

Electric Utility Week

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Pacific Northwest utilities launch five-state, five-year smart grid project to test and assess

Utilities throughout the Pacific Northwest will have a chance to determine just how smart smart-grid technologies are in a massive five-year, five-state test that is getting under way from Washington state to Wyoming.

The \$178 million Pacific Northwest Smart Grid Demonstration Project will involve 10 utilities and the Bonneville Power Administration and will be led by Battelle Memorial Institute, a non-profit group which manages the Department of Energy's Pacific Northwest National Laboratory and five other DOE labs. The project cost will be split between DOE and the project's participants.

"It's really the start of determining how the grid can manage itself," said Curt Kirkeby, principal investigator for Avista, the utility with the largest participation in the project.

Each utility will test different smart grid technologies, including in-home smart meters, fault detectors and distribution-management systems. And in Richland, Washington, operators in an electricity operations center managed by Battelle will control the distribution of electricity throughout the utility. *(continued on page 32)*

Ercot interests eye grid's 'winner, losers' in transmission-versus-generation debate

At the Electric Reliability Council of Texas, a debate is brewing over the use of transmission, which some say results in picking economic "winners and losers" and moving away from a competitive market toward a more regulated market.

At issue is a 345-kV transmission project linking Fayetteville, Texas, where the Lower Colorado River Authority has a 615-MW coal-fired plant, to the western side of the Houston metro area, a distance of about 60 miles.

If Houston, the nation's sixth-largest metro area and Texas' second largest, cannot get more electricity by 2014, power will be significantly more expensive in Houston than in the rest of Ercot's footprint, according to an analysis presented by Dan Woodfin, Ercot system planning director, at the grid organization's board meeting last week.

If the Fayetteville-Houston project is built, the difference between Houston-area electricity prices and those of the rest of the state will be smaller, with no higher prices in almost all of the rest of the Ercot region, the analysis shows.

In the past, Ercot has endorsed high-voltage transmission projects if they not only benefitted consumers, but also col- *(continued on page 32)*

New England's sluggish pace of building renewables may lead to surge in REC prices

Today's feast of cheap renewable energy certificates in New England may turn to famine in just a few years because of the region's slow progress in building new plants and its growing appetite for green energy.

Several regulatory and utility sources said REC prices have fallen because of an influx of New York RECs. But the supply is not expected to meet demand after 2012 because of the glacial pace of developing large projects in New England.

New England's ability to meet its RPS carries national significance. The region's political leaders oppose proposals to build transmission that pushes wind power from the Midwest eastward. Instead, they want New England to build its own renewable energy to attract manufacturers and green jobs.

But critics point out that the region's dense population and NIMBY tendencies have allowed few large-scale projects to move forward so far, and they see change afoot that could make it tougher. At the same time, states are ramping up the percentage of RECs utilities must secure each year, with end goals of 15%, 20% or even more in the next decade. *(continued on page 31)*

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Association and the National Association of Regulatory Utility Commissioners, in separate statements, said they would work with Congress to affirm states' authority to implement feed-in tariffs.

— Jason Fordney

ENVIRONMENT

Economists' report argues for big rebates as way to quell carbon-price impact worries

A national carbon dioxide control law appears unlikely to get past strong Senate opposition this year, but authors of a study released last week believe they have a strategy that could win opponents over.

The key ingredient to success is returning most of the revenue generated from selling CO₂ emission allowances back to the people, the report says.

"The fate of US climate policy may depend on its success in addressing the fears that it will cause economic harm," wrote Elizabeth Stanton and Frank Ackerman, two economists with the Stockholm Environment Institute-US Center and the authors of the report, titled, "Emission Reduction, Interstate Equity, and the Price of Carbon." It was released by Economics for Equity and the Environment.

A government rebate would offset higher electricity bills and gasoline prices, silencing critics' economic concerns. Otherwise, without a rebate, the impact will be felt the most by poorer people.

Sending 85% of revenue to individuals on a *per capita* basis would mean that four out of five households, including everyone with an income lower than the national average, would actually come out ahead, the study concludes. These households would receive slightly more money in the forms of rebates than they would spend on higher energy bills.

None of the three climate change bills containing a CO₂ cap-and-trade program put forth during the current session of Congress would have returned as much money back to consumers.

For example, under a draft bill sponsored by Senators John Kerry and Joseph Lieberman, rebates would not kick in until 2026, some 13 years after the emissions cap begins, and would reach 58% of revenue between 2035 and 2050.

"You're trying to balance two goals," Stanton said. "You want to be both equitable and effective. Returning most of the revenue to the people is a way of not being afraid of high carbon prices."

Indeed, a carbon price of at least \$75 per metric ton would be required to achieve the desired environmental outcome, according to the report. That is roughly twice as much as the levels proposed in recent pieces of legislation. Each of those bills would place a price ceiling on CO₂ allowances of between \$32 and \$41 in 2020.

The logic goes that the higher the price for carbon, the greater the incentive to reduce greenhouse gas emissions. So what then happens when polluters can pass on the costs to consumers who

are later fully reimbursed? Individuals will still consume less energy because of higher electricity and gasoline prices, even though they know a rebate will eventually come in the mail, Stanton said. "Economic research shows that people react to prices."

For power generators, however, a carbon price alone will not make them switch to cleaner-burning fuels, she said. Government regulations, like mandatory renewable portfolio standards requiring that a certain percentage of electricity sold come from renewable sources, are also necessary.

— Geoffrey Craig

New Mexico rulemaking panel considers greenhouse gas plans opposed by utilities

A New Mexico rulemaking panel last week began the process of forming a greenhouse gas reduction plan, despite opposition from most of the state's utilities.

The Environmental Improvement Board is considering two GHG proposals, one from the New Mexico Environment Department and one from New Energy Economy, an advocacy group based in Santa Fe. Last week's hearings focused on the NEE proposal with hearings on the NMED plan slated to begin next month.

In late 2008, NEE and other groups asked the EIB to set rules to cut GHG emissions to 25% below 1990 levels by 2020.

The environmental department's proposed rules are designed to allow New Mexico to adopt emissions limits established by the Western Climate Initiative, which is seeking to set up a regional greenhouse gas cap-and-trade program. The initiative aims to cut GHG emissions by 15% below 2005 levels by 2020.

WCI, which includes 11 states and Canadian provinces, in late July released its cap-and-trade market design. However, only California, New Mexico, British Columbia, Ontario and Quebec are on course to join the cap-and-trade system in 2012. Several partner states such as Arizona and Utah do not plan to participate.

WCI has been controversial in New Mexico. In January, New Mexico utilities — El Paso Electric, the New Mexico Rural Electric Cooperative Association, PNM and Tri-State Generation and Transmission Association — three Republican state lawmakers and other groups sued to block the EIB from developing GHG emission rules. The rulemaking process was put on hold while the courts considered the suit. In June, the New Mexico Supreme Court rejected the suit and said that the process could move ahead.

The utilities and others argue that a state-only or regional cap-and-trade program would put New Mexico at a disadvantage compared with states that do not try to reduce carbon emissions.

First, the EIB is considering the NEE proposal, which would require New Mexico sources to cut their emissions by 3% a year. PNM supports federal GHG legislation, but it opposes the NEE plan, according to pre-hearing testimony filed with the board. Groups like NEE also support federal climate legislation but believe state action is needed, in part because Congress has failed to pass a climate bill. NEE proposes that its plan would