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Tuesday, October 3, 2006

Illinois governor asked to call special session on rates

Denouncing the state's recent power auction as a "sham," Michael Madigan, the powerful speaker of the Illinois House of Representatives, urged Governor Rod Blagojevich on Monday to call a special session of the General Assembly within seven days to vote on legislation that would extend the state's electric rate freeze.

The governor, in a letter to lawmakers late in the day, said he would call a special session immediately "once we have the votes to pass the legislation . . . " Such a session "will continue for as long as necessary to reach the intended result, even if it is extended through the holiday season."

Madigan, a veteran Chicago Democrat and the father of the state's attorney general, Lisa Madigan, said in his letter to Blagojevich that "contrary to expectations in 1997, true competition has yet to develop in the Illinois power market and the outcome of the September power auction was not the intended result of the deregulation legislation." The auction "has become little more than a sham

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FERC fines Ameren $15 million for Taum Sauk dam failure

AmerenUE, a subsidiary of Ameren, has agreed to pay a $10 million civil penalty and $5 million for improvements around the company's Taum Sauk hydroelectric dam in Missouri, as a settlement with the Federal Energy Regulatory Commission over the December 14 breach of the dam.

The settlement "represents the largest civil penalty ever imposed by the commission for violation of a hydropower license," FERC Chairman Kelliher said during a news briefing Monday.

The $5 million in improvements will include an enhanced emergency management system and to appoint a new dam safety officer who will have authority to shut down dam operations on the spot.

"Ameren has made a commitment to strengthen its dam safety culture," Kelliher said.

Missouri Governor Matt Blunt, Republican, who had criticized FERC for not

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Policymakers must push IGCC technologies: Peabody CEO

For integrated gasification combined-cycle power plants to advance and make up a portion of the generating market, policymakers need to encourage the technology and capitalize on the country's vast coal resources, Gregory Boyce, president and CEO of Peabody Energy, said Monday.

In states with restructured retail markets, regulators are not allowing utilities to recover IGCC plant costs, and Wall Street is not financing new plants, Boyce said at the annual conference of the Gasification Technologies Council in Washington. Both of those problems "need to be solved quickly," Boyce said.

IGCC plants should be a major baseload generating resource to account for growing demand, particularly since natural gas prices are volatile and new nuclear plants will take almost 10 years to be in service, said Randy Zwirn, president and CEO of Siemens Power Generation. "The so-called nuclear renaissance" will take about nine years before any new plants are in service, and by that time, "IGCC

Siting

Coal, wind project developers advised to court landowners

A shift in public acceptance of nuclear power and landowner opposition to new wind and coal-fired projects in the Northeast and Mid-Atlantic have plant developers wondering what they must do to appease project neighbors, industry officials said late last week.

Construction of nuclear plants decades ago increased the tax base of communities, funded school projects and provided other local benefits, Joe Turnage, senior vice president of Constellation Generation, said Friday at Platts Mid-Atlantic Power Forum in Baltimore. Compared with some of the public resistance to nuclear power faced by the industry in the past, a survey shows that public acceptance is at its highest level in decades, with a majority of the general public supporting nuclear power and most plant neighbors saying they want a new reactor to be built at their nearby plants, Turnage said.

The same cannot be said for most other

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Generation

ERCOT encouraged by recently proposed additions of 2,882 MW

The Electric Reliability Council of Texas and the Public Utility Commission of Texas said Monday that they are encouraged by the large number of nuclear, coal-fired and natural gas-fired plants — and new wind farms — that have been proposed in recent months.

If a significant portion of the projects that have been announced proceed to final design, construction and operation, ERCOT should be able to maintain an adequate reserve margin, they said.

A new report by the PUC found that 2,882 MW of capacity is under construction in the ERCOT region, including 1,357 MW of gas-fired plants, 775 MW of wind farms and a 750-MW coal plant. Also, a 161-MW wind farm is under construction in the part of Texas that is within the Southwest Power Pool area.

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could be a substantial player" as a baseload resource, Zwirn said.

Boyce said coal and power industry officials should try to convince policymakers that commercially deployable technologies need to be ready before any carbon regulation efforts are begun. Building the FutureGen project, which includes carbon sequestration technology, will help in that regard, Boyce said.

