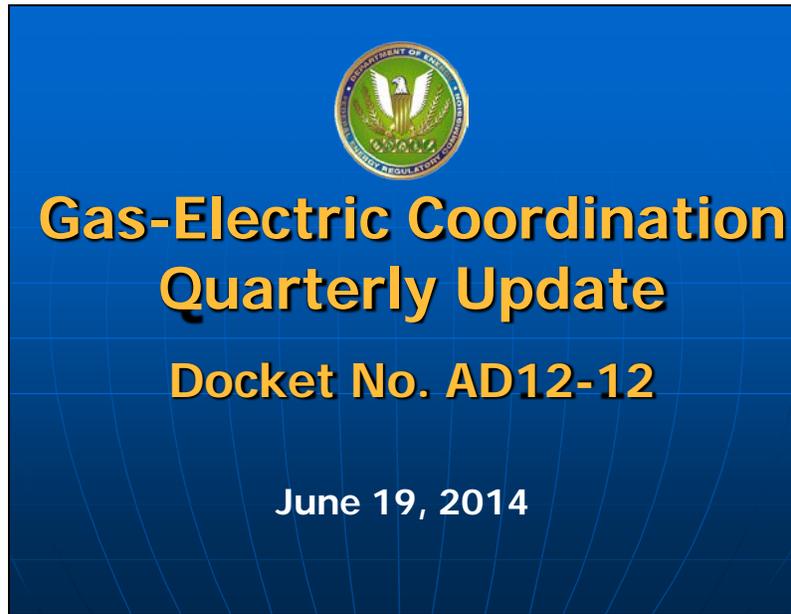




Gas-Electric Coordination Quarterly Report to the Commission

Docket No. AD12-12-000
June 19, 2014

Disclaimer: The matters presented in this staff report do not necessarily represent the views of the Federal Energy Regulatory Commission, its Chairman, or individual Commissioners, and are not binding on the Commission.



This report is Commission staff's sixth quarterly update on national and regional Gas-Electric Coordination Activities, as directed by the Commission in its November 15, 2012 order in Docket No. AD12-12. This report covers the period March 2014 through June 2014.

This report focuses on significant new national and regional developments since last reported in March 2014, highlights the Commissioner-led Technical Conference on Winter 2013-2014 Operations and Market Performance in RTOs and ISOs on April 1, 2014, and briefly summarizes recent industry applications filed with the Commission.



National Initiatives

- NAESB Gas Electric Harmonization Forum
- Commission Technical Conference on Winter 2013-2014 Operations and Market Performance in RTOs and ISOs (Docket No. AD14-8)
 - Comments: 35 entities

Following the March 20, 2014 issuance of the Commission's Notice of Proposed Rulemaking (NOPR) in Docket No. RM14-2-000 regarding the Coordination of the Scheduling Processes of Interstate Natural Gas Pipelines and Public Utilities, NAESB reconvened the Gas Electric Harmonization (GEH) Forum as the platform for industry to consider the Commission's NOPR proposals as well as to develop any consensus-based alternatives to the proposals in the NOPR. The Forum was tasked with developing a recommendation for the consideration of the full Board of Directors. The GEH Forum held two planning conference calls in late March and early April, and four two-day meetings throughout April, May, and June. All interested parties were invited to participate in the meetings in person or by phone and NAESB membership was not a requirement for participating in the GEH Forum. The meetings were highly attended, averaging three hundred industry participants.

At the conclusion of the scheduled meetings, the GEH Forum was unable to reach consensus on a package of alternatives to the proposals in the Commission's NOPR. The gas and electric industries' viewpoints on the Gas Day were split with a super-majority of the gas industry supporting the current Gas Day start time of 9:00 am Central and a super-majority of the electric industry supporting moving the Gas Day to 4:00 am Central. Therefore, the GEH Forum did not have a recommendation to the Board.

