

1       BEFORE THE FEDERAL ENERGY REGULATORY COMMISSION

2                   1016th Commission Meeting

3                               Thursday, May 14, 2015

4                               Washington, DC

5                               Hearing Room 2C

6                               888 First Street N.E.

7                               Washington, DC 20426

8       The Commission met in open session, pursuant

9 to notice, at 10:00 a.m., when were present:

10 COMMISSIONERS:

11       NORMAN C. BAY, Chairman

12       TONY CLARK, Commissioner

13       COLETTE D. HONORABLE, Commissioner

14       CHERYL A. LAFLEUR, Commissioner

15       PHILLIP D. MOLLER, Commissioner

16 FERC STAFF:

17       KIMBERLY D. BOSE, Secretary

18       MICHAEL BARDEE, Director, OER

19       JOE MCCLELLAND, Director, OEIS

20       ANN MILES, Director, OEP

21       DAVID MORENOFF, General Counsel

22       LARRY PARKINSON, Director, OE

23       ARNOLD QUINN, Director, OEPI

24       JAMIE SIMLER, Director, OEMR

25

1 Discussion Items:

2 E-1 Concerning the Reliability Standard for  
3 Transmission System Planned Performance  
4 for Geomagnetic Disturbance Events  
5 Docket No. RM15-11-000

6 PRESENTER:

7 Matthew Vlissides, OE

8 Accompanied by:

9 Regis Binder, OER

10 E-2 Concerning ISO-NE Order No. 1000  
11 Interregional Compliance Filings  
12 Docket No. ER13-1957-000, et al.

13 PRESENTERS:

14 James Eason, OEMR

15 Becca Polisuk, OE

16 A-3 Concerning 2015 Summer Market and  
17 Reliability Assessment  
18 Docket No. AD06-3-000  
19 (Power Point Presentation)

20 PRESENTERS:

21 Lance Hinrichs, OE

22 Louise Nutter, OER

23 Omar Cabrales, OE

24 Court Reporter: Kim M. Brantley, Ace-Federal  
25 Reporters, Inc.

1 P R O C E E D I N G S

2 (10:00 a.m.)

3 SECRETARY BOSE: The purpose of the  
4 Federal Energy Regulatory Commission's open  
5 meeting is for the Commission to consider matters  
6 that have been duly posted in accordance with the  
7 government and the Sunshine Act.

8 Members of the public are invited to  
9 observe, which includes attending, listening and  
10 taking notes, but does not include participating  
11 in the meeting or addressing the Commission.

12 Actions that purposely interfere or  
13 attempt to interfere with the commencement or  
14 conducting of the meeting or inhibit the  
15 audience's ability to observe or listen to the  
16 meeting, including attempts by the audience  
17 members to address the Commission while the  
18 meeting is in progress, are not permitted.

19 Any persons engaging in such behavior  
20 will be asked to leave the building. Anyone who  
21 refuses to leave voluntarily will be escorted from  
22 the building.

23 Additionally, documents presented to  
24 the Chairman, Commissioners or Staff during the  
25 meeting will not become part of the official

1 record of any Commission proceeding, nor will they  
2 require further action by the Commission.

3           If you wish to comment on an ongoing  
4 proceeding before the Commission, please visit our  
5 website for more information.

6           Thank you for your cooperation.

7           CHAIRMAN BAY: Good morning, everybody.  
8 This is the time and place that has been noticed  
9 for the open meeting in the Federal Energy  
10 Regulatory Commission to consider the matters that  
11 have been duly posted in accordance with the  
12 government and the Sunshine Act.

13           Please join us in the Pledge of  
14 Allegiance.

15           (Pledge of Allegiance recited.)

16           (Interruption from the audience.)

17           CHAIRMAN BAY: Since the April meeting  
18 the Commission has had a very busy month. We've  
19 issued fifty-nine locational orders since the  
20 April meeting.

21           Colleagues, do you have any opening  
22 statements or announcements?

23           COMMISSIONER HONORABLE: Mr. Chairman,  
24 thank you. I would like to briefly acknowledge a  
25 member of my team that will be departing later

1 this month. Sakishia Simms is in my office on  
2 detail as a receptionist and she will graduate  
3 later this month with her Master's degree and will  
4 work in other areas here in FERC.

5 And so I just want to publically  
6 acknowledge her fine service to my office and to  
7 FERC at large. Thank you.

8 CHAIRMAN BAY: Madam Secretary, I think  
9 we're ready to go to the consent agenda.

10 SECRETARY BOSE: Good morning, Mr.  
11 Chairman. Good morning Commissioners.

12 Since the issuance of the Sunshine Act  
13 Notice on May 7th, 2015, no items have been struck  
14 from this morning's agenda.

15 Your consent agenda is as follows...

16 Electric items: E-3, E-4, E-5, E-6,  
17 E-7, E-8, E-9, E-10, E-12, E-13, E-14 and E-15.

18 Gas items: G-1.

19 Hydro items: H-2, H-3 and H-4.

20 Certificate items: C-1, C-2, C-3, C-5  
21 and C-6.

22 As required by law, Commissioner  
23 Honorable is not participating in consent item  
24 E-12.

25 We are now ready to take a vote in this

1 morning's consent agenda. The vote begins with  
2 Commissioner Honorable.

3 Commissioner Honorable: Thank you  
4 Madam Secretary. Noting my recusal on Item E-12,  
5 I vote aye.

6 SECRETARY BOSE: Commissioner Clark?

7 COMMISSIONER CLARK: I vote aye.

8 SECRETARY BOSE: Commissioner LaFleur?

9 COMMISSIONER LAFLEUR: I vote aye.

10 SECRETARY BOSE: Commissioner Moeller?

11 COMMISSIONER MOELLER: Aye.

12 SECRETARY BOSE: And Chairman Bay?

13 CHAIRMAN BAY: Aye.

14 SECRETARY BOSE: The first item for  
15 discussion and presentation this morning is Item  
16 E-1 concerning a draft Notice of Proposed  
17 Rulemaking on the Reliability Standard of  
18 Transmission Standard Plan Performance of  
19 Geomagnetic Disturbance Events.

20 There will be a presentation by Matthew  
21 Vlissides from the Office of the General Counsel.  
22 He is accompanied by Regis Binder from the Office  
23 of Electric Reliability.

24 MR. VLISSIDES: "Good morning, Chairman  
25 Bay and Commissioners.

1                   "Today we will provide a summary of  
2 Item E-1.

3                   "Agenda Item E-1 is a draft Notice of  
4 Proposed Rulemaking addressing Proposed  
5 Reliability Standard TPL-007-1 (Transmission  
6 System Planned Performance During Geomagnetic  
7 Disturbances), also referred to as the Second  
8 Stage GMD Reliability Standard. The North  
9 American Electric Reliability Corporation, NERC,  
10 developed and submitted the proposed Reliability  
11 Standard in response to Order No. 779. The draft  
12 Notice of Proposed Rulemaking proposes to approve  
13 the Second Stage GMD Reliability Standard,  
14 including the associated violation risk factors,  
15 violation severity levels, implementation plan and  
16 effective dates.

