.

Dolly hit the South Texas coast at South Padre Island as a Category 2 hurricane packing winds of 100 mph. It quickly weakened into a tropical storm, but it also slowed dramatically, dumping as much as 15 inches of rain on parts of the Rio Grande Valley.

Dottie Roark, spokeswoman for the Electric Reliability Council of Texas, said that transmission outages caused by Dolly “include four 345-kV lines, fourteen 138-kV lines, and about ten 69-kV lines, with most of the damage in the AEP [Texas] area.”

Flooding and relentless rain is complicating power-restoration efforts, said AEP

### Renewable Power

#### New Mexico, Air Force team on four renewable projects

In an unusual alliance, New Mexico, the Air Force and the cities of Alamogordo, Clovis and Albuquerque have entered into agreements to pursue four renewable energy projects totaling between 145 MW and 245 MW.

“These opportunities support the Air Force Energy Program to increase supplies of green energy and provide distributed power to the bases,” Air Force Assistant Secretary William Anderson said Wednesday. “These are the first renewable energy [memorandums of understandings] the Air Force has signed with any state in the nation.”

The four agreements grew out of a two-day New Mexico Energy Investment Initiative Conference held earlier this week. Sarah Cottrell, New Mexico governor Bill Richardson’s energy and environment advisor, said Thursday. The Air Force has three major facilities in New Mexico: the Kirtland, Holloman and Cannon bases.

Under the agreements, the Air Force,

*(continued on page 10)*

### Climate Change

#### RGGI opens preparation period for bidders in September auction

The Regional Greenhouse Gas Initiative expects strong bidding interest for the carbon allowances offered under its first allowance auction scheduled for September.

Market players, however, expect that interest may not be so strong out of the gate, stymied initially by a lack of available allowances and more time needed to learn the new auction rules released Thursday.

RGGI on Thursday opened a 60-day bid preparation period in anticipation of the first auction scheduled for September 25. “This first RGGI auction is a historic moment [since it will be the first auction related to mandatory carbon dioxide compliance in the US]. The auctions will spur innovation in the energy sector, and we anticipate strong interest from bidders,” said Jonathan Schrag, RGGI’s new executive director, in a statement

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Texas spokesman Larry Jones, whose utility experienced more outages than any other. At points during and just after the storm passed through its service territory, more than 200,000 of AEP Texas' 950,000 customers were without power.

By late Thursday afternoon, the number of outages in the AEP Texas area had dropped to 155,000, but Jones declined to predict how long it will take to restore power to all of them. AEP's damage-assessment process will likely continue into today, he said, noting that "a wide area was hit" by the storm.

Typically, about 175 AEP Texas employees oversee the transmission and distribution system in the portion of South Texas hit by Dolly, Jones said. By today, another 1,700 AEP and other utility personnel will have arrived to assist in the power-restoration effort, he added.

Brad Bierstedt, business development manager at the Magic Valley Electric Cooperative, said that, at its peak, the storm had knocked out power to about 41,000 of the co-op's more than 80,000 customers. By Thursday afternoon, that number had declined to about 17,000, but Bierstedt, like AEP Texas' Jones, declined to predict how long it would take to bring everyone back online.

"We have all available crews out, and we are making significant progress," Bierstedt said. He acknowledged, however, that given the extent of the damage in some areas and the flooding, the co-op's work is likely to continue through this weekend.

Spokesmen for the municipal utility in Brownsville, which is known as the Public Utilities Board, did not return telephone calls seeking comment. ERCOT's Roark said that the reliability council's understanding was that fewer than 3,000 PUB customers remained without service on Thursday afternoon. According to a local report, tens of thousands of muni customers lost power at least temporarily during the peak hours of the storm. — *Housley Carr*

## EEI urges more FERC clarity on compliance

The Federal Energy Regulatory Commission must be crystal clear in outlining the compliance requirements of entities under its jurisdiction and which are most important, the Edison Electric Institute said this week.

EEI in Tuesday comments following up on a FERC workshop earlier this month on regulatory compliance said that "a first step in establishing a compliance program is a thorough understanding of the requirements with which a company must comply."

"From the perspective of regulated entities, it is essential that the commission should, as Chairman [Joseph] Kelliher stated, 'be clear in regulatory requirements,'" EEI said.

FERC had rejected identifying its highest risk, greatest priority regulatory requirements because of the large number of regulations and violation types. "Regulated entities face the same challenges in assessing their compliance responsibilities," EEI said. "Therefore commission guidance on its regulatory priorities would be helpful."

EEI also advised FERC that it thinks compliance with FERC requirements is more likely to be gained and improved through guidance and training rather than substantial penalties. Larger penalties might not provide a greater incentive for industry to comply and could result in reduced self-reporting, EEI said.

"As stated in the workshop, most violations are not the result of willful wrongdoing but demonstrate the need for clear requirements and effective compliance programs that provide guidance and training to employees," EEI said.

EEI also said industry is eager for guidance on establishing a "culture of compliance," so FERC should identify exactly what constitutes such a culture. EEI suggested categories such as senior management commitment, identification of regulatory responsibilities, adequate training, compliance monitoring,

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EEI said that FERC should avoid suggesting monetary guidelines on what should be spent on compliance programs because there are so many variables involved, such as the size of the company and the extent to which a particular company is subject to commission regulation.

Global financial firm JPMorgan Chase offered suggestions on fostering a culture of compliance, including regular communication from senior management, setting aside time to talk over compliance issues, encouragement to take issues to supervisors and proactively including compliance personnel in meetings where prospective transactions and new business initiatives are discussed.