However, on June 4, the NAESB Board of Directors met and passed a motion recognizing that there appeared to be broad support from interested parties in both the gas and electric industries for changes in the intraday scheduling cycles and the day-ahead nomination cycles. Therefore, the Board directed the Wholesale Gas Quadrant (WGQ) to develop new standards and modify existing standards to support the scheduling timelines developed by the GEH Forum for the timely, evening, ID1, ID2, and ID3 nomination cycles. The nomination deadline for the timely and evening cycles are the same as those proposed in the NOPR—1:00 pm Central and 6:00 pm Central, respectively. The timelines for ID1, ID2 and ID3 vary from those

proposed in the NOPR and the nomination deadlines would be at 10:00 am, 2:30 pm, and 7:00 pm, all Central time. The NAESB standards will not include an ID4 cycle as proposed in the NOPR. The standards will be neutral on the gas day start times and will essentially be “fill in the blank” standards pending a Final Order by the Commission in the RM14-2 docket. Any member of the Wholesale Electric Quadrant may participate in the WGQ subcommittee meetings, and any non-NAESB member may also participate in the subcommittee meetings for a minimal fee.

NAESB anticipates filing consensus-based standards on the scheduling timeline, without a Gas Day start time, with the Commission by September 29, 2014 as directed in the NOPR. As announced in the NOPR, comments on NAESB’s consensus standards, as well as comments on the Commission’s proposals, are to be filed November 28, 2014, 240 days after publication of the Proposed Rule in the Federal Register.

In response to a number of mid-winter cold weather events, the Commission held a Technical Conference on April 1, 2014 on Winter 2013-2014 Operations and Market Performance in RTOs and ISOs (Docket No. AD14-8). The technical conference explored the impacts of the cold weather events on the RTOs/ISOs and discussed actions taken in response to inform the Commission of the challenges posed by these events. Post-technical conference comments were filed by thirty-five (35) commenters by the required May 15, 2014 due date. The Commission is currently analyzing these comments.



Interregional studies continue on the ISO and state levels.

Levitan & Associates continues work on the multi-regional Eastern Interconnection Planning Collaborative (EIPC) Study involving ISO-NE, NYISO, PJM, MISO, Ontario IESO and TVA. The Target 1 Report, which provided a baseline assessment of the existing gas-electric systems, was finalized and posted on April 1, 2014 on the Gas-Electric Documents page of the EIPC website. Analysis is underway for Target 2 which will evaluate the capability of the natural gas system to meet demand in the 5-10 year horizon. The study will use natural gas and electric system forecasting tools to explore three reference case scenarios and sensitivities. An initial draft report is expected to be posted on June 20. The report will contain the methodology, inputs, and analysis of the three scenarios and sensitivities. The initial Target 2 findings and report is scheduled to be presented on June 25-26 with the final report due in October 2014. Target 3 was kicked-off in March with a final draft report expected by the end of 2014, while Target 4 methodology was posted on May 30 with work to continue through 2015.

The Eastern Interconnection States' Planning Council (EISPC) held a full Council Meeting on May 15-16, 2014. The ICF-led long-term Natural Gas/Electric Infrastructure Requirements Study mentioned in previous gas-electric quarterly reports is ongoing, with the final results for both natural gas and electric systems expected in summer 2014. In May 2014, the EISPC and NARUC awarded the contract to Energy Exemplar, tasked to advance resource planning by assessing the potential integration of co-optimization tools with other planning analysis. This is the first time that these entities will be working together, supported by a funding opportunity from the Department of Energy, to evaluate transmission development options throughout the Eastern Interconnection. The study will be used to inform states on what they can do to enhance planning tools and processes in furtherance of their respective statutory authorities. A component of this multi-task study focuses on co-optimization techniques to

address electric and natural gas operational and planning issues. EISPC wants to better understand the benefit/cost analysis to co-optimization including the public policy implications. The final report is expected by November 2014.