Commissioner Michael Williams of the Texas Railroad Commission said policymakers can investigate how to incorporate clean-coal technologies within renewable portfolio standards. When the Texas Legislature convenes in January, it likely will consider that issue, along with bills providing tax incentives for gasification technologies, Williams said.

While coal in the US has different qualities based on geography and geology, "there's going to be gasification technologies for most of the coal" in the country, Boyce said.

"We don't see a silver bullet of one technology" leading the pack in the generation sector, said John Hofmeister, Shell USA president and CEO. Shell intends to participate in the IGCC market, and Hofmeister noted that Shell is using gasification technologies in Europe that use various types of fuels.

Settlement deal reshapes PJM capacity market

The PJM Interconnection filed a settlement agreement late Friday on a long-argued capacity market plan for the regional transmission organization. The agreement on what PJM calls its "reliability pricing model" simplifies and clarifies controversial parts of the plan — and adds a few complexities of its own.

The agreement, filed with Administrative Law Judge Lawrence Brenner of the Federal Energy Regulatory Commission, would replace PJM's existing capacity market on June 1, 2007, if FERC approves the plan by December 22 as requested.

The settlement agreement adopts a system of auction commitments three years in advance of the year when the capacity is needed. The plan tentatively approved earlier this year by FERC envisioned auctions four years in advance of the commitment period.

In order to start the new capacity market next year, the first advance auction would be in April, less than two full months before the June 1 start of the first delivery year.

Locational deliverability areas would be phased in — four large areas during the first three years of the new capacity market, then the 23 areas that PJM had proposed.

Seasonal pricing is eliminated from the plan as an unnecessary complexity.

Companies that choose to self-supply and opt out of the auction system will be required to stick with their decision for a minimum of five years. If a company then chooses to enter the auction system, its must stay in it for at least five years.

There still will be a locational requirement for the capacity of companies that opt out of the auction system. The settlement negotiators came up with a formula for determining that locational element.

The settlement agreement establishes a lower value for capacity at nearly all capacity levels in comparison to what was in the plan earlier this year. The value would be variable, sloping downward to lower prices as greater amounts of capacity are offered into the market. The settlement agreement not only lowers the values but uses a more gradual downward slope that appears to smooth out the price changes.

The administrative law judge can forward the plan to the FERC commissioners with whatever supporting or critical commentary he chooses to add.

Supreme Court sets date for global warming case

The Supreme Court on Monday set a date of November 29 for oral arguments in a global warming case it agreed to hear earlier in 2006.

The plaintiffs in the case — a coalition of states and envi-

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ronmental groups — believe the federal government is obligated under the Clean Air Act to regulate emissions of carbon dioxide and other so-called greenhouse gases in order to combat global warming.

The Environmental Protection Agency, the named defendant in the case, argues, however, that the CAA does not authorize it to regulate the gases as "pollutants," as the states and environmental groups claim it is. EPA also argues it would choose not to regulate the emissions as a matter of policy, even if it did have the authority to do so.

The case began in 1999, during the Clinton administration, when the states formally petitioned EPA to regulate vehicular greenhouse gas emissions. EPA may well have done so at that point, because the agency's general counsel had authored a "legal opinion" the previous year concluding that CO2 was indeed an "air pollutant" that could be regulated under the Clean Air Act.

With that as a backdrop, EPA launched a lengthy process to consider the states' petition. The process was still underway when the Bush administration assumed power in January 2001.

In September 2003, EPA announced that it would not grant the states' petition to regulate the emissions. As part of that decision, EPA rescinded the previous, Clinton-era opinion that had designated CO2 as a pollutant.

The states then sued EPA in the US Court of Appeals for the District of Columbia. In July 2005, a three-judge panel ruled 2-1 in favor of EPA.

The states asked the full Court of Appeals to rehear the case, but it refused. The states then appealed to the Supreme Court. The Bush administration, the automobile industry and the electric power sector all urged the justices not to take the case, but on June 26, the high court announced that it would hear the matter.

The outcome of the case could have major implications for US climate change policy, and some experts believe it could directly affect electricity generators as well as the automobile industry.