JPMorgan Chase also said that effective communication between operations and compliance personnel "is important for ensuring that a firm's regulatory compliance program includes an exchange of ideas, opinions and information."

Sheila Hollis, who was FERC's first director of enforcement in the 1970s, said in comments that she filed at the commission that the enforcement program "remains an essential element of its success."

"The commission must continue to support the efforts of the office," Hollis said. "The commission's other offices need to continue to cooperate in achieving the objectives of a fair and effective compliance and enforcement program, the office must be adequately funded and the best possible staff recruited to the office." — *Jason Fordney*

## Capacity market entangled in Connecticut

Connecticut is not ready to accept a new substitute for reliability must-run agreements as part of the ISO New England forward capacity market, despite federal approval earlier this year.

In a filing this week at the Federal Energy Regulatory Commission, The Connecticut Department of Public Utility Control asked for rehearing on FERC's acceptance of ISO-NE's use of a "transmission security analysis," or TSA, as the basis for requiring two generators to remain in the capacity auction for reliability reasons.

"The Connecticut DPUC's evidence showed material deficiencies in ISO-NE's TSA methodology, calculations, and assumptions that the commission did not adequately address," the state agency said.

The grid operator, in conducting its first forward capacity auction, blocked NRG Energy from withdrawing its Norwalk Harbor units 1 and 2 from the auction through what is called a de-list bid. ISO-NE has proposed that the two units be compensated on the basis of their "going-forward costs." The DPUC, seconded by Connecticut Attorney General Richard Blumenthal, has asked that the units simply be allowed to be de-listed.

"The Connecticut DPUC respectfully requests that the commission grant rehearing and preclude ISO-NE's use of the TSA in this manner to reject de-list bids, or alternatively, set the numerous material factual issues for full hearing procedures," the DPUC said.

In a June 20 order, FERC accepted the results of the February auction, including the treatment of the two NRG generators prevented from de-listing. The auction was for year-long capacity commitments starting June 1, 2010. In filings during the spring, the DPUC made its case against the TSA methodology and argued that, among other things, ISO-NE had undercounted available capacity, including peaking capacity, emergency generation, demand resources and the reliability benefits of the Cross Sound Cable.

"Without further information, the commission cannot determine whether ISO-NE properly rejected these particular de-list bids, or whether the effects of that rejection are unjust and unreasonable," the state agency said in its July 21 filing (Docket No. ER08-633).

FERC should either grant rehearing or set the TSA for full hearing procedures, the DPUC said. "In any case, the commission should direct ISO-NE to take steps to ensure that future reliability analyses more accurately reflect system conditions," the DPUC added.

In April, when the Connecticut agency first protested the ISO-NE's handling of the capacity auction, it urged that FERC require ISO-NE to accept the de-list bids and then "adjust its proration calculation to exclude the NRG facilities' capacity," a reference to the prorationing of capacity payments to surplus resources in the auction. But another filing this week said the ISO's handling of local reliability needs in Connecticut meant that capacity could not be prorated in that state.

To prorate, a company would need to decide, for example, that payments to cover 500 MW of capacity could be divided between two generators, 250 MW assigned to each, leaving the company to de-list the surplus capacity at each of those generators. But not in Connecticut, the ISO decided.

"Because of local reliability requirements, the ISO has indicated that none of the Connecticut units that cleared in the [auction] will be allowed to de-list portions of their units consistent with the proration provisions," said PSEG affiliates in a FERC filing to request rehearing.

FERC's interpretation of the ISO-NE tariff is incorrect, the PSEG filing said, and the FERC interpretation "results in discrimination between capacity resources."

If the ISO-NE treatment of Connecticut capacity is allowed to stand, "the efforts to create a viable locational capacity market will be undermined," the PSEG filing said. — *Alan Kovski*

## Final round of ISO MRTU seminars underway

The California Independent System Operator does not plan a new round of the popular Market Redesign and Technology Upgrade training seminars later this year or early next if the launch of the oft-delayed MRTU is pushed back further, the ISO training coordinator said.

As its "Bid to Bill" training seminars wind down in early September, the ISO is instead planning on using its existing MRTU refresher courses to continually hone the skills needed by its market participants for participating in the new nodal wholesale day-ahead and real-time markets the ISO hopes to

establish in its region.

"If by some chance the MRTU does not launch in November, those courses can also be used to keep refreshing the knowledge levels of those who have taken the primary courses we have offered in the past," said Lynn Rasmussen, client training lead, for the ISO's customer services division.

For the past several years, Rasmussen has traveled the nation, putting on MRTU courses in expectation of a launch. Each year, she has had to develop a new course when the new market system has been deemed by ISO staff as not ready to go live and has been postponed. This year, however, she said she and the ISO staff remain optimistic that they can put things together and launch on the ISO's most recent announced target date of November 1.

"We have heard loud and clear from our customers to not give them MRTU training until we are ready to go, so that what they learn is fresh in their heads. Our answer this year has been that we are ready to go, give us your people," Rasmussen said.

She and trainer Jenny Buglino have conducted the intensive two-day "hands-on" MRTU training seminars in Houston and San Diego and are completing a course Friday [today] in San Ramon, California. Upcoming seminars are scheduled to occur at the ISO headquarters in Folsom, California on July 30 and 31, Baltimore, Maryland, on August 5 and 6 and Portland, Oregon, on August 12 and 13. The training seminar then moves back to Folsom on August 27 and 28 before concluding with an already full class back in Houston on September 4 and 5.