Regional Initiatives Northeast

- New England States Committee on Electricity (NESCOE)
 - New England Governors' energy infrastructure initiative

In the Northeast, the New England States Committee on Electricity (NESCOE) circulated a proposal to develop and manage incremental gas pipeline capacity for electric generation, referred to as the Incremental Gas for Electric Reliability (IGER) concept (http://www.nescoe.com/uploads/GasforElectricReliabilityGraphic_April2014.pdf), in support of the New England Governors' energy infrastructure initiative. The IGER concept contemplates that a contract entity would enter into long-term contracts with interstate natural gas pipeline companies to secure new firm gas transportation capacity. The contract entity would be responsible for monthly reservation charges and other payments related to the pipeline capacity, subject to the terms of the long-term contract. ISO-NE would collect the revenue for these payments under a FERC-approved revision to its tariff, and then transfer the revenue to the contract entity that would ultimately compensate the pipeline. The costs of the additional pipeline capacity would ultimately be allocated to New England retail electric customers. As previously reported, NESCOE is seeking a total of 1,000 MMcfd above 2013 levels or, 600 MMcfd beyond what has already been announced for existing expansion projects, to be available no later than the winter of 2017/18.

In addition, the IGER concept anticipates the contract entity executing an Asset Manager Agreement (AMA) with a capacity manager who would administer the capacity releases from the contract entity to gas-fired generators, or other replacement shippers, through the pipeline's secondary market. Gas-fired generators or other shippers purchasing the released capacity through the pipeline's secondary market would make payments for the capacity to the pipeline. The pipeline would credit the contract entity for the released capacity purchased in the secondary market. The contract entity would in turn recover, through ISO-NE, the net actual pipeline costs.

NESCOE requested feedback on the IGER concept by May 30, 2014 and subsequently posted eighteen stakeholder comments in response to the proposal on its website. NESCOE intends

to present a proposal to NEPOOL for discussion in late June 2014, with consideration by the NEPOOL Participants Committee in September.



Northeastern ISOs and RTOs continue to work closely with representatives from Planning Authorities in the Eastern Interconnection to provide EIPC with sensitivities and scenarios to be studied in 2014 in its EIPC Gas-Electric System Interface Study. In addition to reviewing winter operations during the 2013-14 Winter cold spells, NYISO continued to provide in-depth inputs to scenario developments for both DOE grant and non-grant Eastern Interconnection studies along with the EISPC study.

The PJM Gas Electric Senior Task Force continues its near-term agenda of discussing the potential advantages of changing its day-ahead bidding process in response to changes in the natural gas nomination schedule, specifically, day-ahead market timing adjustments and bid flexibility to facilitate greater generator availability. In addition, PJM members continue to explore whether market rules should be changed to better reflect the full cost of firm gas transportation and how to improve information sharing between natural gas pipelines and PJM system operators. PJM has also identified gas unit commitment coordination as an issue for the Operating Committee to address. PJM states that this issue emanates from the difficulties experienced in scheduling gas-fired generation during cold weather events and expects short term changes implemented prior to the winter of 2014/2015 and longer term changes that may require FERC action in early 2015. PJM continues to hold seminars on natural gas infrastructure and market fundamentals, as well as the operational uncertainty facing natural gas generators in the day-ahead market, to better educate its Gas Electric Task Force.



In the Midwest, MISO completed its Electric/Gas Coordination Field Trial with ANR and Northern Natural Gas pipelines from October 1, 2013 through March 31, 2014. Field trial results indicated that coordinated gas-electric operations improved situational awareness, especially around generation unavailability. MISO and the pipelines found benefit in the monthly review of planned maintenance and system conditions and found additional coordination and information exchange during abnormal/emergency events extremely beneficial. MISO plans to formalize the Electric/Gas Coordination Program and establish contacts and communication protocols with all pipelines providing natural gas to generators in its market footprint.

MISO's Electric and Natural Gas Coordination Task Force developed outlines of four issue summary papers it will pursue this year: 1) 2014 Polar Vortex Experiences: Natural Gas Availability & Enhanced RTO/Pipeline Communication; 2) 2016 Retirement Projections Overlay onto January 2014 Polar Vortex Cold Weather Event - this will explore 2014 polar vortex weather conditions on MISO's expected 2016 fuel mix, which will be more reliant on natural gas, to understand potential future operating conditions; 3) Potential Competition between Gas Fired Generation and Storage Injection - an analysis of potential competition for natural gas between power generation and storage injection and implications for energy and natural gas prices; and 4) Process & Timeline for Development of Additional Pipeline Infrastructure - background of the process and timeline for the development of additional pipeline infrastructure and challenges for infrastructure expansion by 2016.