The states and environmental groups filed papers detailing their legal arguments in the case in late August. EPA is expected to outline its defense by October 24.

Senate approves final member of TVA board

The Senate has approved William Graves as the ninth and final new member of the expanded Tennessee Valley Authority board of directors, bringing it to full strength.

"Bishop Graves' confirmation completes the long-overdue restructuring of TVA's board. With a new, stronger board of directors and a modernized management structure, I'm confident TVA is now fully prepared to address the challenges of the 21st century," Senator Bill Frist, Republican-Tennessee, said in a statement.

Frist was instrumental in the push to have the three-member full-time board replaced by a CEO and a nine-member part-time board.

Graves has been a member of the board of Memphis Light, Gas and Water, TVA's largest distributor. He is the bishop of the Christian Methodist Episcopal Church in Memphis.

Graves and Dennis Bottorff are the only two board members nominated by President Bush who are not large contributors to Bush or the Republican Party.

Other members of the TVA board of directors are Bill Baxter and Skila Harris, two of the three members of the old board, who were joined in March by new directors Susan Richardson Williams, William B. Sansom, Dennis Bottorff, Howard A. Thrailkill, Robert M. Duncan and Donald DePriest.

The new board members will serve five-year terms, down from the nine-year terms of the full-time board members. Members will be paid $45,000 a year.

The board is searching for a CEO. Tom Kilgore, TVA's COO, is the acting CEO.

Graves could not be reached for comment.

Correction:

A story in the October 2 issue incorrectly identified an analyst at Standard & Poor's Equity Research, whose name actually is Justin McCann.

SPP delays real-time balancing market launch

The Southwest Power Pool has decided to push back the start date of its real-time balancing market by one more month, to December 1, to give the regional transmission organization more time for testing and system assessments.

SPP has been finding problems such as widely fluctuating prices during deployment tests for its energy imbalance services, or EIS. Test participants have indicated the glitches are not insurmountable barriers, but do need to be resolved.

"Despite the dedication of substantial resources and manhours, SPP has been unable to complete the necessary testing and assessments to certify that all required systems are in place and functioning to support the EIS market," SPP said in a September 29 letter to the Federal Energy Regulatory Commission.

SPP will convene another meeting of its board of directors October 24 "to reassess market readiness and to consider the filing of the required Readiness Certification proposing a target implementation date for the EIS market of December 1, 2006," the letter said.

It is the second one-month delay in a row. In August, SPP delayed the planned launch date from October 1 to November 1 to allow for more testing and tinkering, especially with software systems.

EPA board remands Illinois coal plant air permit

The Environmental Protection Agency's Environmental Appeals Board has ordered an Illinois agency to further review an Indeck Energy Services air permit for a controversial 660-MW coal-fired power plant, Elwood Energy, in Will County about 50 miles south of Chicago.

In a Friday ruling, the EAB tossed out several claims by the Sierra Club, which appealed the permit last year, while remanding four issues back to the Illinois Environmental Protection

Agency. The permit for the $1.1 billion project initially was issued in October 2003, and construction has been delayed.

The EAB ruling is expected to further delay the project, possibly until the end of 2011 or later.

Indeck, a Buffalo Grove, Illinois-based independent power producer, and the Sierra Club disagreed on the full impact of the board's decision.

Jim Thompson, Indeck senior vice president of business development, told Platts on Monday that several objections raised by the environmental group were denied by the EAB. They included claims by the Sierra Club the Illinois agency did not thoroughly evaluate whether any federal endangered species would be affected by the power plant.

"The four things they asked us to do are pretty minor . . . we feel very good about this thing. It's a very, very positive response for us."

The EAB remanded the permit back to IEPA on four issues, including how emissions would be controlled and how the state agency evaluated the plant's impact on the nearby Midewin National Tallgrass Prairie.

But Sierra Club attorney Bruce Nilles insisted the EAB ruling leaves Elwood Energy on "life support." Essentially, Indeck has to start its permit process over at the state agency, he maintained. Under a "best-case scenario" for the company, Nilles predicted the project will be delayed at least another nine to 12 months.