17                   "While proposing to approve the Second  
18 Stage GMD Reliability Standard, the draft Notice  
19 of Proposed Rulemaking, pursuant to the  
20 Commission's authority under section 215(d)(5) of  
21 the Federal Power Act, proposes to direct NERC to  
22 direct three reliability modifications to the  
23 Second Stage GMD Reliability Standard. First, the  
24 draft Notice of Proposed Rulemaking proposes to  
25 direct NERC to modify the 'benchmark GMD event'

1 definition forth in Attachment 1 of the  
2 Reliability Standard so the 'reference peak  
3 geoelectric field amplitude' component of the  
4 definition is not based solely on  
5 spatially-averaged data. Second the draft Notice  
6 of Proposed Rulemaking proposes to direct NERC to  
7 develop revisions to the proposed Reliability  
8 Standard to require installation of monitoring  
9 equipment (i.e. geomagnetically-induced current  
10 monitors and magnetometers) to the extent there  
11 are any gaps in existing magnetometer networks, to  
12 ensure a more complete set of data for planning  
13 and operational needs. Third, the draft Notice of  
14 Proposed Rulemaking proposes to direct NERC to  
15 develop revisions to the proposed Reliability  
16 Standard to establish specific deadlines for the  
17 development of corrective action plans.

18            "In addition to the three proposed  
19 directives, the draft Notice of Proposed  
20 Rulemaking proposes to direct NERC to study and  
21 submit informational filings addressing areas  
22 including spatial averaging, earth conductivity  
23 models, and how data from geomagnetically-induced  
24 current monitors and magnetometers can be made  
25 available to researchers. In the first

1 informational filing, which would be due six  
2 months following the effective date of a final  
3 rule in this proceeding, NERC would submit a work  
4 plan that includes a schedule for conducting the  
5 directed research and for submitting one or more  
6 informational filings that apprise the Commission  
7 of the results of the four additional study areas,  
8 as well as any other relevant developments of GMD  
9 research. In the submissions, NERC would also  
10 assess whether the Second Stage GMD Reliability  
11 Standard remains valid in light of new information  
12 or whether revisions are appropriate.

13 "The draft Notice of Proposed  
14 Rulemaking seeks comment on these proposals and  
15 other issues. Comments are due 60 days after  
16 publication of the Notice of Proposed Rulemaking  
17 in the Federal Register.

18 "This concludes our presentation. We  
19 are happy to take any questions you may have."

20 CHAIRMAN BAY: All right, thanks to the  
21 team for their hard work on this NOFER. GMD is  
22 obviously an important issue because it deals with  
23 the proverbial "Black Swan" event: Low  
24 probability but high-impact event.

25 Developing this phase two standard is a

1 step in the right direction because it requires an  
2 assessment by transmission owners and operators of  
3 the impact of a benchmark GMD event as well as  
4 mitigation of any potential impact.

5           But we recognize that this is a NOFER  
6 and we welcome comments to the proposed rule. We  
7 recognize that, among other things, that there may  
8 be questions regarding NERC's use of spatial  
9 averaging as well as the collection of GIC  
10 monitoring and magnetometer data and the latitude  
11 and all scaling factors.

12           So we have united comments on a number  
13 of issues and look forward to working with NERC,  
14 industry and other stakeholders as we work to  
15 finalize this important rulemaking.

16           Colleagues?

17           COMMISSIONER LAFLEUR: Thank you,  
18 Chairman Bay. I too would like to thank Matt  
19 Regis and the rest of the team for your excellent  
20 work on this issue, which is one I care about a  
21 great deal.

22           I also appreciate the work of NERC and  
23 all the industry volunteers on the Standards  
24 Development Team in formulating the proposal on  
25 which we act today.

1           I know that was difficult work because  
2 we are working on a reliability thread that's not  
3 fully understood and as to objectionable data are  
4 not readily and consistently available, but that  
5 doesn't lessen the need for action.

6           I think the geomagnetic disturbance  
7 storms, as the chairman said, are exactly the kind  
8 of high-impact, low-frequency threat that we  
9 should address and the kind of thing that requires  
10 collective rather than individual actions. So it  
11 requires mandatory government action.

12           I strongly agree with the requirements  
13 of the NOFER asking for more information and more  
14 work on various aspects of the standard to make  
15 sure that it does the job it was intended to do to  
16 protect the bulk electric system from cascading  
17 outages or uncontrolled separation.

18           I agree with the questions with respect  
19 to the use of spatial averaging in setting a  
20 benchmark event, because if you don't get the  
21 benchmark right you're not protecting against the  
22 right thing; the installation of monitoring  
23 equipment, which is more widely available in other  
24 parts of the world than in the United States, and  
25 that should not be the case, and the proposed

1 timeline for required action.

2 I hope we receive a wide range of  
3 comments that will spur further productive work.

4 Just one more thing to mention. I know  
5 this is mentioned in the order in the discussion  
6 of mitigation strategies, but I strongly encourage  
7 the development of new standard specifications for  
8 high-voltage transformers as well as the increased  
9 use of sparing and supply chain strategies.

10 Those types of efforts will not just  
11 help the grid in its resilience to solar storms,  
12 but against other risks such as physical security,  
13 cyber threats and major storms of all types.

14 Our colleagues over at the Department  
15 of Energy, Pat Hoffman and her team, and Secretary  
16 Monice's team are doing a lot of work on  
17 high-voltage transformer security and strategies  
18 that could really help compliment these efforts.

19 So, thank you again and thank you for  
20 the opportunity to make a comment.

21 CHAIRMAN BAY: Thank you, Cheryl.

22 Tony...

23 COMMISSIONER CLARK: Thank you, Mr.  
24 Chairman, and thanks also to Commissioner LaFleur,  
25 who over the years has put a lot of time into this

1 issue in geomagnetic disturbances, and thank you  
2 for your work, as well, Cheryl.

3           A lot of what FERC deals with is very  
4 data driven and this is one of those issues that's  
5 perhaps even more so. So I'm very much looking  
6 forward to the comments that we receive back in  
7 this particular docket, because it will be very  
8 dependent on the data or the numbers to drive us  
9 towards sort of where the final rulemaking should  
10 go. I think it tees up a number of interesting  
11 questions and lots of things for commenters to  
12 deal with; understanding that this is one of these  
13 issues that is going to potentially effect  
14 different regions a little bit differently.

15           I just happened to return yesterday  
16 from Commissioner LaFleur's home region of New  
17 England where this has been of particular interest  
18 because of their northern latitudes and because of  
19 the soil type that they have in that particular  
20 region.

21           It's going to be perhaps a little bit  
22 different in other parts of the country, but  
23 nonetheless, very, very important and we look  
24 forward to proceeding with this docket. Thanks.

25           CHAIRMAN BAY: Thank you, Tony.

1 Colette...

2 COMMISSIONER HONORABLE: Thank you, Mr.  
3 Chairman. I certainly agree with the comments  
4 made before me and I'd like to thank the FERC team  
5 along with NERC and the other stakeholders for  
6 your work here.

7 Certainly we recognize that the  
8 scientific community's efforts are evolving here,  
9 but it doesn't lessen our mandate to treat this  
10 issue as we would any other disruption to our  
11 power system and more specifically to the grid.

12 So I too commend Commissioner LaFleur  
13 for your work over the years on this effort. I  
14 too have been very interested in resilience  
15 efforts and had the opportunity to participate in  
16 a resilience roundtable hosted by the National  
17 Academies of Sciences, and I know they along with  
18 a number of other stakeholders will be very  
19 interested in this in other space information, and  
20 I look forward more importantly to hearing the  
21 comments of the number of individuals who have  
22 been very focused on geomagnetic disturbances and  
23 spatial weather events, and also to treat this  
24 issue regarding spatial averaging. I'm  
25 particularly interested in that.