The SPP Gas Electric Coordination Task Force is actively pursuing its near-term objective of reviewing tariff provisions and business practices for improvements in time for winter 2014-15. The SPP Task Force is seeking ways to improve transparency in the three-way communications between the RTO, natural gas pipelines, and generators, and to refine processes for handling non-public information during shortage events. SPP members continue

to discuss the appropriate level of headroom to allow—the available capacity above minimum energy and operating reserve requirements—during sustained cold weather events, such as during winter 2013/14, in order to hedge against forecast uncertainty and ramp shortages. The Gas Electric Task Force plans to vote on these issues in the June 26, 2014 MWG meeting.



In the West, there are a number of sub-regional natural gas-electric coordination initiatives.

In the Pacific Northwest, the Pacific Northwest Utilities Conference Committee Power and Natural Gas Planning Task Force continues to provide a platform for natural gas pipelines and electric utilities to discuss enhanced communications and coordination issues. In the second quarter, two short-term studies were released, the PNUCC Northwest Regional Forecast and the Northwest Gas Association (NWGA) Natural Gas Outlook Study. The studies highlight a trend of decreasing consumption of both power and natural gas on an end user basis and the changing nature of power generation due to the increase in intermittent renewable generation on the system.

The Western Interstate Energy Board's Natural Gas-Electric and System Flexibility Assessment is underway. Phase 1 of the Western Gas-Electric Study was released on March 13. Phase 1 provides insight into the adequacy of available gas supply infrastructure to meet the needs of power producers in the Western Interconnection ten years in the future. Phase 1 reached the following key conclusions:

1. The natural gas and electric industries are deeply linked such that events and conditions in one may have significant impacts on the other.
2. Under the Base Case, existing gas transportation infrastructure will generally be adequate to meet the regional needs of the electric sector except under extreme winter weather conditions.
3. Gas generation that does not contract for firm transportation service may be subject to interruption during times of high gas demand.
4. The regions of the Western Interconnection are highly interdependent in their reliance on natural gas transportation and generation infrastructure.

5. Interregional coordination will play a key role in responding to gas generation curtailments during extreme weather.
6. Events that affect multiple regions simultaneously may pose a threat to regional reliability.
7. Continued growth of the West's natural gas generation fleet will require expansion of natural gas infrastructure to provide fuel security.
8. The impacts of new large natural gas loads on the adequacy of gas transportation infrastructure will depend on the extent to which those loads rely upon incremental expansions or existing pipelines.
9. Increased coordination between the gas and electric sectors will facilitate the interdependency between the two.

The full report is located on the WIEB website. (<http://westernenergyboard.org/natural-gas/study/>)

WIEB and the subcontractor, E3, have begun work on Phase 2 of the project, which will evaluate short term flexibility of the natural gas system's ability to meet increased volatility in hourly electric industry natural gas demand using hydraulic modeling. Phase 2 will focus on two subregions. First, the Pacific NW West will highlight a portion of Williams NW Pipeline in the I5 corridor, near a large portion of the region's power generation. The analysis is focused on developing a case that revolves around the interaction of hydro, wind and how an increase in wind generation could affect ramping on NW Pipeline during electric peaks. Williams NW Pipeline conducted a hydraulic analysis to explore system response to the increase in ramp due to wind generation. The analysis indicated that natural gas ramp from increased reliance on wind would not pose significant challenges on the pipeline system. The system was mostly balanced by natural gas from storage inventories and to a limited extent utilization of linepack. Preliminary results indicate that physical infrastructure is generally equipped to handle ramps in demand provided shippers maintain balance between receipts and deliveries. Electric load forecasting challenges related to renewable generation can lead to imbalances in natural gas receipts and deliveries, potentially creating operational challenges for pipelines.