Elwood originally was scheduled to begin commercial operation in 2009. The timetable was delayed last year until 2010, then further pushed back to the third quarter of 2011.

Four vie for Ontario Power's RFP for 600MW

The Ontario Power Authority received four proposals in response to its July solicitation for up to 600 MW of new natural gas-fired capacity near Hydro One's Trafalgar transformer station in the western suburbs of Toronto, OPA said Monday.

OPA spokesman Tim Taylor declined any additional comment on the responses, which were due last Wednesday. Platts, however, has identified the respondents and uncovered the specifics of their proposals from local officials, engineering firms and other sources.

All of the proposals are for combined-cycle plants. TransCanada Energy, a subsidiary of TransCanada, proposed building a 680-MW plant in Halton Hills, Platts has learned, while a joint venture of Pristine Power and Fort Chicago Energy Partners proposed a 680-MW project in Milton. In addition, CMS Generation, a subsidiary of CMS Energy, proposed a 600-MW project in Oakville, and Epcor Utilities proposed a 600-MW project in Milton.

The developers of each of the proposed plants over the past few weeks made public presentations about their project in the towns where they would be built, and TransCanada last week secured approval from Halton Hill's town council for its plan. The other proposals have not yet received local government support.

According to the RFP, OPA would prefer that at least some capacity be available from the winning project by the summer of 2009, and that all of the plant's capacity be available by the summer of 2010.

Spokesmen for the developers did not return telephone calls seeking comment. However, project presentations obtained by Platts provide details. For example, CMS Generation said in its presentation that its proposed Palermo Clean Energy Centre would be in the Palermo section of Oakville, and would consist of "two combustion turbine generators, two heat-recovery steam generators, [and] one steam turbine generator."

Pristine Power and Fort Chicago Energy Partners, in turn, said their proposed plant in Milton would be "a high-efficiency, modern F-class facility [that] will operate during hours of peak demand."

OPA will evaluate the responses over the next few weeks, and it expects to select the winner by about November 15, Taylor said.

Merchants protest Entergy's draft 800-MW RFP

A group of three merchant power producers said Entergy's draft request for proposals meant to focus on the possible displacement of its high-cost oil- and natural gas-fired steam generation falls short of its goal.

Entergy released the draft document August 31 for up to 800 MW of limited-term and intermediate-term supply-side products. The limited-term solicitation is for one to three years and the intermediate-term request is for four and five years.

The Louisiana Public Service Commission asked Entergy to use an intermediate-term RFP to see whether market purchases would justify retiring or mothballing the company's old, inefficient reliability must-run units.

In comments filed Friday to the PSC, Williams Power, Suez Energy and Entegra Power Group said that without substantive changes, opportunities for displacing the high-cost generation will be diminished.

Market participants had asked Entergy to acquire products with delivery terms of up to 10 years, but Entergy said it would not be in the best interest of its customers to enter into contracts longer than three years unless they serve as a bridge until the completion of a specific solid-fuel project.

"Entergy's refusal to include longer-term bids is inconsistent with the multiple PSC requests to focus on opportunities for displacement of high-cost generation," the group said in its comments on the draft solicitation.

Entergy said in the RFP it would consider expanding a five-year bid for a longer period, but the merchants said that process precludes a bidder from developing its best proposal for a longer-term PPA. "If Entergy was truly interested in considering all possibilities for displacement, it would permit bidders to present their 'best shot' in a bid of up to 10 years and conduct the appropriate evaluations to determine whether net benefits are available," the merchants said.

The group said Entergy's refusal to test the market with six- to 10-year products is "disappointing and difficult to reconcile with the commission's call for a reduction" in high-cost generation.

The group also said there is a "fundamental disconnect" between Entergy's transmission planning and the RFP. The model for transmission evaluations "is inherently biased toward Entergy's existing units," the merchants said. They said the bids should be reviewed in the context of long-term transmission plans so the cost of transmission upgrades already in Entergy's plans are not added to the price of the bids submitted in response to the RFP.

The fact that Entergy's transmission evaluations do not reflect the actual dispatch of the Entergy system continues to be a problem, the merchants said. Entergy has said it cannot address the issue because of prohibitions imposed by the Federal Energy Regulatory Commission. "While safeguards to insure transparency and non-discriminatory treatment are important, neither the federal nor state regulators could possibly intend that such safeguards should prohibit the optimization of assets within the Entergy System and the ability to serve ratepayers at the lowest reasonable production costs," the merchants said.

