


NEPCO of Jordan Federal Regulatory Update

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Summary Overview

- Federal Energy Regulatory Commission
- Energy Policy Vision
- Regional Planning
- Energy Super Highway
- Recent Congressional & Judicial Action
- Questions & Answers

Federal Energy Regulatory Commission

The Commission:

- Independent agency that regulates the interstate transmission of electricity, natural gas, and oil.
- Made up of up to five commissioners appointed by the President of the United States with consent of the U.S. Senate.
- Serve five-year staggering terms.
- Equal vote.
- No more than three commissioners from the same political party.

Federal Energy Regulatory Commission

Mission:

Assist consumers in obtaining reliable, efficient and sustainable energy services at a reasonable cost through appropriate regulatory and market means.

Federal Energy Regulatory Commission

Two primary goals:

- Ensure that rates, terms and conditions are just and reasonable.
- Promote the development of safe, reliable and efficient energy infrastructure that serves the public interest

Energy Policy Vision

- Pre and Post Energy Policy Act of 2005
- Reliability Standards
- Enforcement
- Transmission rate incentives
- Renewables
- Smart Grid

Energy Policy Vision

Pre EPAct 2005:

- Just & reasonable rates
- Tariff approval
- Mergers & acquisitions
- Hydro licensing

Post EPAct 2005:

- Reliability of Bulk Electrical System
- Enhanced civil penalty authority - enforcement
- Promote transmission rate incentives
- Transmission siting authority

Energy Policy Vision

Reliability Standards:

- Electric Reliability Organization – NERC
- Eight Regional Reliability Organizations
- Over 100 **Mandatory** Reliability Standards
- Multiple regional reliability standards
- Self-report & self-certification
- Critical Infrastructure Protection
- Regional reliability audits

Energy Policy Vision

Enforcement:

- Enhanced civil penalty authority
- Anti-market manipulation rules
- Market monitoring
- Audits and investigations
- FERC transitioned to an enforcement agency

Energy Policy Vision

Transmission Rate Incentive

- Incentive based rate of return – enhance reliability or reduce cost of delivered power by reducing transmission congestion
- 100 percent of CWIP in rate base and expensing rather than capitalizing pre-commercial operations costs

Energy Policy Vision

Transmission Rate Incentive

- Accelerated depreciation to increase cash flow – as short as 15 years
- Allowing recovery of 100 percent of the prudently incurred costs of transmission facilities that are cancelled or abandoned due to factors beyond the control of the public utility.

Energy Policy Vision

Arizona Renewables

- For 2009, the Arizona Corporation Commission's Renewable Energy Standard (RES) requirement was 478,946 MWh. APS exceeded this requirement by providing 604,414 MWh
- Represents 2.3% of the total APS generation mix
- March 2010 RFP for utility scale projects resulting in several small photovoltaic projects

Energy Policy Vision

California Renewables

California's Renewables Portfolio Standard (RPS) is one of the most ambitious renewable energy standards in the country; requiring electric corporations to increase renewable energy resources by at least 1% of their retail sales annually, until they reach 20% by 2010.

Energy Policy Vision

Proposed Federal Renewable Requirements

- Each electric utility that sells electric energy to retail consumers shall obtain the following percentage of the base quantity of electricity the electric utility sells to consumers in any calendar year from renewable energy or energy efficiency:

2011-2013	3.0 %
2014-2016	6.0 %
2017-2018	9.0 %
2019-2020	12.0 %
2021-2039	15.0 %

Regional Planning

- **OATT Reform & Regional Planning**

FERC Order No. 890

Open & transparent

Stakeholder participation

Regional Planning

- **FERC Backstop Siting Authority**

National electric transmission corridors with constraints or congestion upon a finding of:

1. State lacks siting authority
2. Applicant not qualified to apply for siting approval because it doesn't serve end-use customers

Regional Planning

- **FERC Backstop Siting Authority**

3. State with holds approval for more than one year.
4. State conditions approval such that congestion isn't significantly decreased.

Regional Planning

- **Impediments to Regional Transmission**

- Lack of economic certainty

- Federal & state renewable requirements

- Interconnection of variable energy resources

- **Cost Allocation**

- Who pays for the transmission investment

- Who benefits

Energy Super Highway

Goal: competitive energy markets to promote competitive energy prices

Needed: robust & reliable transmission infrastructure to support viable energy markets, transport remote generation to the load, alleviate congestion and integrate variable energy resources

Energy Super Highway

By the numbers:

- 300 Transmission Owners
- 100 Balancing Authorities
- 164,000 miles of transmission lines at 230kV or above but only 3,000 miles of those lines are at 500kV or above

Energy Super Highway

By the numbers:

- Since 2001 only 3,000 miles of new transmission line have been put into service at 230kV or above.
- Only 748 miles of those facilities are at 345kV or higher cross state lines

Energy Super Highway

Who gets to build new transmission lines:

- Local incumbent utility
- Merchant transmission companies
- Texas - auctions are held to decide who can build a new line at the lowest cost
- California debate – should incumbent utilities have the right of first refusal to build needed new lines

Energy Super Highway

Tres Amigas merchant transmission project:

- Three way AC/DC 30 giga watts super station
- Located in eastern New Mexico
- Will link Eastern, Western and Texas grids
- Authorized to sell transmission at negotiated rates

Congressional & Judicial Action

American Recovery and Reinvestment Act of 2009

- \$61.3 billion earmarked for energy
 - \$11 billion smart grid
 - \$6 billion renewable – loan guarantees
 - \$3.25 billion WAPA – transmission upgrades
 - \$6.3 billion state & local governments invest in energy efficiency

Congressional & Judicial Action

- **The American Clean Energy and Leadership Act of 2009**
 - Improved transmission siting – high priority national transmission projects (HPNTP)
 - FERC backstop siting authority
 - Federal Renewable Electricity Standards
 - Federal Renewable Energy Credits (RECs) & Energy Efficiency Credits (EECs)
 - Market for trading RECs & EECs

Congressional & Judicial Action

On March 23, 2010 the FERC Commissioners testified before the United States House Committee on Energy and Commerce Oversight hearing.

Congressional & Judicial Action

Key testimony points:

- Cost allocations should be decided at the regional level
- FERC may issue general cost allocation principles – but no one size fits all.
- Seeking additional cyber security, transmission planning & siting authority.
- Don't overpromise smart grid.

Congressional & Judicial Action

United States Court of Appeals for 4th Circuit Piedmont Environmental Council vs. FERC

Court determined that FERC had read too much into the backstop transmission siting authority provision of the EAct of 2005 by claiming that it could override a state's timely rejection of a siting petition

Q & A