"We have always considered this our last big push, our go-live training sequence that would prepare those taking it to begin making trades on our system when it launches in November. I remain optimistic that we can launch as planned in November," she said.

The classes are targeted at the "operations people who are putting in the bids and doing the work today," Rasmussen said. "About half of those attending have been to our previous classes. They want to learn how to make intelligent choices operating in the new market," she said.

So far, each seminar has been standing room only, with 80 attending the first one in Houston, five more than the class was designed to teach. Though the seminars have proven hugely popular with far-flung market participants, Rasmussen said the ISO is not considering adding new dates to its schedule.

"If you find you cannot get into a class held regionally nearer you, then I would suggest you come to the Folsom classes, which have quite a few openings yet, and take the training that way," she said. Because the new system is so "complicated" she said traders and others attempting to operate within it will be lost without the instruction they receive during the two-day seminars.

The classes are designed to help market players be able to put in their own bids in the market simulation that will run up until the day the MRTU is launched, Rasmussen said.

"Due to the proprietary nature of the businesses involved, we cannot teach them how to use it to fulfill their business strategy, but we can teach them how to submit a bid and a bill," she said. "We provide instruction and then give them scenarios and work them in teams as they figure each one out." — *Daniel Guido*

## SEPA sees growing utility interest in solar

The Solar Electric Power Association said Thursday it expects utilities to "quickly become the largest and one of the most important customers for the solar industry," but its director of research acknowledged in a conference call that the impasse over renewing the federal production tax credit for renewable energy is hindering growth.

"The tax credit issue is putting a lot of plants on hold," noted Mike Taylor, during the call.

California utilities generally occupy the top ranks of solar development, SEPA said in its "First Annual Top Ten Utility Solar Integration Rankings," released earlier in the day.

Southern California Edison leads all US utilities in the amount of solar power it has integrated into its system, according to the report, which found SCE has both the most overall solar capacity and the most solar capacity per customer.

In total solar capacity, SoCal Ed is followed by Pacific Gas & Electric, Sierra Pacific Resources, Xcel Energy, the Los Angeles Department of Water & Power, Arizona Public Service, Public Service Electric & Gas, Sacramento Municipal Utility District and the Long Island Power Authority.

However, the report does not provide the amount of solar capacity owned or bought by individual utilities, citing "privacy concerns."

"We didn't want utilities to have to get internal permission to release the numbers one by one and delay the process or not participate. I don't think anything here is proprietary, but we didn't want that responsibility. We will address this more explicitly next year in the collection, but will decide then what to do," Taylor said in an e-mail.

"We will address that issue head on next year. I certainly would like to do it in the next survey," he added during the conference call.

According to the company's annual Financial and Statistical Report, SoCal Ed buys from 10 solar projects with nameplate capacity of about 354 MW. Last year SoCal Ed got 663 GWh of power from independent solar generators, about 0.8% of its total requirement of 84,281 GWh; that was down from 881 GWh (1.2%) in 2002.

Most of SoCal Ed's power (21%) came from its own nuclear units. From other renewables, the biggest amount came from nonutility geothermal units (9%), followed by nonutility wind (2.8%), company owned hydroelectric (2.7%), nonutility biomass (1.6%), and nonutility small hydro (0.2%).

And solar is SoCal Ed's most expensive source by far: an average 16.19 cents/kWh for energy and capacity payments last year, almost twice the average 8.99 cents for all cogeneration and renewable resources.

In the report SEPA noted that SoCal Ed's top ranking is based on its long-standing contracts with the SEGS concentrating solar thermal plants — but with a number of large scale plants announced by others it may not hold the top spot for long. A total of 4,632 MW of CST projects have been announced by utilities, including 795 MW by SoCal Ed itself. The biggest amount of planned new CST capacity is 1,737 MW,

by Pacific Gas & Electric.

“Announcing a plant is not the same as building one,” Taylor cautioned. But if Congress allows utilities to claim PTCs on units they own, that would boost utility interest.

There are “good reasons for utilities to own solar units: they will earn a rate of return and could be easier to site in urban areas,” he pointed out. — *Paul Carlsen*

## Grid projects boost Calif. renewable effort: report

Transmission projects in the works can provide enough capacity to meet California’s goal of providing 20% of its electricity from renewable resources between 2010 and 2020, while another \$6.5 billion in transmission would be needed to meet a goal of 33% by 2020, according to a report by the California Independent System Operator.

Cal-ISO recently issued its “Report on Preliminary Renewable Transmission Plans,” as part of its role in the state’s renewable energy transmission initiative. The preliminary findings of the report have already been shared with other RETI members, which include the California Public Utilities Commission, the California Energy Commission and the state’s investor-owned utilities, said Gregg Fishman, a spokesman for the ISO.

Fishman stressed the preliminary nature of the report, which is intended to “spur discussion and think about the possible plans and what else is out there.”

The report says that when Southern California Edison’s Tehachapi and San Diego Gas and Electric’s Sunrise Powerlink transmission projects are complete, there will be enough transmission to supply 20% renewable power to the Cal-ISO managed portion of the state. But that goal won’t be met until the earliest, in 2011, one year after the state’s target date of 2010. That date could be later if the Sunrise power project is further delayed, Fishman said. While construction has started on the Tehachapi project, the Sunrise project has been postponed because of some community opposition.