1           So, again, thank you.

2           SECRETARY BOSE: We're now ready to  
3 take a vote on this item. The vote begins with  
4 Commissioner Honorable.

5           COMMISSIONER HONORABLE: Aye.

6           SECRETARY BOSE: Commissioner Clark?

7           COMMISSIONER CLARK: Aye.

8           SECRETARY BOSE: Commissioner LaFleur?

9           COMMISSIONER LAFLEUR: Aye.

10          SECRETARY BOSE: Commissioner Moeller?

11          COMMISSIONER MOELLER: Aye.

12          SECRETARY BOSE: And Chairman Bay?

13          CHAIRMAN BAY: Aye.

14          SECRETARY BOSE: The next item, the  
15 presentation and discussion this morning is E-2  
16 concerning a draft order addressing certain ISO  
17 New England Order No. 1000 Interregional  
18 Compliance filings.

19                 There will be a presentation by James  
20 Eason from the Office of Energy Market  
21 Regulations; Rebecca Polisuk from the Office of  
22 the General Counsel.

23           MS. POLISUK: Good morning Chairman Bay  
24 and Commissioners.

25                 As you know, "Order 1000 established

1 interregional transmission coordination  
2 requirements that provide for the exchange of  
3 regional planning data and information between  
4 neighboring transmission planning regions;  
5 development of procedures to identify and jointly  
6 evaluate a proposed interregional transmission  
7 facility that may be more efficient or cost  
8 effective than transmission providers' OATT  
9 describing the interregional transmission  
10 coordination procedures for each pair of  
11 transmission planning regions. Order No. 1000  
12 also required that each public utility  
13 transmission provider in a transmission planning  
14 region have a common method or methods for  
15 allocating the costs of a new interregional  
16 transmission facility among the beneficiaries of  
17 that transmission facility in the two neighboring  
18 transmission planning regions in which the  
19 transmission facility is located. The Commission  
20 required that each public utility transmission  
21 provider's interregional cost allocation method or  
22 methods satisfy six interregional cost allocation  
23 principals. To be eligible for interregional cost  
24 allocation, an interregional transmission facility  
25 must be selected in the relevant transmission

1 planning regions' regional transmission plans for  
2 purposes of cost allocation.

3 "The draft order before you addresses  
4 the compliance filings of the public utility  
5 transmission providers located in ISO New England,  
6 New York ISO and PJM. For a summary of this order  
7 I'll turn to my colleague James Eason."

8 MR. EASON: "Northeast Interregional  
9 Compliance (E-2).

10 "Good morning, Chairman Bay and  
11 Commissioners.

12 "E-2 addresses common tariff provisions  
13 filed by ISO New England, New York ISO and PJM to  
14 comply with the interregional transmission  
15 coordination and cost allocation requirements of  
16 Order No. 1000. The draft order finds that the  
17 filings partially comply with these requirements  
18 and requires additional compliance filings within  
19 60 days.

20 "To comply with the interregional  
21 transmission coordination and cost allocation  
22 requirements, ISO New England, New York ISO and  
23 PJM amended an existing Northeastern ISO/RTO  
24 Planning Coordination agreement, which was  
25 originally adopted in 2004. The stated goal of

1 the Amended Northeastern Protocol is to contribute  
2 to the ongoing reliability and the enhanced  
3 operational and economic performance of the three  
4 regions through coordinated planning.

5 "The Amended Northeastern protocol  
6 provides for interregional transmission  
7 coordination through the formal committees: The  
8 Joint ISO/RTO Planning Committee, which is  
9 comprised of staff representatives from ISO New  
10 England, New York ISO, and PJM, and the  
11 Interregional Planning Stakeholder Advisory  
12 Committee, which is a committee open to  
13 stakeholders from all three transmission planning  
14 regions. ISO New England, New York ISO, and PJM  
15 propose to jointly evaluate interregional  
16 transmission solutions through the Joint ISO/RTO  
17 Planning Committee with input from the  
18 Interregional Planning Stakeholder Advisory  
19 Committee. The Amended Northeastern Protocol --  
20 together with the amended regional tariffs --  
21 describe the methods by which the neighboring  
22 transmission planning regions identify and  
23 evaluate interregional transmission facilities,  
24 and facilitate the sharing of information and  
25 potential solutions. The draft order finds that

1 these amendments largely meet the requirements of  
2 Order No. 1000.

3            "To comply with the interregional cost  
4 allocation requirements, the three transmission  
5 planning regions each propose to allocate the  
6 costs of an interregional transmission facility  
7 method that relies on avoided costs to account for  
8 benefits associated with regional transmission  
9 needs driven by reliability, economic, and public  
10 policy requirements. The draft order, like other  
11 previous interregional compliance orders, finds  
12 that this method is permissible as the cost  
13 allocation method for interregional transmission  
14 facilities proposed for interregional cost  
15 allocation.

16            "The draft order finds that the Amended  
17 Northeastern Protocol -- together with conforming  
18 changes to the region-specific tariffs -- largely  
19 meet the interregional transmission coordination  
20 and cost allocation requirements of Order No.  
21 1000. Finally, the draft order directs ISO New  
22 England, New York ISO and PJM to make a number of  
23 revisions within 60 days.

24            "With the issuance of this order, the  
25 Commission will have issued initial orders on all

1 the Order No. 1000 interregional compliance  
2 filings we have received.

3 "This concludes our presentation. We  
4 are happy to answer any question you may have."

5 CHAIRMAN BAY: Thank you, Becca and  
6 James, and thank you to everyone on the team that  
7 has worked on this order as well as the other  
8 Order 1000 orders.

9 It's hard to believe that it's been  
10 more than three years since Order No. 1000 was  
11 issued. Since that time, staff and industry have  
12 undertaken a tremendous amount of work that's  
13 established the processes that will promote  
14 transmission planning and cost allocation with the  
15 goal of enhancing competition and transmission  
16 infrastructure development.

17 The Commission has performed multiple  
18 reviews of regional transmission processes  
19 established in response to Order 1000, and with  
20 this order the Commission has completed its  
21 initial review of the nine interregional pairs of  
22 planning regions, and it's at the interregional  
23 level in particular that there is significant  
24 opportunity for innovative projects that enhance  
25 grid reliability, support the nation's changing

1 generation mix, further important public policies,  
2 and reduce costs to consumers.

3           So I'm very pleased to support this  
4 order today and look forward to continued progress  
5 on this front. Thank you.

6           COMMISSIONER MOELLER: Thank you, Mr.  
7 Chairman. It's been actually probably closer to  
8 six years since this whole effort started and I  
9 know there is some RTO fatigue, Order 1000 fatigue  
10 that has set in amongst the staff. So thank you  
11 very much for your continued effort. We're  
12 getting close to the end of the tunnel here, and  
13 so the work inside the building, obviously outside  
14 the building amongst those that had complied and  
15 in some cases several iterations of compliance  
16 filings. Hopefully we're moving forward.