The second subregion is the Pacific NW East, which will focus on Transcanada's GTN system, serving power plants in eastern Washington and Oregon near the pipeline's interconnect with the Williams NW Pipeline system. This area is notable as a potential area of increased gas for power generation load in the next 5-10 years. The draft results for the first subregion, the Pacific NW and the I5 Corridor, large downward ramp in wind generation results in large upward ramp in gas use, but is

Phase 2 results are expected in mid to late June.

Relevant Natural Gas Filings

Region	Pipeline/Association	Capacity/ Initiative	Docket No.	Status
Southeast	Southern Natural Gas Company	Capacity Expansion 235 MMcfd	CP14-493-000	Filed 5/30/2014
Gulf Coast	Gulf Crossing Pipeline Company (Phase II facilities of the Panda Power Lateral Project)	Capacity addition 278.4 MMcfd	CP13-64-000	In Service 5/30/2014
National	149 interstate natural gas pipelines	Order to Show Cause, Posting of Offers to Purchase Capacity	RP14-442-000	Pending
Gulf Coast	Enable Gas Transmission and Enable Mississippi River Transmission (collectively Enable Pipelines)	Order No. 787	RM13-17-001	Issued 6/19/2014
National	The Natural Gas Supply Association, the Process Gas Consumers Group, and the Northwest Industrial Gas Users (collectively, <i>NGSA et al.</i>)	Order No. 787	RM13-17-001	Issued 6/19/2014
Northeast	National Fuel Gas Supply Corporation and Empire Pipeline	Request for Limited Waivers of No-Conduit Rule adopted in Order No. 787	RP14-380-000	Issued 6/19/2014
Gulf Coast	Enable Gas Transmission and Enable Mississippi River Transmission (collectively Enable Pipelines)	Request for Limited Waiver of No-Conduit Rule adopted in Order No. 787	RP14-453-000	Issued 6/19/2014
Mid-Atlantic	Transcontinental Gas Pipe Line Company,	Petition for Limited Waiver of No-Conduit Rule adopted in Order No. 787	RP14-623-000	Pending

Our next area covers relevant natural gas and electric filings submitted with the Commission, starting with natural gas pipeline applications. We highlight a new reported filing to expand pipeline capacity serving electric generation as well as a status update to a previously cited project.

On May 30, 2014, Southern Natural Gas Company, L.L.C. (SNG) filed an application for a certificate authorizing the SNG Zone 3 Expansion Project to add 235 million cubic feet per day (MMcfd) of firm transportation capacity to the existing SNG pipeline system through modifications to its system across the Southeast. SNG plans to place the SNG Zone 3 Expansion Project in-service on or about June 1, 2016. The Project is supported by signed precedent agreements (PAs) for firm transportation service with ten new and existing customers. The customers who have signed PAs include local distribution companies (LDCs), power generators, and industrial customers.

Gulf Crossing Pipeline Company LLC was granted authorization on May 30, 2014 to commence service to the Phase II facilities of the Panda Power Lateral Project in Grayson County, Texas. This project will be capable of providing up to 278.4 MMcfd of firm transportation service to the Panda Sherman Power Electric Power Plant.

During the months of April through May 2014, 149 interstate natural gas pipelines that transport natural gas pursuant to subparts B or G of Part 284 of the Commission's regulations submitted filings to the Commission to comply with the previously reported Natural Gas Act section 5 show cause proceeding requiring all interstate natural gas pipelines to revise their tariffs to provide for the posting of offers to purchase released pipeline capacity in compliance with section 284.8(d) of the Commission's regulations, or to otherwise demonstrate full compliance with that regulation (March 20 Order). As explained in the March 20 Order, the Commission assigned each pipeline's compliance filing a separate RP

docket and provided interested parties an opportunity to intervene in those dockets. This matter is pending before the Commission.

In today's order on rehearing of Order No. 787, the Commission's final rule on interstate pipeline-electric transmission operator communications, the Commission denies Enable Pipelines' request to revise the No-Conduit Rule to allow disclosures to third parties (other than marketing function employees). The rehearing order also denies the request of NGS et al. to hold a technical conference after an interim period to assess the effectiveness of the new communications standards in Order No. 787.