The group asked that the independent monitor and the PSC staff carefully monitor the bid evaluation process "to ensure that the limited opportunities presented are fairly administered."

PPL unit may get $44 mil in RMR settlement

PPL's Wallingford Energy subsidiary would receive $44 million through a written settlement filed with the Federal Energy Regulatory Commission, Allentown, Pennsylvania-based PPL said.

The settlement, disclosed Friday in a filing with the Securities and Exchange Commission, involves amounts due under a "reliability must-run" agreement with ISO New England for February 1, 2003, through May 31, 2006. The amount, plus interest, would be paid to PPL Wallingford in equal monthly installments over a two-year period, the SEC filing said.

If FERC approves the settlement, it would resolve all issues pending before the agency, including payments to PPL Wallingford for the past period and going forward, PPL said. In addition, PPL Wallingford would enter into a revised RMR deal effective back to June 1, under which it would be entitled to receive about $1.8 billion/month for recovery of fixed costs while the deal remains in effect.

The settlement parties seek FERC approval of the deal no later than December 31.

In January 2003, PPL EnergyPlus, on PPL Wallingford's behalf, negotiated a deal with ISO New England that would declare as reliability must-run four of PPL's five units in Wallingford, Connecticut, and put those units under cost-based rates. The rates and the agreement were subject to FERC approval.

Under an RMR contract, a unit is kept running for the sake of grid reliability even if the operator of the unit does not consider the facility cost-effective.

In May 2003, FERC denied PPL Wallingford's request for approval of the RMR deal and cost-based rates, but, in August 2005, the US Court of Appeals for the District of Columbia Circuit reversed FERC's denial and remanded the case to the commission for further consideration.

FERC in April conditionally approved the RMR agreement and cost-based rates at the four units, effective back to February 1, 2003, subject to refund, hearing and settlement procedures. FERC ordered a hearing to determine whether the Wallingford units needed the RMR agreement, the cost-based rates under the deal and the amounts to be recovered for past periods under the RMR deal, but the hearing was suspended pending the outcome of settlement proceedings.

Sierra Club attacks KCP&L 850-MW coal plant

The Sierra Club has asked Missouri regulators to block Kansas City Power & Light from starting construction on an 850-MW coal-fired power plant.

Sierra Club filed a "motion for stay" September 29 with the Missouri Air Conservation Commission and the Missouri Administrative Hearing Commission requesting that KCP&L be prevented from building the Iatan II plant next to an existing facility near Weston, Missouri, until Sierra Club's appeal of the utility's construction permit is resolved. Hearings on the appeal are set to begin March 5, but KCP&L plans to start construction this fall, utility spokesman Tom Robinson said Monday.

"We have an obligation to our customers, our regulators, shareholders and project owners to adhere to the schedule," he said.

Missouri Sierra Club contends that the Missouri Department of Natural Resources unlawfully exempted KCP&L from complying with ambient air impact requirements that are needed before a construction permit can be issued. "DNR exempted KCPL from this requirement with respect to two pollutants — nitrogen oxides and sulfur dioxide," Sierra Club said in a memo supporting its motion for a stay. "DNR accepted KCPL's claim that the construction of Iatan II, together with the addition of pollution controls on Iatan I, would result in a net emissions reduction for both NOx and SO2. DNR's conclusion that the project will result in a net emissions reduction was neither rational nor lawful."

The Sierra Club contends that KCP&L in the past illegally increased the output from Iatan I, which has led to more air emissions. Those increased air emissions should not be included in the utility's calculations that show a net reduction in air emissions between the two plants, the Sierra Club said. If the additional emissions are excluded from the calculations, there is no net emissions reduction and, therefore, KCP&L should be required to perform ambient air impact analyses for NOx and SO2 emissions from the new plant, the group said.

KCP&L rejects the Sierra Club's arguments. "KCP&L has followed all lawful steps in acquiring the permits for Iatan II and for the environmental upgrades for unit I at Iatan," Robinson said. "Those two projects taken together will significantly reduce the overall site emissions from their present level so delaying construction would also delay the reduction in overall site emissions."