17           In retrospect, I wish we had beefed up  
18 this interregional planning Order 1000. There are  
19 so many benefits to interregional transmission,  
20 but they're so hard to identify and figure out how  
21 to get them built and how to get the cost  
22 allocation. But it's where there are a lot of  
23 inefficiencies, and I certainly hope this works.  
24 If it doesn't, the Commission may have to revisit  
25 it in a few years, but I'm happy to support the

1 order and again appreciate all the time and effort  
2 inside the building and outside the building  
3 that's gone into this continued effort.

4 CHAIRMAN BAY: Thank you, Phil.  
5 Cheryl...

6 COMMISSIONER LAFLEUR: Well, thank you,  
7 Norman, and thank you to Commissioner Honorable  
8 for calling this item. I guess I hadn't actually  
9 fully focused that this was the last one, and I  
10 too want to thank, not just Becca and James, but  
11 the large team. I see some of them in the  
12 audience that worked on all of the Order 1000  
13 filings, and our past colleagues who aren't at the  
14 table any more who labored on this over the years,  
15 but of course we know that there was considerably  
16 more work out across the country, and now, not to  
17 be too up lifting, it's not the beginning of the  
18 end. It's the end of the beginning, because now  
19 we'll really see the benefits of the regional and  
20 interregional planning and cost allocation and  
21 coordination hopefully drive more competitively  
22 selective transmission for the benefit of  
23 customers.

24 So thank you all, and I'll look forward  
25 to continuing to work on this.

1 CHAIRMAN BAY: Thank you, Cheryl.

2 Tony?

3 Colette...

4 COMMISSIONER HONORABLE: Thank you, Mr.

5 Chairman. I'd like to thank Becca and Jim for  
6 your work, and more broadly the FERC team and your  
7 offices.

8 With regard to this particular filing,  
9 the stakeholders and folks at PJM, ISO New England  
10 and the New York ISO, I called this item for  
11 discussion just to acknowledge the incredible work  
12 that's been done heretofore over the last -- did  
13 you say six years? And particularly to just, as  
14 well as Commissioner LaFleur mentioned, we're  
15 really getting started with this effort, but to  
16 really stop in time here to observe that, if  
17 you've participated in regional transmission  
18 planning and cost allocation processes, or if you  
19 have observed them, we know how challenging they  
20 can be, so to ramp that up a bit at the  
21 interregional level, it really requires a lot of  
22 work, a lot of collaboration and cooperation among  
23 very diverse states, and particularly in the  
24 northeast.

25 I wanted to just acknowledge what a

1 tremendous effort this was.

2 I also want to acknowledge the ways in  
3 which Order 1000 can be tools for us going  
4 forward, particularly with the implementation of  
5 the Clean Power Plan and also as we move toward  
6 cleaner and more efficient systems, particularly  
7 with the need for more transmission.

8 So, I look forward to learning more  
9 about the work going forward, and thank you again  
10 for your efforts.

11 CHAIRMAN BAY: Thank you, Colette, and  
12 good grief, I hope the protestors haven't moved  
13 from pipelines to Order 1000 now. I believe Order  
14 1000 is prompting them to have that reaction. I  
15 don't know.

16 In any event...

17 SECRETARY BOSE: We are now ready to  
18 take a vote, Mr. Chairman. The vote begins with  
19 Commissioner Honorable.

20 COMMISSIONER HONORABLE: I vote aye.

21 SECRETARY BOSE: Commissioner Clark?

22 COMMISSIONER CLARK: Aye.

23 SECRETARY BOSE: Commissioner LaFleur?

24 COMMISSIONER LAFLEUR: Aye.

25 SECRETARY BOSE: And Chairman Bay?

1 CHAIRMAN BAY: Aye.

2 SECRETARY BOSE: The last item for  
3 discussion this morning is Item A-3 concerning the  
4 2015 Summer Market and Reliability Assessment.

5 There will be a presentation by Lance  
6 Hinrichs and Omar Cabrales from the Office of  
7 Enforcement, and Louise Nutter from the Office of  
8 Electric Reliability. There will be a Power Point  
9 presentation on this item.

10 (Slide 1)

11 MS. NUTTER: "Good morning, Mr.  
12 Chairman and Commissioners.

13 "The Office of Electric Reliability and  
14 the Office of Enforcement are pleased to present  
15 the 2015 Summer Seasonal Assessment. This is  
16 staff's annual opportunity to share our summer  
17 outlook on the electricity and natural gas markets  
18 and reliability matters to better inform the  
19 Commission's understanding of current and future  
20 trends.

21 "Please note that some information in  
22 this presentation comes from NERC's 2015 Summer  
23 Reliability Assessment which will be considered  
24 for approval by the Board of Trustees this  
25 afternoon and is still subject to change.

1 (Slide 2).

2 "These bullets reflect the key  
3 takeaways from today's presentation.

4 "Market conditions going into the  
5 summer will reflect the continued low natural gas  
6 prices that have resulted from robust production,  
7 as well as the recovery of fuel stockpiles at  
8 coal-fired power plants.

9 "Regional electric system reserve  
10 margins are adequate, despite modest growth in  
11 load, which is primarily attributable to increased  
12 industrial activity.

13 "The historic drought in California and  
14 the West has entered its fourth year and is an  
15 area of particular concern. This may lead to  
16 elevated energy prices; however, both the NERC and  
17 the California ISO have concluded that the current  
18 situation is not a threat to reliability.

19 (Slide 3)

20 "Weather conditions are among the most  
21 important, yet difficult to predict factors  
22 affecting the energy markets. NOAA is forecasting  
23 potentially warmer than normal temperatures across  
24 the West and the Southeast, with the greatest  
25 likelihood along the West Coast. Below normal

1 temperatures are forecasted for proportions of  
2 Texas and eastern New Mexico.

3 "Citing the likely development of a  
4 moderate to strong El Nino pattern, forecasters  
5 are predicting a below average hurricane season  
6 for the Atlantic basin, with only three hurricanes  
7 forecasted. By comparison, seven hurricanes is  
8 considered normal for a season. Generally  
9 speaking, hurricanes do not have the same level of  
10 impact on United States energy markets as they did  
11 several years ago, due to the substantial shift in  
12 natural gas production from the Gulf of Mexico and  
13 to onshore shale production.

14 (Slide 4)

15 "The Energy Information Administration  
16 reported that power plant coal stockpiles have  
17 been recovering since summer 2014; however, the  
18 forecasted stockpile levels are expected to remain  
19 modest throughout 2015. In some regions,  
20 localized issues have resulted in limited  
21 rebuilding of these stockpiles. If natural gas  
22 prices were to rise during the summer, increased  
23 coal-fired generator output may result in coal  
24 supply issues reemerging in the Midwest.

25 "The ongoing drought conditions in

1 California and the West will limit the  
2 availability of hydroelectric generation over the  
3 summer. We will discuss the drought in greater  
4 detail later in this presentation.

5 "In late August, ISO New England may  
6 experience some impacts to the region's natural  
7 gas-fired generating fleet when Spectra Energy  
8 begins maintenance and expansion of the Algonquin  
9 pipeline.

10 (Slide 5)

11 "EIA has forecast a 2.9 percent  
12 increase in electric demand from 2014, reflecting  
13 an expected return to more typical conditions from  
14 last year's unusually mild weather. This compares  
15 to a weather adjusted increase of approximately  
16 one percent over last year's forecast. This  
17 growth is driven primarily by the commercial and  
18 industrial sectors, as opposed to the residential  
19 sector, which is a reversal from the past few  
20 years.