Under the scenario rated the best by the report because of the high capacity of wind and geothermal resources, Tehachapi would provide 7,131 GWh of wind power by 2011, and Sunrise would provide 7,884 GWh of geothermal power by 2011, according to the report. Other sources will provide about 3,400 GWh of renewable power in 2011. About 16,000 GWh of renewable power are needed by 2011 to meet the state mandate.

The study also points out that while there are many solar projects in development, there has not been an equal amount of transmission proposed to deliver that power. The report, though, says between 500 MW and 1,000 MW of solar power can easily be connected to the existing system by upgrading existing lines.

The report also looks at six conceptual transmission projects, which if built and brought online by 2020, can help meet a 33% renewable standard between 2020 and 2030. In addition to the Sunrise and Tehachapi projects, an additional 25,600 GWh would be needed to reach 33% by 2020.

The report says the projects would cost \$6.5 billion — an estimate given a 50% margin of error by the study’s author. The

costs were based on other transmission project proposals.

The projects would provide an additional 9,600 MW of capacity to deliver between 39,000 – 46,000 GWh of additional renewable energy from San Bernardino County, the Mojave Area, Imperial County and Nevada. The report stressed that the projects are conceptual only. No detailed environmental analysis or planning studies have been done.

The projects include:

- Construction of a new 500-kV substation and loop into the Southwest Powerlink Line to deliver 1,051 MW of wind power at a cost of \$300 million;
- Expansion of the Midpoint substation and construction of a third 500-kV line between the Devers and Mira Loma substations or the Devers and Valley substations to deliver 2,400 MW of solar and 500 MW of wind power at a cost of \$1.5 billion;
- Upgrading Path 42 southeast and/or constructing a new 500-kV line to deliver 1,800 MW of geothermal power from the Salton Sea at a cost of \$800 million;
- Construction of the Central California Clean Energy Transmission Project, which would connect 1,250 MW wind power at a cost of \$1.6 billion;
- Converting the Pisgah-Lugo 230-kV lines to a 500-kV double-circuit tower line or adding a 500-kV DC line and adding a new fourth Lugo-Rancho Vista (or Mira Loma) 500-kV line to deliver 1,200 MW of solar power at a cost of \$1.6 billion; and
- Construction of a new 500-kV line to Kramer Junction and Lugo Substation to connect 1,200 MW of wind power at a cost of \$650 million.

The report says that if the state’s transmission operators aren’t interested in paying for the needed expansions, that Cal-ISO will look to “third parties to fill the gaps.”

The report also briefly mentions transmission projects in other Western states and Canada that could replace the need for some of the suggested transmission routes.

“It’s a recognition that none of these things happen in a vacuum,” Fishman said. — *Pam Radtke Russell*

## Environmental group reverses on Puget deal

An environmental group that last month had panned the proposed \$7.4 billion take over of Puget Sound Energy by an international consortium of investors said Thursday it supported a just-signed settlement because Puget and its buyers agreed to mitigate their concerns.

“Our primary concern was whether the buyers would retain Puget’s leadership in acquiring renewables, in energy efficiency and programs for low income customers,” said Danielle Dixon, senior policy advisor for the Northwest Energy Coalition that promotes renewables and conservation.

Puget on Wednesday filed with the Washington Utilities and Transportation Commission details of the settlement as agreed by six stakeholders. “We felt the settlement agreement addresses those issues.”

In testimony in June, the coalition said that Puget’s

commitments “are deficient as written due to their lack of specificity, measurability and accountability. Rather than benefiting Puget’s customers the commitments may represent a public harm.”

Foremost, the coalition wanted Puget to go beyond its original commitment to meet Washington’s renewable standard law that it made when the take over was announced last October, said Dixon. The law requires large utilities to have 3% of their resources from renewables by 2012, 9% by 2016 and 15% by 2020.

“Puget’s personal goal has been to acquire 10% by 2013 and we wanted the buyers to commit to this internal target so that Puget would not back away from its goal,” Dixon noted. Puget also gave a commitment to retain or sell renewable energy credits that are surplus to the utility’s need to meet renewable standard targets.

The group also won commitments for energy efficiency. Puget said it would identify efficiencies it could make in its generation and transmission system, said Dixon. The utility also said it would increase funds from \$5 million to \$15 million annually for billing assistance for low-income customers and for weatherization. The group will file testimony in support of the settlement in hearings this summer.

In other settlement concessions, Puget and the buyers said they would provide an additional \$200 million in equity to reduce debt levels. In October, the consortium said it would pay \$30/share for 117 million shares outstanding totaling \$3.1 billion, assume existing debt of \$2.6 billion, and \$1.6 billion of newly issued debt. Puget would become a private entity and no longer publicly traded.

The settlement document now says the consortium has agreed to provide \$3.4 billion in shareholder capital, \$1.4 billion of newly issued debt and assume \$2.6 billion of existing debt.

The settlement also prohibits Puget from paying dividends to the buyers if it does not meet specified financial targets, a suggestion proposed by the Industrial Customers of Northwest Utilities that participated in the settlement. Others in the pact are Northwest Industrial Gas Users, the Energy Project, the Northwest Energy Coalition and Kroger. In June, the buyers upped from \$12 million to \$100 a rate credit for electric and gas consumers spread over 10 years, a factor that contributed to the settlement.

Simon fitch, consumer counsel for the state attorney general’s office, said in an interview he had been an active participant in the settlement discussions but would not sign on to the agreement because he was concerned that ratepayers “would face too much debt.” He will provide testimony before the Washington Utilities and Transportation Commission in hearings that begin next week.