Today, the Commission is also issuing an order granting in part and denying in part National Fuel Pipelines' request for waivers of Order No. 787. Specifically, the Commission is granting National Fuel Pipelines a limited waiver of Order No. 787 to permit (1) shared employees in National Fuel Pipelines' gas dispatch center to receive non-public, operational information from a public utility pursuant under Order No. 787 and to share it with other shared employees in the Shared Services Departments, and (2) permit shared employees in the Shared Services Departments to receive communications regarding electric service interruptions affecting National Fuel Pipelines' facilities, subject to conditions. The order, however, denies National Fuel Pipelines' requests for waiver of Order No. 787 to permit National Fuel Pipelines to communicate information received under the rule regarding electric service interruptions or impending power outages to affiliated non-shared employees.

The Commission is also issuing an order granting Enable Pipelines' request for waiver of Order No. 787 to permit employees shared by Enable Pipelines and their affiliated intrastate and gathering systems to receive non-public, operational information provided under Order No. 787, subject to conditions.

On March 14, 2014, Transcontinental Gas Pipe Line Company, LLC (Transco) requested a limited waiver of the No-Conduit Rule with respect to the disclosure of information received under the rule to an affiliate. Specifically, Transco requests a limited waiver of the No-Conduit Rule adopted in Order No. 787 for operational personnel shared between Transco and Cardinal Pipeline Company, LLC, its affiliated intrastate pipeline. This matter is pending before the Commission.

Relevant Electric Filings

Entity	Filing Initiative	Docket No.
PJM	Pipeline Information-Sharing Changes under Order No. 787	ER14-1469
ISO-NE and New England Power Pool	Offer Flexibility Changes	ER13-1877
NYISO	Request for Limited Waiver of the \$1,000/MWh Bid Cap	ER14-1138
PJM	Request for Limited Waiver of the System Offer Cap Rule	ER14-1144
PJM	Request for Temporary Waiver of the System Offer Cap Rule	ER14-1145
CAISO	Request for Waiver to Update the Natural Gas Price Index Used for Proxy Gas Calculations	ER14-1440
Duke Energy	January 2014 Cold Weather Events Related Natural Gas Costs	EL14-45
Eagle Point Power Generation	Request for Waiver to Recover Procured Fuel Cost	ER14-2075

Recent filings made by the electric industry to address increasing reliance on natural gas-fired generators as well as previously-reported filings that have been the subject of recent Commission action are highlighted on this slide.

On March 12, 2014, PJM submitted proposed tariff revisions to modify the confidentiality rules to allow PJM to share non-public, operational information with natural gas pipeline operators, consistent with the Commission's regulations adopted in Order No. 787 (Docket No. ER14-1469). On May 9, 2014, the Commission accepted the proposed tariff revisions, effective March 13, 2014, as requested, subject to conditions (May 9 Order). The May 9 Order found that, with its proposed revision which explicitly permits PJM to share non-public, operational information with interstate natural gas pipeline operators for the purpose of promoting reliable service and operational planning, PJM will no longer need to seek expedited waiver of section 18.17.1 of its Operating Agreement in the event of extreme weather conditions, such as the conditions that occurred earlier this year. The May 9 Order, however, required PJM to file a revised tariff record within 15 days from the date of the May 9 Order to clarify section 18.17.1(f) of the Operating Agreement, specifying which local distribution or intrastate pipeline employees will be prohibited from receiving non-public, operational information. On May 27, 2014, PJM filed a revised tariff record in compliance with the May 9 Order, to be effective March 13, 2014, to amend section 18.17.1(f) of the Operating Agreement to require that a recipient local distribution company or intrastate pipeline operator acknowledge, in writing, that it shall not disclose, or use anyone as a conduit for disclosing non-public, operational information received from PJM to a third party in an unduly discriminatory or preferential manner or to the detriment of any natural gas or electric market (Docket No. ER14-1469-001). This matter is pending before the Commission.