21 "The historic correlation between  
22 economic growth and increased electrical demand  
23 has weakened in many markets. A recent report by  
24 the New York ISO attributed this declining linkage  
25 to a combination of factors, including the

1 expansion of energy efficiency programs and  
2 growing impact of behind-the-meter generation,  
3 which includes residential solar. If continued,  
4 this shift may further complicate the forecasting  
5 of energy demand, based on economic growth.

6 "Meanwhile, the total generating  
7 capacity in the United States has decreased by  
8 about three percent, primarily because of  
9 increased coal generator retirements. This is a  
10 continuation of the trend that was seen last year.  
11 In contrast to coal, NERC forecasts an increase of  
12 approximately 3.5 gigawatts in wind generation  
13 capacity over last year, or approximately six  
14 percent and brings the national wind total to  
15 approximately sixty-five gigawatts. NERC is also  
16 projecting a net increase of approximately two  
17 gigawatts of installed utility-scale solar  
18 capacity for this summer, though more solar  
19 generation is planned to come online this summer.

20 "One notable transmission project is  
21 rebuilding the 500kV Susquehanna-Roseland power  
22 line, which runs between Pennsylvania and New  
23 Jersey. It was placed into service on May 11 and  
24 is expected to lower congestion and increase  
25 market efficiency in this region of PJM.

1 (Slide 6).

2 "Data from NERC's Summer Assessment  
3 indicates that reserve margins will be adequate  
4 for all assessment areas this summer. This chart  
5 displays the reference reserve margin levels for  
6 various markets and regions, along with the  
7 anticipated reserve margins.

8 "Resource adequacy is forecast to  
9 improve this summer in MISO, ERCOT and New York.  
10 In ERCOT, a new load forecasting methodology that  
11 has resulted in higher available wind capacity,  
12 coupled with the new natural gas-fired capacity,  
13 have increased the reserve margins from 15 to 15.6  
14 percent. In New York, margins have also improved  
15 because of repowered generation capacity and lower  
16 forecast demand.

17 (Slide 7)

18 "The available generator capacity in  
19 WECC has increased by approximately five gigawatts  
20 since last summer, with approximately six  
21 gigawatts of additions and one gigawatt of  
22 retirements. These additions include over two  
23 gigawatts of solar and approximately one gigawatt  
24 of wind resources.

25 "In ERCOT, approximately two gigawatts

1 of natural gas and two gigawatts of wind capacity  
2 have entered commercial service since the last  
3 summer assessment. This include the Panda Temple  
4 2 natural gas combined cycle project and the  
5 Goldsmith Peaker project with a combined summer  
6 capacity of approximately one gigawatt.

7 "Notably, in the Eastern  
8 Interconnection, the 615 megawatt Vermont Yankee  
9 Nuclear Power Plant retired in late December 2014.  
10 This brings the total to five nuclear power plants  
11 that have been decommissioned since 2012. While  
12 the loss of Vermont Yankee leaves New England even  
13 more dependent upon natural gas, 178 megawatts of  
14 new energy efficiency projects are expected to be  
15 in place this summer. Despite the loss of Vermont  
16 Yankee,, the grid operator forecasts adequate  
17 resources to meet demand."

18 (Slide 8)

19 MR. HINRICHS: "The Mercury and Air  
20 Toxics Standards (MATS) rules took effect in April  
21 require advanced pollution controls on coal and  
22 oil-fired units larger than 25 megawatts. This  
23 has caused units in MISO and PJM to make  
24 capital-intensive pollution control retrofits to  
25 comply with the rule, as illustrated in this

1 chart. While SPP has not published statistics  
2 that are similar to these regions, a recent Boston  
3 Pacific report, commissioned by the SPP Board of  
4 Directors, indicated that 1.1 gigawatt of  
5 generation was expected to be retired as a result  
6 of EPA regulations.

7 "Adding pollution controls increases  
8 the non-fuel operating and maintenance costs of  
9 coal plants, but provides added flexibility to  
10 provide lower-cost and higher sulfur coal. Many  
11 plants have elected to install pollution controls  
12 with comparatively lower capital costs and higher  
13 variable O&M costs. This can increase total plant  
14 operating costs by up to one-third, which is  
15 typically reflected in higher energy market offers  
16 or directly incorporated in the retail rates of  
17 vertically integrated utilities. In a low natural  
18 gas price and load growth environment, the MATS  
19 related costs were uneconomic for many older and  
20 less efficient coal plants, and many of these  
21 units were retired. The closures have exceeded  
22 conventional generation replacements and may  
23 result in lower reserve margins and increased  
24 transmission congestion in the near term, as well  
25 as a greater dependence upon natural gas for

1 generation."

2 (Slide 9)

3 "Below average precipitation and warmer  
4 than normal temperatures left the West with  
5 extremely low snowpack levels on April 1st, the  
6 day at which snowpack traditionally peaks.  
7 California's snowpack fell to a record five  
8 percent of normal on April 1st, reaching  
9 historical lows for the second year in a row.  
10 However, reservoir levels in the state rose over  
11 last year's levels because of early snow melt and  
12 rain.

13 "CAISO expects that the reduced hydro  
14 generation will be offset by moderate load growth  
15 and 2.1 gigawatts in generation, of which two  
16 gigawatts is solar. Solar generation now exceeds  
17 six gigawatts at its peak output. Additionally,  
18 new transmission upgrades in the San Diego and  
19 Orange County areas will improve local resource  
20 adequacy. Staff will be monitoring the load area  
21 around Fresno, which is typically served by  
22 significant amounts of hydro generation. If the  
23 drought persists, power will need to be brought in  
24 from other areas and could potentially result in  
25 increased transmission congestion and elevated

1 local power prices.

2 "Snowpack was also below normal  
3 throughout the remainder of the West. For  
4 example, in Washington, precipitation was near  
5 normal at a hundred at 101 percent of typical, but  
6 warm temperatures kept snowpack from accumulating  
7 and was only 22 percent of normal on April 1st.

8 "Lastly, these conditions may create  
9 challenges during California's fire season, as  
10 there may be a dramatically increased risk of  
11 wildfire activity, which has the potential to  
12 affect power grid operations. Lastly, these  
13 conditions may create challenges during  
14 California's fire" -- excuse me. That got  
15 repeated.

16 (Slide 10)

17 "Demand response has traditionally been  
18 a summer resource to shave peaks on hot days or  
19 during other periods of stress. This chart shows  
20 participation in the capacity-based demand  
21 response (DR) programs in the three Northeastern  
22 RTOs. The colored bars indicate the actual  
23 amounts of enrolled demand response capacity,  
24 which have fallen in each of the regions from last  
25 year. This has occurred most notably in PJM,

1 which has the largest of these programs, dropping  
2 by nearly 2,500 megawatts. Additionally, the  
3 current 6,900 megawatts of participation is less  
4 than half of the original 14,800 megawatts of DR  
5 that cleared in the forward capacity auction that  
6 was held in 2012 for the 2015/2016 capability  
7 period. This reduction occurred when a  
8 substantial number of market participants traded  
9 away these positions in the RTO's capacity  
10 reconfiguration options auctions and through other  
11 transactions.

12            "In the New York ISO and ISO New  
13 England, the reductions were much more modest than  
14 in PJM in terms of both megawatts and percentage  
15 of cleared capacity. In the case of New York, the  
16 amount of DR fell by 65 megawatts or five percent,  
17 and in New England it was 62 megawatts or nine  
18 percent.