The WUTC can approve the settlement, approve with conditions or reject it. If the WUTC rejects all or any material portion of the settlement or adds additional material conditions, participants can drop out – and this action will void the settlement, said the filing.

The buyers are Macquarie Infrastructure Partners, the

Canada Pension Plan Investment Board, British Columbia Investment Management, Alberta Investment Management, Macquarie-FSS Infrastructure Trust and Macquarie Capital Group. — *Harriet King*

## Groups see Maine law as clout over GHG leakage

A new state law opens the door for Maine to exert clout over possible international greenhouse gas leakage, a concern if New England buys more power from Canada, say environmentalists.

The Maine Public Utilities Commission recently opened an investigation into how to comply with the law, which requires it take into account greenhouse gas emissions when utilities sign long-term supply deals. The law also mandates that regulators look at what happens to emission levels in Maine’s new fast-track energy permitting zones, set up to encourage new power plants, transmission or natural gas pipelines.

Demand-hungry New England has been increasingly looking to New Brunswick as a possible source of generation, particularly green energy, expected to be in short supply as the region ramps up renewable portfolio standards.

Michael Stoddard, a deputy director with Environment Northeast, said in an interview Thursday that even if New England buys only green energy from Canada, carbon dioxide leakage could occur.

Leakage refers to the problem of emissions increasing in one place as a result of being restricted in another. For example, a concern is that Canada might sell renewables into New England and then increase use of its coal-fired generation to make up for the loss of green energy. This could negate emissions reductions Maine achieves under the Regional Greenhouse Gas Initiative, Stoddard said.

But Maine’s new law, and its position on the international border, put it in the unique position, he said. It now has “some strings” to control international greenhouse gas leakage.

Environment Northeast has proposed that Maine regulators tie greenhouse gas restrictions into power purchase contracts between Maine utilities and Canadian suppliers. That is, Maine would require that New Brunswick achieve certain carbon reduction goals as a condition of the contracts. The approach could be precedent setting for other states that have yet to face the problem of cross nation leakage, Stoddard said.

“The local system operator [New Brunswick] where the power comes from is going to have to make up for lost electricity. It is very possible they will increase production from a local, dirty plant to make up the difference,” he said. “The way to really be sure you are not defeating the purpose of the carbon regulations is to say that the power you import will be from a place that is either participating in RGGI or participating in something comparable to RGGI.”

If New Brunswick resists either of those ideas, Maine could instead require that its utilities purchase and permanently retire one carbon dioxide allowance for every ton of the associated carbon dioxide emissions created as a result of New Brunswick contracts, he said.

The plan would be dependent on Maine following through

on signing long-term supply deals. The restructured state now secures power under short-term contracts, but has the legal option to move into long-term deals.

Environment Northeast and Maine Audubon also are evoking the new law to encourage different thinking about greenhouse gas emissions and land use for new projects in the state's fast-track energy zones. Energy facilities in the zones are allowed to secure their environmental permits through an expedited process.

Environment Northeast has proposed that regulators take into account the emissions ramifications of disturbing vegetation plowed down for construction of transmission or other energy facilities in the zones. Several major transmission projects are under discussion that would carry power southward from Canada and Maine into demand-heavy southern New England.

Environment Northeast recently won backing of the idea from Maine land use regulators when it challenged the effect of a resort development on greenhouse gases because of loss of forest.

Meanwhile, Maine Audubon called for creation of a wildlife habitat protection review standard for transmission lines delivering electricity from Canada into Maine. Since Maine cannot direct Canada to adopt particular environmental standards, the group said the state should require that Canada assume the standards as a condition of long-term supply deals or before Maine agrees to new transmission connections with Canada. — *Lisa Wood*

## Report suggest Alaska create power authority

In a move that could lead to major cost savings, six Alaska utilities should join together to form a state power authority that would oversee regional generation and transmission operations, according to a draft report released Wednesday.

Under the proposal, the utilities — Anchorage Municipal Light & Power, Golden Valley Electric Association, Matanuska Electric Association, Chugach Electric Association, Homer Electric Association and the Seward Electric System — would become distribution utilities. The utilities have a total peak load of about 1,100 MW.

The six utilities in the Railbelt region, which runs from Fairbanks to the Kenai Peninsula south of Anchorage, face growing loads while about half their generating capacity is scheduled to be retired in the next 15 years.

The Railbelt Electrical Grid Authority study was developed with comment from key stakeholders by Black & Veatch at the direction of the Legislature. The Alaska Energy Authority is taking comments on the report until August 20.

The Railbelt region is at a "crossroads" with its six utilities needing to spend roughly \$5.8 billion over the next 30 years on a mix of new generation, the report estimates. Forming a state power authority would allow the utilities to issue tax-exempt bonds and also possibly receive state funding for the expansion needs, the report said.

The proposed state power authority would provide

independent, coordinated operation of the Railbelt electric transmission system as well as economic dispatch of the Railbelt region's generation facilities, the report said. It would be responsible for regional planning and joint development of new facilities. The Railbelt utilities would continue to own their existing assets under the plan.

"Taking a regional approach to economic dispatch, integrated resource planning, and project development will unquestionably lead to better results than the current situation of six individual decisions working separately to meet the needs of their residential and commercial customers, provided that the regional entity has the appropriate governance structure, and financial and technical expertise," the study said.