The Commission issued an order on April 29, 2014 accepting ISO-NE and NEPOOL's filing in Docket No. ER13-1877-001 made in compliance with the October 3, 2013 Order to become

effective December 3, 2014, as requested (April 29 Order). The April 29 Order found that, because there is not sufficient real-time market information available outside normal business hours, the Internal Market Monitor would be unable to verify locked-out resources' requests to change reference levels during those hours. The April 29 Order went on to find that by changing the deadline from 6:00 p.m. on the day prior to the operating day to anytime between 8:00 a.m. and 5:00 p.m. during the operating day and at least one hour prior to the close of the next hourly supply offer submittal period, ISO-NE's Transmission, Markets and Services Tariff (Tariff) revisions provide locked-out market participants with significant additional flexibility to submit updated fuel price information. Lastly, the April 29 Order found that the Tariff revisions, which specifically provide that updated reference levels will be made available to resources whenever calculated, as opposed to daily, also comply with the October 3, 2013 Order's requirement.

On March 28, 2014, the NYISO submitted an informational filing Docket No. ER14-1138-000 as directed by the Commission in its January 31, 2014 order granting limited waiver of the \$1,000/MWh Bid Cap. Specifically, the NYISO states that no energy resource received compensation pursuant to the terms of the waiver. Further, the NYISO states that the NYISO received fewer than five requests for compensation pursuant to the waiver. Moreover, the NYISO states that each of the requests was later withdrawn by the submitting Market Participant when the Market Participant determined that it was not eligible to receive additional Bid Production Cost Guarantee payments under the terms of the waiver because the Market Participant recovered the actual costs it incurred without requiring supplemental compensation.

On March 26, 2014, the Independent Market Monitor for PJM (IMM) submitted an informational filing in Docket No. ER14-1144-000 as directed by the Commission in its January 24, 2014 order granting limited waiver of PJM's system offer cap rule. In the filing, the IMM identified certain aspects of the cost-based offers from Generation Capacity Resources for whom the price of natural gas resulted in documented costs that exceeded PJM's \$1,000/MWh offer cap, consistent with the January 24 Order. The IMM concluded, among other things, that the high natural gas prices observed on January 28, 2014 resulted in units being offered with estimated costs that appeared to exceed the \$1,000 per MWh offer cap. The IMM further concluded that its calculations showed that for the units requesting waivers in this docket, there were total uncompensated costs of only \$9,118.43. The IMM, however, found that a more detailed examination of the facts by the IMM did not support most of the waiver requests.

Following the Commission's February 11, 2014 order granting PJM's Request for Temporary Waiver of the System Offer Cap Rule in Docket No. ER14-1145-000, on March 13, 2014, the PJM Industrial Customer Coalition, Consumer Advocate Division of West Virginia, Delaware Division of the Public Advocate, Illinois Citizens Utility Board, Indiana Office of Utility Consumer Counselor, Maryland Office of People's Counsel, New Jersey Division of Rate Counsel, Office of the People's Counsel of the District of Columbia, and Pennsylvania Office of Consumer Advocate (collectively, Consumer Representatives) filed a request for rehearing (Docket No. ER14-1145-001). Specifically, the Consumer Representatives argue that (1) the February 11 Order's acceptance of PJM's requested waiver of the \$1,000/MWh Offer-Price Cap constitutes impermissible retroactive ratemaking; and (2) the February 11 Order erred by arbitrarily and capriciously deviating from its own standards for the granting of tariff waivers. This matter is pending before the Commission.