19            "Last summer, there were no activations  
20 of the capacity-based DR programs in these  
21 regions, primarily because of the mild weather and  
22 moderate system conditions. However, if  
23 above-normal temperatures occur this summer, we  
24 could expect to see demand response resources  
25 activated and dispatched in the real-time energy

1 markets."

2 (Slide 11)

3 MR. CABRALES: "Forward prices are not  
4 a predictor of actual prices, but reflect the cost  
5 of hedging market risk and can help us understand  
6 market dynamics.

7 "Going into the summer, the average  
8 NYMEX futures price for June through August is  
9 \$2.89 per MMBtu, which is 40 percent lower than in  
10 2014. This is consistent across the country, with  
11 the Boston area's Algonquin Citygate showing the  
12 largest differential at 46 percent below last  
13 year, and averaging \$2.96 per MMBTU for the  
14 summer. This can be attributed to a 5.7 percent  
15 year-on-year increase in natural gas production  
16 and storage inventories that are 71 percent higher  
17 than in 2014, or four percent below the five-year  
18 average.

19 "The injection season began on April 3  
20 with 1.5 trillion cubic feet of natural gas in  
21 storage, 79 percent above last year. Since then  
22 weekly injections have averaged 65 Bcf, versus 47  
23 Bcf last year. If injections continue at this  
24 rate, inventories could set a new record by the  
25 end of the injection season on October 31st.

1 (Slide 12)

2 "With summer futures prices below \$3.00  
3 MMBTU in most regions, natural gas is expected to  
4 be competitive with coal on a dollars to MMBTU  
5 basis, when adjusted for the relative efficiency  
6 of natural gas versus coal-fired electric  
7 generation units. The only region where summer  
8 futures are about \$3.00 MMBTU is Northern  
9 California; however, since the region has not  
10 coal-fired plants, it will not experience any  
11 coal-to-gas switching.

12 "Any further downward price pressure  
13 will give natural gas an even greater advantage in  
14 the supply stack, and is comparable to 2012, when  
15 the Henry Hub price dropped to the lowest level in  
16 over ten years, averaging after ago two dollars  
17 and ^ perfect ^ per MMBTU. According to industry  
18 \$2.65 per MMBTU. According to industry estimates,  
19 this resulted in a 5.1 Bcfd coal-to-gas fuel  
20 switching. Estimates for this summer indicate  
21 that a \$2.50 per MMBTU natural gas price could  
22 result in a 4-5 Bcfd of incremental natural gas  
23 demand from power generators.

24 (Slide 13)

25 "Similar to natural gas, forward peak

1 power prices are down by an average of 24 percent  
2 from this time last year. By region, this ranges  
3 from down 34 percent at the ISO New England  
4 international hub to down 13 percent at the  
5 Mid-Columbia hub, reflective of worsening drought  
6 conditions in the Pacific Northwest. These price  
7 changes are further driven by regional differences  
8 in generating resources, fuel input costs, and  
9 other market fundamentals."

10 (Slide 14)

11 MR. HINRICHS: "In November, PJM and  
12 New York ISO implemented Coordinated Transaction  
13 Scheduling, which provides market participants  
14 with the option to submit intra-hour bids between  
15 the two regions. These 15-minute transactions are  
16 an additional way to trade power between these  
17 RTOs and represent approximately five percent of  
18 the total flows between the two regions. They are  
19 based on forward-looking prices, as determined by  
20 PJM and New York ISO's dispatch and real-time  
21 commitment tools. CTS transactions are intended  
22 to improve the overall efficiency of electricity  
23 sales between the regions by allowing market  
24 participants to access the least-cost source of  
25 power, thus helping to lower the combined energy

1 production costs of both RTOs.

2 "This graphic depicts the timelines of  
3 the typical hour-ahead, or non-CTS, transaction,  
4 as well as the new CTS transaction. The major  
5 difference between the two is that the CTS  
6 transaction is finalized 15 minutes before the  
7 actual flow of power, which increases the  
8 likelihood that a transaction will be economically  
9 efficient, or flowing from a region with lower  
10 prices to one with higher prices. Additionally,  
11 CTS integrates both the bid evaluation and  
12 checkout processes, which reduces the potential  
13 for a transaction to be scheduled, but  
14 subsequently cancelled.

15 "CTS transactions have been economic in  
16 the vast majority of instances, averaging 83  
17 percent of the time since their inception in  
18 November. By comparison, non-CTS trades were only  
19 economic 56 percent of the time in the year 2014.  
20 Staff will be monitoring the volumes and pricing  
21 trends of the CTS transactions over the course of  
22 this summer.

23 (Slide 15)

24 "Significant changes have recently been  
25 made in both the structure and operation of the

1 wholesale power markets. The California ISO  
2 Energy Imbalance Market started in November and  
3 will be entering its first summer. The EIM  
4 enables entities with balancing authority areas  
5 outside of the CAISO to voluntarily take part in  
6 the imbalance energy portion of the CAISO  
7 real-time market, alongside participants from  
8 within the CAISO balancing area. This market  
9 provides services to five western states served by  
10 PacifiCorp.

11 "This will be the first summer where  
12 ISO New England makes use of hourly offers in its  
13 market. Hourly offers were initiated in December  
14 and allow resource owners to submit up to 24  
15 separate hourly offers for the following day, and  
16 to allow participants to update their offers  
17 during the operating day. Previously, resources  
18 were limited to a single offer for all hours of  
19 the following day, and were only provided with a  
20 single opportunity to revise the offer before the  
21 operating day. Additionally, resources could not  
22 alter their offers during the operating day. The  
23 ISO has also enabled resources to submit negative  
24 offers as low as minus -\$150 per megawatt hour.  
25 This is intended to improve price signals to

1 resource owners to reduce output or shut down when  
2 consumer demand is low and there is a risk of  
3 excess generation. This should help to enhance  
4 reliability and efficiency during periods of  
5 systemwide stress.

6 "The operation of MISO south, as part  
7 of the greater MISO footprint, will enter its  
8 second summer this year. Similarly, SPP completed  
9 its first full year of operating a full nodal  
10 market in March.

11 "Staff will be monitoring these  
12 developments and market performance to assess any  
13 implications that may arise during this summer's  
14 peak conditions."

15 This concludes staff's assessment. A  
16 copy of the presentation will be posted on the  
17 Commission's website. Thank you.

18 CHAIRMAN BAY: My thanks to the team  
19 for this information packet on the summer  
20 assessment, as well as to the NERC to allow us to  
21 rely on their Summer Reliability Assessment.

22 I just have two questions. My first  
23 question is this: Would it be fair to say that,  
24 based on this report it appears like there's good  
25 news for consumers going into the summer in a

1 sense that reserve margins are met, and based on  
2 forward electricity prices, at least at this point  
3 in time, prices are substantially lower than they  
4 were a year ago at this time?

5 MR. HINRICHS: Absolutely. So, fuel  
6 prices tend to drive our prices, and fuel prices  
7 are low. The system is looking to be very  
8 adequately supplied, both in terms of  
9 infrastructure, as you mentioned in the reserve  
10 margins, and flexible fuel prices should make it a  
11 good summer for consumers.