Matanuska last year proposed forming a region-wide generation and transmission cooperative that would own and manage the system. One possible sticking point is Matanuska's desire that any new entity be overseen by the Regulatory Commission of Alaska, according to utility spokeswoman Lorali Carter. Under the plan, the RCA would not oversee the state power authority.

The Railbelt utilities need to decide quickly on what to do. "Delay will only make the challenges greater and, if the regional entity is not formed now, decisions will need to be made by individual utilities and these decisions will not result in optimal results from a regional perspective," the study said. If the utilities decide to move ahead, legislative action will be needed to implement needed legal changes. — *Ethan Howland*

## Calif. dependence on gas for power a concern

With natural gas providing 41.5% of the electricity California produces in-state, attendees at the California Manufacturers & Technology Association's 2008 Energy Conference were reminded on Thursday of how volatility in the gas markets is going to impact the price of electricity.

As soon as January, Pacific Gas and Electric foresees an 11% increase in electricity rates, based on the current price of gas, according to a presentation by PG&E Senior Vice President Tom Bortorff.

"When the price of natural gas goes up, so does the price of electricity," explained Jeff Byron, a California Energy Commission commissioner, in an overview to lead off panel discussions Thursday morning at the CMTA in South Lake Tahoe, Nevada. His "Energy Outlook for 2008" did leave room for "some optimism for the price of natural gas in the next four to five years," he said, even though the current price seem to be staying high.

Bortorff said that for every \$1 increase in the price of natural gas, PG&E sees electric rates rise about 2%. He said current rates assume that gas is \$7.80/MMBtu; the current price is about \$11.60.

Several other speakers talked about energy efficiency, demand response and renewables, but during question-and-answer periods, attendees returned to the question of gas prices. One attendee expressed concern that California is so dependent on natural gas for electricity generation, pointing out that

“everyone else” is looking at nuclear generation. Byron’s response was that the state will not be able to look at the nuclear alternative unless the state law barring new nuclear plants is repealed.

Another attendee was concerned about how the price of gas has thrown off projections made by the California Public Utility Commission several years ago, impacting companies’ bottom lines because they based their planning on those projections that are not playing out.

Byron said natural gas “is no longer a continental phenomenon, it’s an international phenomenon,” resulting in tight demand. He said that even with alternatives to fossil fuels being introduced into the fuel mix to reach renewables goals, California “still will have to build a lot of power plants.” He said it will be a difficult process to get the Legislature to understand this concept.

“It bothers me that we are setting policy with little regard for how it affects prices for the consumer.” — *Amy Fickling*

## First Solar building 10-MW plant for Sempra

Tempe, Arizona-based First Solar on Thursday said it is building a 10-MW photovoltaic power plant for Sempra Generation near Boulder City, Nevada, about 40 miles southeast of Las Vegas.

It will be Sempra’s first solar energy project and when operational will be the largest operational thin-film, solar-power project in North America, the company said.

First Solar said it will design, engineer and build the turnkey PV power plant on 80 acres and will provide monitoring and maintenance services over the project’s lifetime. Financial details were not released.

The company said it began work on the project earlier this month and expects to complete the facility by the end of 2008.

The 10-MW PV plant will be next to Sempra Generation’s existing El Dorado 480-MW natural gas plant, allowing the new installation to take advantage of existing interconnection and transmission infrastructure.

Additional expansion phases of the project are under consideration and Sempra Generation is in the process of enlisting potential customers for the project’s power. — *Staff Report*

## Dominion will continue to operate Mass. plant

Dominion on Thursday said it plans to continue to operate a 745-MW coal- and oil-fired power plant it owns near Salem, Massachusetts, adding that it believes it can economically meet new state and regional emissions restrictions scheduled to take effect in the next several years.

The Richmond, Virginia-based company acquired the Salem Harbor power plant in 2005. Shortly after it completed the purchase, the company signed a consent order with the Massachusetts Department of Environmental Protection and other parties that set strict environmental limits for the plant’s emissions of sulfur dioxide, nitrogen oxide and mercury.

At that time, Dominion said it would announce in the

summer of 2008 its future plans for the station.

“Salem Harbor has demonstrated that it is a viable, reliable and an environmentally sound resource for meeting the growing electricity demands of the Boston area,” Dominion Generation President and CEO Mark McGettrick said in a statement. “We are confident that we can economically meet the requirements of tough, new Massachusetts and regional environmental laws that will take affect in the next few years.”

McGettrick added that since the state imposed new air rules, the plant has cut its SO<sub>2</sub> emissions by 79%, NO<sub>x</sub> emissions by 77% and mercury emissions by 85%. The company said that it reduced emissions by, among other things, switching to lower sulfur coal and fuel oil.

The company said it plans to test other measures that will allow the units to cut mercury emissions 95% starting in October 2012.

Dominion added that it will participate in the Regional Greenhouse Gas Initiative auctions that start in September as part of its plan to comply with RGGI regulations that begin January 1, 2009. — *Staff Report*

## Iberdrola H1 net profit up 78% to \$3.086 billion

Iberdrola, the Spanish power utility that owns Pittsburgh-based energy services group Energy East, posted profit of Eur1.959 billion (\$3.086 billion) for the first half of the year, Iberdrola said Thursday. This was up 78% compared with the first half of 2007, Iberdrola said.

Earnings before interest, taxation, depreciation and amortization stood at Eur3.280 billion, up 36.5% compared with the 2007 period, of which 60% came from its 80%-owned renewables business, Iberdrola Renovables, which reported first half earnings of Eur194.2 million late Wednesday, and its international business.

