

# State Update

A Brief Update on State & Provincial Issues and Proceedings

**Arkansas—**In testimony filed with the Arkansas Public Service Commission (PSC) on Dec. 22, the Southwest Power Pool (SPP) said that customers in Entergy's service territory could see greater savings if Entergy joined the RTO than if it used SPP as its Independent Coordinator of Transmission (ICT) (Docket No. 04-137-U). Lisa Dillahunty, SPP vice president of regulatory affairs, gave the testimony to support the RTO's request for a certificate of public convenience and necessity to allow it to take functional control of the transmission assets owned by Southwest Electric Power Co., Empire Electric Co. and Oklahoma Gas & Electric. Dillahunty said that the ICT may not provide significant cost savings when compared to the benefits of joining a regional organization with a significantly larger geographic scope. In addition she pointed out that as the ICT under Entergy's proposal, SPP does not have the mandate to implement a competitive market as it does as an RTO. "As a result, there is likely to be greater transparency in the SPP RTO than in the Entergy ICT," Dillahunty said. SPP also noted that additional benefits would be felt by Entergy's customers should it join the RTO, including the elimination of seams, the ability to deal with constraints and the enhanced effectiveness of transmission planning. Entergy's ICT proposal has been conditionally approved by the PSC and is currently pending before FERC.

**Illinois—**Yesterday, Gov. Rod Blagojevich announced a proposal to cut mercury emissions from the state's coal-fueled power plants by 90 percent by July 2009. In a press conference announcing his plan the Governor said "the new federal mercury regulations don't go far enough in protecting the public from what we know are very dangerous emissions." The federal Clean Air Mercury Rule, already in place, required coal plants to lower mercury emissions by 70 percent by 2018. The governor's proposal was strongly supported by a number of environmental groups as well as the Illinois Public Interest Research Group. Some, however,

question the motivation of announcing such an ambitious plan while Blagojevich is in the midst of a hotly contested Democratic primary race. The Illinois Coal Association predicted that the plan would accelerate the retirement of older power plants, which in the end could raise electricity rates for the state's consumers. The governor is expected to submit his mercury proposal to the Illinois Air Pollution Control Board by Feb. 15. The Board is then expected to begin a rulemaking process that could last until the end of the year. Any final rule issued by the Board would have to be approved by the General Assembly's Joint Committee on Administrative Rules.

**Louisiana—**On Dec. 22, Louisiana PSC staff issued its Final Report on barriers to wholesale competition in the Entergy footprint (Docket No. U-27836). The investigation and study arose out of a settlement between Entergy and Calpine allowing Entergy to purchase the Perryville plant from Cleco. During the collaborative effort leading up to the report, the focus shifted from general wholesale competition to Entergy's request for proposal (RFP) process. In its Final Report staff noted that "the collaborative was successful in reaching agreement on several key issues of interest to merchant suppliers as well as staff. . . The resolved (or largely resolved) issues include the following: 1) Timing of next RFP; 2) Selecting of Independent Monitor; 3) Product definition; 4) Credit/collateral requirements for counter parties; 5) Transmission evaluations of bids; 6) The use of debt imputation; 7) RFP planning information; and 8) Power plant retirement." In particular, Entergy agreed to use a collaborative effort in selecting an RFP's independent monitor and "has indicated that it will not use debt imputation to initially screen out [power purchase agreement] bids but instead will limit its use to short-listed bids. As requested by Staff,



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Entergy also agreed to perform its evaluations with and without debt imputation so that the importance of this factor in final bid rankings can be identified.” Despite the lack of resolution on some of the issues listed above, the Final Report stated that the effort was very successful and that “no Commission action is needed at this time.”

**Michigan—On Tuesday, Michigan PSC staff issued the Final Staff Report of the Capacity Need Forum, which found a supply shortfall in the state beginning in 2009 with new needed baseload generation by 2011.** The report was the culmination of the Capacity Need Forum (CNF), an effort that began in late 2004 and involved nearly 200 industry stakeholders. EPSA provided joint comments along with Energy Michigan and the Midwest Independent Power Suppliers to the CNF earlier this fall. EPSA also made a supplemental presentation to the PSC staff. The final report concluded that “it is unlikely that major new plant additions will be constructed in Michigan in the foreseeable future without some change in the Commission’s current rate-making methodology.” Therefore, to finance future baseload plants the PSC staff recommended a “Reliability Option” ratemaking model be adopted. The staff proposal would allow a utility planning on building and operating a baseload power plant to file an application with the PSC to collect a reliability charge from all distribution customers of the utility. Retail choice customers would have to pay the charge as well and would be allocated a pro rata share of the reliability component of the new plant. Although not advocating for the PSC to make competitive procurement a mandatory component of utility resource planning, the final report stated that “to help assure the cost of a new plant is reasonable, Staff strongly recommends that a fair and transparent competitive bidding process be used.” The PSC is currently reviewing the report’s recommendations.

**New York—On Wednesday, Gov. George Pataki gave his last State of the State address focusing on a number of energy issues including the development of renewable and clean coal generation technologies.** In his speech, the governor outlined a plan “that would make New York the worldwide center for clean, renewable energy research, product development and job creation.” Pataki proposed making all of New York a tax-free zone for companies that develop “clean, renewable energy sources.” In addition, the governor said that he would work to create shovel-ready sites and help finance advanced clean coal power plants. Pataki also made mention of his role in organizing the recently signed regional greenhouse gas initiative (RGGI) memorandum of understanding and its environmental benefits to the Northeast and Mid-Atlantic regions.

## MARK YOUR CALENDARS

**Jan. 28-30**  
**EPSA Annual Meeting**  
 Vail Cascade Resort  
 Vail, Co.

**Feb. 12-15**  
**NARUC Winter Committee Meetings**  
 Capitol Hyatt  
 Washington, D.C.

**Feb. 15-16**  
**National Electricity Delivery Forum**  
 Capitol Hyatt  
 Washington, D.C.

**March 19-22**  
**Current Issues 2006**  
 Eldorado Hotel  
 Santa Fe, N.M.



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