12 CHAIRMAN BAY: And is it the price of  
13 natural gas that is helping drive the prices  
14 lower?

15 MR. HINRICHS: That's typically the  
16 case. Natural gas is the predominant fuel on the  
17 margin or the price-setting fuel in most regions  
18 for most of the summer.

19 CHAIRMAN BAY: And are there any wild  
20 cards we should be aware of going into the summer?

21 MR. HINRICHS: Well, the weather,  
22 obviously. Last summer was a very easy summer for  
23 this system. There was very little stress. As we  
24 mentioned, the demand and response prices were  
25 fairly low in most of the regions for most of the

1 summer. So that's what we sort of got into that  
2 groove.

3 CHAIRMAN BAY: Thank you, Lance.

4 Phil...

5 COMMISSIONER MOELLER: Thank you, Mr.  
6 Chairman.

7 A couple of comments and then a  
8 question or two.

9 I wish to thank the presenters today  
10 and then the members of the teams from both the  
11 Office of Enforcement and the Office of Electric  
12 Reliability for working together and putting this  
13 together.

14 I wish to thank you for highlighting  
15 the Susquehanna-Roseland Transmission Line. It  
16 does, however, provide a case study that we  
17 should, and more importantly our colleagues in EPA  
18 should be cognizant of, related to building blocks  
19 free of the clean power plant, and that this is a  
20 line that had demonstrated consumer benefits of  
21 upwards of two hundred million dollars a year of  
22 production and still took a good ten years to  
23 build.

24 So again a warning side for relying on  
25 a rapid transmission build-out on current

1 circumstances is going to be very difficult. That  
2 should be noted I think amongst those people  
3 putting the compliance piece together.

4           You also highlighted the low price of  
5 natural gas going forward throughout the summer.  
6 I think we would probably all agree that the  
7 prospect of an industrial Renaissance would be a  
8 good one. It's going to be driven partially and  
9 it has been driven by low gas prices that appear  
10 to be on the horizon, and that leads me to one  
11 question...

12           You talked about the demand on slide  
13 five in aggregate from the nation. Somewhat  
14 interesting to look back and see that EIA  
15 generally has underestimated demand during times  
16 of economic growth and probably overestimated  
17 demand based on the graph when the economy has  
18 been sluggish. Assuming you're kind of picking  
19 things up, then they project the weather-based  
20 growth that you talked about.

21           Can you break down a little bit more  
22 the industrial demand increase, the commercial  
23 demand increase and where that's coming from in  
24 the nation?

25           MR. CABRALES: We are talking about

1 natural gas demand?

2 COMMISSIONER MOELLER: I'm talking  
3 about electric demand and the fact low gas prices  
4 are potentially encouraging that demand to go up,  
5 particularly with more industrial production  
6 that's associated with low gas prices.

7 MR. HINRICHS: We don't have any  
8 specifics here at the table, but I can offer a  
9 little bit of anecdotal evidence if that's  
10 helpful.

11 COMMISSIONER MOELLER: Sure.

12 MR. HINRICHS: We meet with various  
13 stakeholders throughout the year to learn as much  
14 as we can about what's going on in those markets.  
15 Recently with met with a southern company and they  
16 were explaining how there is increased industrial  
17 activity in a number of industries in their  
18 region, including automotive and other  
19 manufacturing activities.

20 So, that's just one anecdote, but  
21 unfortunately I don't have anything specific.

22 COMMISSIONER MOELLER: Well, similarly  
23 I think we're hearing plenty of tales of  
24 industrial facilities that are either planned or  
25 under construction or in some cases operating,

1 particularly in the gulf states related to  
2 chemicals and other industrial efforts that again  
3 are dependent on low energy prices, low gas  
4 prices.

5           So, as we move forward, I believe it's  
6 important to recognize that demand is increasing,  
7 at least as projected now, that industrial demand  
8 appears to be increasing, and that it could be  
9 very location specific, which again plays into the  
10 larger energy policy for the United States as it  
11 pertains to where we're going with the  
12 intersection of irregulations in energy.

13           Mr. Chairman, thank you for your time.

14           CHAIRMAN BAY: Thank you, Phil.

15           Cheryl...

16           COMMISSIONER LAFLEUR: Well, thank you,  
17 Mr. Chairman. Thank you. That was a terrific  
18 report. I really think it's interesting how many  
19 threads of different parts of our work it weaves  
20 together and the changes that it demonstrated in  
21 the nation as resources, in infrastructure and  
22 markets.

23           I have a couple comments and a couple  
24 questions. First, I too wanted to shout out to  
25 the Susquehanna-Roseland Line. Its energization

1 earlier this week really represents years of  
2 efforts, including some very difficult  
3 negotiations to cross the Delaware River by PPL,  
4 PSEG, PJM, DOM, DOI and a host of other initials,  
5 and I think that's very good for customers. I  
6 wish it had come on sooner, but I'm very happy  
7 it's there.

8           Secondly, I do think it's worth noting  
9 that this is the first summer after the  
10 effectiveness of the Mercury and Air Toxic  
11 Standard, and yet it's a positive report from the  
12 point of both reserve margins and reliability in  
13 projected prices.

14           I think that reflects a lot of work to  
15 install new emissions equipment to keep some of  
16 the clients online, as well as a lot of planning  
17 for new resources, be they demand side or supply  
18 side, to replace the many units that retired. So  
19 I think after all the talk we put into that ahead  
20 of time is worth noting now.

21           My questions are fairly specific. Just  
22 the first is on slide four and the situation in  
23 New England. We're all very familiar with the  
24 tight gas situation that New England experiences  
25 during the winter heating season, but it's

1 interesting that the impact of gas delivery issues  
2 in New England seems to be spilling into the  
3 summer, and I wonder if you could provide any  
4 context to expand on the concern you mentioned of  
5 the impact of pipeline maintenance on the  
6 availability of the generation fleet this summer.

7 MR. HINRICHS: Sure. As you mentioned,  
8 New England is very gas dependent in general, and  
9 the gas peak is in the winter, so the notion that  
10 they're doing the work in the summer makes perfect  
11 sense.

12 The opener in the ISO said that we  
13 don't expect this to be a major reliability threat  
14 this summer, but, you know, we do want to pay  
15 serious attention to it.

16 The Algonquin pipeline is the pipeline  
17 that's being worked on. It runs through  
18 Connecticut and terminates in the greater Boston  
19 area, and what we want to do is make sure that  
20 we're looking for local reliability issues.

21 Fortunately, there are other plants and  
22 technologies that are available, including the  
23 demand response that we mentioned, dual fuel  
24 units, and then also L&G, as well as coal.

25 So we'll be looking to see how the

1 potential gas impacts caused the shift in the  
2 lower priced gas to these other resources which  
3 tend to be more expensive.

4 COMMISSIONER LAFLEUR: I guess we have  
5 to be looking for obviously reliability issues,  
6 our top concern, but pricing impacts of having to  
7 use potentially more expensive resources.

8 My second question is a lot further  
9 west. We have had many years of below average  
10 participation in California and the West, and I  
11 know that there were some real issues with wild  
12 fires in Southern California last summer.

13 Given the years of drought, how  
14 concerned are you? How significant is the  
15 potential impact on reliability?

16 I guess some of these big transmission  
17 lines have sensors, that if they sense smoke they  
18 turn off. And given all the resource changes in  
19 Southern California, some of those lines are  
20 pretty needed. So, I'm just getting a gauge of  
21 how worried to be.