This includes Eur898 million from UK subsidiary Scottish Power, which accounted for 27% of the total. Meanwhile its traditional Spanish business accounted for 36% of total EBITDA income.

Net operating profit for the first half stood at Eur2.367 billion, up 39.4% year-on-year and earnings per share were up 78% at Eur0.39, the company said.

Higher profits came on the back of higher revenue. Turnover rose 79% to 12.021 billion, buoyed by higher fuel prices and by the phase-out in Spain of the regulated industrial tariff, which had accounted for 50% of Iberdrola’s total sales there, the company said. The regulated tariff meant customers had been able to buy power below market prices with Iberdrola and rival Spanish utilities eventually compensated by the Spanish government for the difference.

The company said it had signed 18,000 new contracts with industrial users with a combined consumption of 10,000 GWh over the period.

Higher sales in turn came partly from higher power output, which rose 27% to 69.158 TWh, of which more than half was generated outside Spain for the first time in Iberdrola’s history, it said. Its installed capacity stood at 40.822 GW at June 30,

2008, up 3.7% year-on-year.

"The key to growth has been continual efficiency gains thanks to growing basic margins, which rose 42.8% to Eur5.138 billion, much higher than net operating costs which rose 39.6% to Eur1.489 billion," Iberdrola said.

"As a result both of our investments and continual efficiencies, the company expects to double its results, with profits set to exceed Eur3.5 billion in 2010, more than double the Eur1.660 billion achieved in 2006. The main catalysts for that growth will be Iberdrola Renovables, and the consolidation of Scottish Power and (US utility) Energy East," Iberdrola said. — *Paul Whitehead*

## Indiana OKs wind purchase ... from page 1

strategy that anticipates such regulation will be enacted by Congress. Coal currently accounts for most of Nipsco's approximately 3,000 MW of generating capacity.

The wind power purchase agreements are identical except with respect to pricing and duration. The Buffalo Ridge transaction provides for a fixed price over a 15-year term while the Barton PPA has an escalating price over its 20-year period.

There was unusually strong opposition to the PPAs from the Indiana Office of Utility Consumer Counselor and the Nipsco Industrial Group.

Barbara Smith, a utility analyst for the OUCC, said that while the consumer agency is not against wind power, in this case, the transmission to carry the wind energy from either South Dakota or Iowa to northern Indiana is "not robust," and, therefore, subject to considerable uncertainty.

Smith said the OUCC was concerned about the potential for increasing transmission congestion and related costs in the area where the two wind farms are located. That is because the Midwest Independent Transmission System Operator, a regional transmission organization based in Carmel, Indiana, listed active projects totaling nearly 22,000 MW of wind generation while only 1,900 MW of outlet transmission capacity is planned for the region.

Smith asserted that while future congestion costs to bring South Dakota and Iowa wind to Indiana are not known, congestion will continue to worsen over the next seven years.

While sharing concerns about transmission costs, the industrial group said its opposition also stemmed partly from Nipsco's failure to show the PPAs represent the least-cost option for either wind power or power in general.

In siding with the utility, the IURC noted that Nipsco will not physically deliver the wind energy to its service territory. Rather, the utility will take delivery of the wind energy at metering points specified for the two projects, sell the energy at the MISO node serving the wind farms for the prevailing locational marginal price and "settle" the sale price for the wind energy sold into MISO against the price paid for the wind power.

"As a result of this structure, the differential between the LMP at Nipsco's load and the node where the wind energy is

sold represents a potential cost or benefit to customers."

Electricity, continued the commission, is "fungible . . . Nipsco will sell the wind power into the Midwest ISO market and the nodes serving Barton and Buffalo Grove, and will purchase energy from the Midwest ISO to serve its retail customers. The electrons from the energy Nipsco sells in Iowa and South Dakota will not be the same electrons Nipsco purchases in Indiana."

Nipsco spokesman Nick Meyer said the company was "pleased with the response from the IURC. It's still within our plan to incorporate more renewable sources of energy within our portfolio." OUCC officials did not return calls by press time seeking comment on the order. — *Bob Matyi*

## Slowdown hits DPL earnings ... from page 1

impact on earnings in the April-June period. Last year's warmer weather was more ideal for electric sales.

Barbas, saying he did not want to paint too gloomy a picture, noted that activity is picking up at the sprawling Wright-Patterson Air Force Base near Dayton, somewhat offsetting the industrial downturn.

During the latest quarter, DP&L total electric sales were 3.961 million MWh, down from 4.189 million MWh a year earlier. Industrial sales showed the biggest drop, coming in at 996,000 MWh compared with 1.117 million MWh in the second quarter of 2007. Residential sales also decreased to 1.089 million MWh from 1.133 million MWh a year ago.

DPL still expects fiscal 2008 earnings of \$2 to \$2.20 per share, Barbas said, with the outlook for 2009 remaining at \$2.10 to \$2.40 per share.

During the quarter DPL reached a "significant milestone" by completing a five-year, \$600 million scrubber installation program at the 2,340-MW Stuart and 600-MW Killen coal-fired power plants at Aberdeen, Ohio, and Wrightsville, Ohio, respectively. Both baseload plants are jointly owned with other utilities, with DPL's ownership amounting to 820 MW at Stuart and 402 MW at Killen. Barbas said the installation of five scrubbers at the two plants, a move that allows DP&L to burn an increased blend of less expensive, high-sulfur coal, represented the largest environmental investment in the company's history.