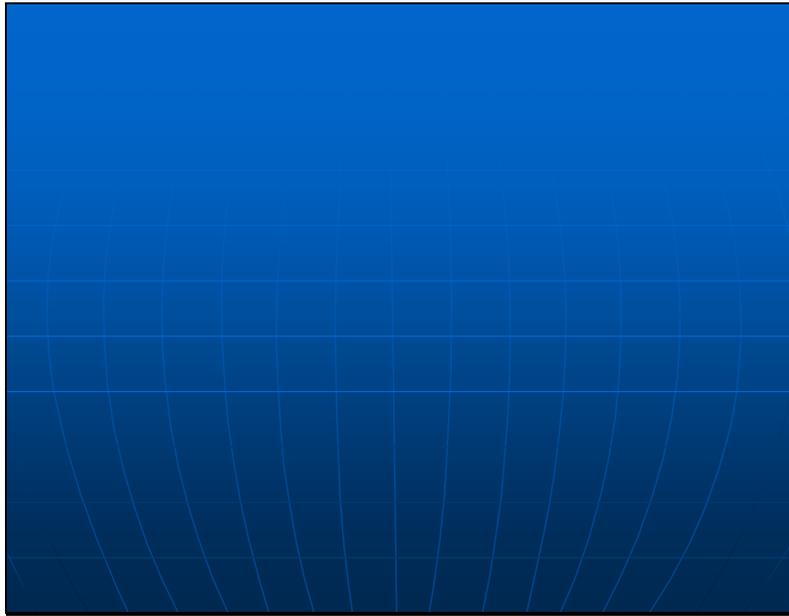
Further, on April 30, 2014, the Independent Market Monitor for PJM (IMM) submitted an informational filing identifying certain aspects of the cost-based offers from Generation Capacity Resources for whom the price of natural gas resulted in documented costs that exceeded PJM's \$1,000/MWh offer cap, consistent with the February 11 Order. The IMM explains that in PJM, every energy offer includes a start component, a no load component and an incremental curve component. The IMM asserts that some units' energy offers, including the no load and incremental curve components, did exceed \$1,000/MWh but none of those units ran with those offers, and none of these offers directly affected energy market prices or resulted in uplift payments. The IMM states that its review of the 49 day period from February 11 through March 31, 2014 indicates that there were no energy offers submitted with incremental curve offer components above \$1,000/MWh. Thus, the IMM concludes that there were no Locational Market Prices above \$1,000/MWh as a direct result of the waiver granted in Docket No. ER14-1145-000. The IMM states that this conclusion is limited to the incremental curve component of generator energy offers. Lastly, the IMM states that it is investigating the offer behavior of several units and will take appropriate actions consistent with Attachment M of PJM's tariff. This matter is pending before the Commission.

On March 21, 2014, the Commission issued an order in Docket No. ER14-1440-000 granting CAISO's requested waiver through April 30, 2014 to allow CAISO to use updated natural gas price data not only for settlement purposes, but also for market execution in the event natural gas prices for the affected trading day equal or exceed 150 percent of the natural gas price calculated pursuant to CAISO's tariff (March 21 Order). The March 21 Order found that CAISO's request addressed a concrete problem by allowing natural gas-fired generators the opportunity to recover their start-up and minimum load costs based on data that more accurately reflects current natural gas pricing. The March 21 Order also found that the waiver allows the more accurate natural gas pricing data to be included in the day-ahead market runs. The March 21 Order found that this corrects market signals through transparent market pricing, improving on the settlement approach approved in the March 14 Order in Docket No. ER14-1442-000 that was intended to be a stop-gap mechanism to address near-term adverse outcomes.

On May 5, 2014, Duke Energy Corporation (Duke Energy) filed a formal complaint in Docket No. EL14-45-000 against PJM, or in the alternative a request for waiver of certain OATT provisions, in which Duke seeks recovery of natural gas costs incurred in January 2014 in anticipation of an extreme weather event. This matter is pending before the Commission.

On May 30, 2014, Eagle Point Power Generation LLC (Eagle Point) requested limited waiver of Sections 1.9.7(b)(i) and 1.10.2(d) of Attachment K-Appendix of the PJM Tariff to permit Eagle Point to recover the losses it incurred when it procured fuel to comply with a PJM reliability instruction and resold the unused portion of that fuel at a loss after PJM canceled its instruction. This matter is pending before the Commission.

Slide 10



Staff's next quarterly report is due in September. Staff will continue regular outreach with national and regional entities and with regulated entities regarding their efforts on gas-electric coordination.