22 MS. NUTTER: Well, we are expecting  
23 increased probability of forest fires this summer  
24 due to the drought conditions. The impacts to the  
25 electrical grid are expected to be temporary or

1 localized.

2           Two examples of previous large forest  
3 fires in recent years were the Rim fire and the  
4 King fire. In both these cases they impacted  
5 imports and generator availability, but these  
6 impacts were either limited or temporary.

7           COMMISSIONER LAFLEUR: Well, that would  
8 be good news if it occurred. Thank you very much.

9           CHAIRMAN BAY: Thank you, Cheryl.

10          Tony...

11          COMMISSIONER CLARK: Thank you, Mr.  
12 Chairman and members of the staff for again an  
13 excellent report. Just a couple of comments and  
14 one question.

15          First, thanks to my colleagues as well  
16 for mentioning the Susquehanna-Roseland Line. It  
17 is one that should not go without mention at this  
18 meeting. It was just energized a few days ago. I  
19 associate that with myself as did Commissioner  
20 LaFleur.

21          It's too bad it took that long and that  
22 consumers were denied the benefit of that line for  
23 as many years as they were. But as they say,  
24 better late than never, and it should begin  
25 bringing the benefits to those consumers in the

1 Mid-Atlantic.

2           It's also worth noting, as Commissioner  
3 Moeller alluded to, the length of time that  
4 this took, the better part of a decade, and that  
5 is with the benefit of the full force of the  
6 office of presidential administration pushing a  
7 particular line, and it really gets to the point  
8 that transmission lines are not easy to build.

9           Even in a case like this one where,  
10 although we're pointing to the economic benefit of  
11 it, it was reliability benefits that first caused  
12 need for this line.

13           So, even in the case for reliability  
14 lines, in certain parts of the country, especially  
15 those that were not in compliance. So, thanks for  
16 noting that.

17           The second thing I think that's really  
18 worth noting is to consider an alternate reality  
19 where we didn't have access to affordable natural  
20 gas as we do today, and frankly, I shudder at  
21 where the nation would be, perhaps from a  
22 reliability standpoint, but certainly from an  
23 economics standpoint if we hadn't had these  
24 particular shale places open when they did.

25           I know that there is controversy and

1 consternation about certain states that have  
2 developed their natural resources, like  
3 Pennsylvania and my home state of North Dakota and  
4 Arkansas and Oklahoma and Texas. I say thank  
5 goodness for these states that they have allowed  
6 for the exploration and the use of their natural  
7 resources, because if they didn't have it, where  
8 electricity prices would be, where energy prices  
9 would be and where the reliability of electricity  
10 would be right now, it would be in a very, very  
11 scary place.

12           But because of it we're in a much  
13 better place, as the staff has notated and has --  
14 has noted, and that should not go without mention.

15           Finally, a question, which is this: On  
16 slide ten, which is the DR capacity in the eastern  
17 RTOs, you've noted that something separated in the  
18 PJM that didn't happen in some of the other ISOs  
19 and RTOs in terms of the notable difference in the  
20 incremental auctions that happened.

21           Any speculation as to why PJM in  
22 particular -- obviously, DR has been much more  
23 depended upon as a product in that particular  
24 market more than others, but I'm wondering if  
25 there is any speculation as to why it happened

1 this year and it didn't happen in some of the  
2 other ISOs?

3 MR. HINRICHS: So, I'm sorry, is your  
4 question why it dropped so much?

5 COMMISSIONER CLARK: Yes, why it  
6 dropped. Is there something particular in PJM?

7 MR. HINRICHS: No, I don't have a  
8 specific answer to that question.

9 COMMISSIONER CLARK: Okay.

10 MR. HINRICHS: Less of the DR here  
11 tends to have that effect.

12 COMMISSIONER CLARK: Got it. Thank  
13 you.

14 MR. HINRICHS: And also as we noted in  
15 our text that through the reconfiguration auctions  
16 and other trades through bilaterals, a lot of the  
17 DR providers just traded out of the positions  
18 here, so, they just were able to be in the market  
19 in large quantities --

20 COMMISSIONER CLARK: And I suppose it's  
21 only natural that we have a market that that  
22 particular product has such a bigger impact on the  
23 Russian market. When you put a graph like this  
24 together, it's going to just naturally show that  
25 much bigger variation.

1           MR. HINRICHS: Yeah, and DR  
2 participation in PJM has been quite substantial.  
3 So some entrenchment is not surprising.

4           COMMISSIONER CLARK: Yes. Thank you.

5           CHAIRMAN BAY: Thank you, Tony.

6           Colette...

7           COMMISSIONER HONORABLE: Thank you, Mr.  
8 Chairman, and thank you Commissioner Clark for  
9 recognizing Arkansas' work. We're happy to help.

10           I want to thank the FERC teams that  
11 have worked so diligently, and thank you for such  
12 an excellent presentation today, but more  
13 importantly your demonstration that you're on top  
14 of monitoring these issues and really working  
15 closely with a lot of the stakeholders across the  
16 country, which is no small feat.

17           I also wanted to mention and thank NERC  
18 for their work in the development of the Summary  
19 Reliability Assessment. Commissioner LaFleur and  
20 I had the opportunity, and I know Commissioner  
21 Moeller attended the NERC meetings recently and it  
22 really gave me, it was my first one, an up close  
23 and personal view of the work of the stakeholders  
24 there and equally how passionate they are about  
25 this work, and it really supports what we are

1 doing and more broadly what people are doing  
2 across the country.

3           Like Commissioner LaFleur, I too  
4 focused on slide four. Lance, I'm looking at you  
5 because you stepped right in on that one, and I  
6 think Commissioner LaFleur focused on reliability,  
7 particularly of the Spectra Energy Algonquin  
8 Pipeline.

9           I thought more about the slide from a  
10 gas electric coordination perspective, and because  
11 you've demonstrated that you've been working very  
12 closely, I wondered if you had any thoughts about  
13 how well the coordination occurred in light of the  
14 planned outage in late August, and if there are  
15 any lessons that we could take away from the  
16 coordination?

17           MR. HINRICHS: Well, I'll try and  
18 address this in the bullet in there.

19           So, we know that gas/electric  
20 coordination is a very important situation, and  
21 New England is probably ground zero for that. The  
22 dependence upon natural gas in New England for  
23 generation and for heating in the winter time is  
24 vital.

25           If you recall from our winter

1 assessment, and any winter assessment that we have  
2 done over the last number of years, we always  
3 highlight New England as one of the areas of  
4 potential stress, and supply there is a huge deal.

5           So, the fact that it actually became a  
6 summertime issue as opposed to a winter issue is  
7 actually kind of an interesting, and gas/electric  
8 coordination certainly worked on this occasion.  
9 We know from looking at reports on the topic that  
10 from our discussions with the RTO that they are  
11 closely aligned with the pipelines and that they  
12 have set up protocols and practices to ensure that  
13 these issues were taken care of and that they're  
14 handled in a very proactive way.

15           COMMISSIONER HONORABLE: Very good,  
16 thank you.

17           CHAIRMAN BAY: Thank you, Colette.  
18 Thank you, team, and with that, this meeting is  
19 adjourned.

20           (Interruption from the audience.)

21           (Whereupon at 11:04 a.m. the Annual  
22 Commissions Meeting was adjourned.)

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