The Sierra Club contends that its stay should be granted in part because it would only lead to a five-month delay of the project, a relatively short period compared with the time it takes to develop and build the project.

KCP&L will own 465 MW of the unit, with the remaining capacity divided as follows: Aquila — 153 MW; Empire District Electric — 100 MW; the Missouri Joint Municipal Electric Utility Commission — 100 MW; and Kansas Electric Power Cooperative — 30 MW. KCP&L expects to bring the plant into service in mid-2010.

KCP&L worked with various stakeholders and regulators to develop a roughly $1.5 billion energy plan released in early 2005. The plan included the Iatan II project and adding 100.5 MW of wind from a Kansas wind farm. “We’ve been engaged in a really collaborative process and we have really gotten broad support,” Robinson said.

PacifiCorp to start building wind farm in 2007

PacifiCorp plans to build the 140-MW Marengo wind farm in southeastern Washington as a major step toward its goal of bringing online 400 MW of renewable resources by the end of next year, the company said Monday.

Construction on the wind project, to be located in Columbia County near Dayton, Washington, is expected to start early next year.

The project is being developed by a subsidiary of Renewable Energy Systems Americas and will be constructed by its subsidiary, RES American Construction. The project is projected to go online by late December. The wind farm will cover 13,310 acres of agricultural land in Columbia County.

Copenhagen, Denmark-based turbine manufacturer Vestas Wind Systems on Monday said it has agreed to deliver during the first quarter of 2007 78 turbines that each produce 1.8 MW. The Vestas’ deal includes a two-year maintenance and service agreement.

PacifiCorp plans to use the power throughout its integrated, six-state system, said spokeswoman Jan Mitchell on Monday.

This would be the latest in a number of wind farms utilities and developers have announced for sites in eastern and southeastern Washington. Marengo would be adjacent to the 150-MW Hopkins Ridge wind farm Puget Sound Energy acquired last year from Horizon Wind Energy. Hopkins Ridge went online last year.

Marengo would be the third major wind project for Portland, Oregon-based PacifiCorp. In July PacifiCorp said it would acquire from PPM Energy the 100.5-MW Leaning Juniper 1 wind farm that went online in August near Arlington, Oregon.

PacifiCorp also acquired from Invenergy the 64-MW output of the Wolverine Creek wind farm that recently went into operation in Idaho.

As part of the March sale of PacifiCorp to MidAmerican Energy Holdings, PacifiCorp committed to bring 100 MW of wind online by March 2007 and 400 MW of new renewables by the end of 2007. All three projects contribute to this goal, said Mitchell.

Greg Abel, PacifiCorp chairman and CEO, has said the company plans to “aggressively pursue renewable resources” and that PacifiCorp expects to make several project announcements within the next year.

PacifiCorp operates as Pacific Power in Oregon, Washington and California, and as Rocky Mountain Power in Utah, Wyoming and Idaho.

El Paso Electric reviewing compliance order

An El Paso Electric spokeswoman said late Friday that it had received a compliance order issued by the New Mexico Environment Department and “is in the process of reviewing” it.

El Paso Electric “has 30 days to respond in writing to the report. We will evaluate the individual events that are the subject of the NMED report and will respond appropriately. Until we complete this evaluation, we cannot comment on this ongoing process,” the spokeswoman said.

The New Mexico Environmental Department, based in Santa Fe, issued a compliance order September 27 alleging El Paso Electric made about 650 violations of the state Air Quality Act during the past five years at its Rio Grande electric power generating station in Dona Ana County.

The order also alleges that the utility company failed to report deviations from maximum emission rates and violated self-reported requirements. NMED also said the Texas-based utility company is liable for a civil penalty of up to $15,000/day for each violation.

The compliance order says the violations include exceeding maximum emission rates for sulfur dioxide, nitrogen oxide and carbon monoxide. Three boilers at the natural gas-fired electric plant emit pollutants into the air during the electric generation process, the agency said.