In the next few months, DP&L intends to file an "electric security plan" with the Public Utilities Commission under the state's new comprehensive energy law passed earlier this year. Utilities must submit an ESP, essentially a regulated approach, and can file a market-rate option as well.

DP&L is the only Ohio utility with a rate stabilization plan in place through 2010. "Our rates remain intact through 2010 . . . we believe this gives us time and flexibility," Barbas said.

"We're evaluating . . . filing for [monthly bill] riders that would help us comply with some of the new regulations around efficiency and renewables and any other infrastructure investments," he added. — *Bob Matyi*

## New Mexico, Air Force team ... from page 1

Alamogordo and New Mexico will pursue a project to supply solar power to Holloman Air Force Base near Alamogordo.

Separately, the Air Force, the Southwest Biomass Cooperative, Clovis and New Mexico will consider building a biomass plant that would use dairy waste as a fuel source. It may consist of a cogeneration project to generate electricity, and a biomethane pipeline-quality gas project, Richardson said.

Also, the Air Force, Albuquerque and New Mexico announced the Air Force's intention to pursue green power purchasing at its facilities in New Mexico. Two possibilities include piggybacking on a solicitation by a group of utilities for a large-scale thermal solar project and exploring a thin film solar photovoltaic project as a means of supplying state and city power needs, according to the governor.

Finally, the Air Force, Clovis and New Mexico will pursue a wind project.

If the four projects reach completion, they will require about \$600 million to \$800 million in capital investment, Richardson said. Project details will be worked out over the next few months, Cottrell said. The projects would probably be privately financed, but the state may make capital outlays and provide a package of tax incentives for the projects, she said.

The projects are part of a broader policy effort by Richardson to encourage renewable development in New Mexico, Cottrell said. The state offers a renewable energy production tax credit, requires utilities to have 20% of their sales come from renewables by 2020 and has created a state agency to help develop transmission capacity to export renewables to the West, she noted.

At this stage, it is unclear to what extent developers will benefit from the agreements, said Michael Moretz, the chief operating officer for Infinite Energy Resources, based in Fredericksburg, Virginia.

The projects would likely be on Air Force land so developers with projects in other parts of the state may not benefit from the agreements, said Michael Moretz, the COO for Infinite Energy Resources, based in Fredericksburg, Virginia.

Infinite is not directly involved in the Air Force initiative but is developing several wind projects in New Mexico and is considering solar projects as well, Moretz said. The developer has options on about 80,000 acres with the potential for about 1,500 MW of wind capacity, he said. It is in the process of tying up another 30,000 acres, he said.

Infinite is in talks with potential equity and strategic partners for its 300-MW Arabella Wind project near Santa Rosa, New Mexico, Moretz said. The developer plans to bring 75 MW online in 2010, followed by 225 MW later. Infinite is considering adding a solar component to the second phase, he said. The developer plans to respond to the solicitation by a group of utilities led by Public Service Co. of New Mexico for a large-scale thermal solar plant, he said.

The Arabella project would interconnect at the Four Corners hub, which would allow power to be sold on a merchant basis, Moretz said. The company's other projects will largely hinge on the development of major transmission projects like SunZia, which would run from New Mexico to Arizona, and the High

Plains Express project, which would run out of Wyoming, across Colorado and into New Mexico, he said.

New Mexico is providing strong backing to renewable developers through the state's RPS and the Renewable Energy Transmission Authority, which is helping develop power lines in the state, Moretz said. — *Ethan Howland*

## RGGI prepares for bidding ... from page 1

about the new materials, which elaborate on preliminary documents released July 11.

The September 25 auction will offer 12,565,387 carbon allowances, covering 6 of the 10 Northeast and Mid-Atlantic states under the RGGI program, which begins its compliance period January 1. Those included are the relatively small states of Connecticut, Maine, Maryland, Massachusetts, Rhode Island and Vermont.

The RGGI program's annual budget totals 188 million allowances, with the largest emitting states such as New York (64,310,805 allowances) and New Jersey (22,892,730 allowances) offering their shares in future auctions. The next quarterly auction is scheduled for December.

Allowances will be offered in lots of 1,000 CO2 allowances with a 25% limitation on the maximum allowances that can be bid for, totaling 3,141,346 allowances. One allowance represents one short ton.

With intent to bid submissions due by August 8, the first auction results will be released on September 29. RGGI also Thursday unveiled a CO2 Allowance Tracking System where awarded allowances will be transferred. RGGI's website is now hosting general accounts for the first auction with plans to have compliance accounts in the future.

To date, RGGI allowance futures have not yet traded on a daily basis although deals done have increased over the past few months in anticipation of the first auction.

The first auction will only offer allowances for December 2009 delivery rather than allowances to meet future compliance periods. This limitation on allowances has caused market watchers to expect that compliance buyers may not enter the market en masse until the second quarterly auction in December or after when buying future years is allowed.

This lack of potential auction interest in 2008 was not supported on Thursday's informational call between RGGI officials and those interested in details about the first auction. The call was so well-attended that it crashed the phone system for a period.

On the call, Peter Iwanowicz, New York's RGGI representative, said that the states expect "a strong response" to the first auction and RGGI's decision to delay the event by one week earlier this month "reflected that level of interest" as well as a desire to provide bidders enough time to get familiar with the auction documents.

At least one compliance buyer will be in the first auction. Dominion said that it plans to buy RGGI allowances starting in the first auction to cover its three wholesale fossil-fuel units in New England, according to spokesman Dan Genest.

— *Christine Cordner*

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