NMED inspectors visited the plant in September 2005 and obtained copies of records documenting the plant’s emission rates. The agency found the violations after reviewing thousands of pages of documents over several months. El Paso Electric was required to report the violations immediately to the agency, NMED said.

In response to the order, El Paso Electric’s spokeswoman said Friday the company “takes its environmental responsibilities very seriously,” and added that it was recognized in 2003 by Texas Commission on Environmental Quality for its program to reduce harmful emissions and improve air quality in the El Paso, Ciudad Juarez and Sunland Park, New Mexico areas.

The spokeswoman added that in 1996, the Rio Grande Power Station received the Regional Administrator’s Air Compliance Environmental Excellence Award, which is presented by the Environmental Protection Agency and the Solid Waste Association of North America.

September Pacific Northwest hydro output flat

Total Pacific Northwest hydroelectric generation in September was nearly on par with the same period in 2005, according to Army Corps of Engineers figures released Monday.

Total production at 23 major Pacific Northwest hydroelectric dams in September was 4.107 million MWh, compared with 4.077 million MWh in September 2005, the Corps said.

Total hydroelectric generation from January through September was about 63.143 million MWh. But because flows have been average to above-average in 2006, the total hydro output so far in 2006 is close to the average for January through December in the years 2000 to 2005, which was around 64.5 million MWh.

Upper Columbia River dams continued to generate below 2005's levels, as mild weather and soft demand in the region saw dam operators build reservoir elevations rather than flow water through the turbines and generate electricity.

Total production at the Grand Coulee Dam in September was 1.123 million MWh, a decrease of about 48,500 MWh from last year.

The Grand Coulee had a target reservoir elevation of 1,283 feet for the end of September, which had been reached by mid-September, a spokesman for the Bureau of Reclamation said last month. With the Northwest being a winter peaking region, the bureau said it likes to hold Grand Coulee's reservoir in the 1,283-foot to 1,288-foot range heading into the season, and added that the river appears to be in good condition barring any unforeseen occurrences. The dam's elevation Monday was above 1,286 feet.

Lower Columbia dams during September saw slight upticks in total generation when compared with 2005. The Dalles Dam generated about 379,000 MWh, an increase of about 13,000 MWh compared with a year earlier. The Bonneville Dam produced nearly 314,000 MWh in September, about 6,000 MWh more than the same time a year ago.

Lower Snake River dam production remained strong, with Ice Harbor, Little Goose, Lower Granite and the Lower Monumental dams, all generating more than 15,000 MWh more than during September a year ago.

Western day-ahead and forward power market participants may see some jockeying in the coming months, as the direction of the market could shift more to a weather play from the recent natural gas play.

Weather forecasts have predicted below-normal temperatures heading into the end of the year. Market players said the outlooks in the near term could be bearish for power prices. Other weather projections call for below-average precipitation for the Pacific Northwest, which could prop up prices if flows and elevations begin to recede, market players said.

AEP files for IGCC permits in Ohio, W.Va.

American Electric Power on Monday filed state environmental permit applications for clean-coal power plants in Ohio and West Virginia, the Columbus, Ohio-based utility holding company said.

Separate applications were filed with the Ohio Environmental Protection Agency and the West Virginia Department of Environmental Protection for integrated gasification combined-cycle plants AEP plans to build in Meigs County, Ohio, and Mason County, West Virginia, it said.

The company's AEP Ohio subsidiary filed March 18, 2005, with the Public Utilities Commission of Ohio for cost recovery for a 629-MW IGCC plant in Meigs County.

On April 10, the PUC issued an order allowing AEP Ohio to recover preconstruction costs, including the front-end engineering and design study currently under way.

The company's Appalachian Power subsidiary filed an application January 12 with the Public Service Commission of West Virginia seeking permission to build a 629-MW IGCC plant adjacent to AEP's Mountaineer Plant near New Haven in Mason County.

PPM Energy parent says business doing well

UK energy retailer ScottishPower said Monday that all its businesses are continuing to perform well and that trading for the current year is expected to be "ahead of expectations."

It said that there had been "good growth" at its PPM Energy division in the US, and that its energy retail and wholesale division had shown an improved performance.

Profit growth in the first half at PPM has been driven by a full six-month contribution from wind farm developments completed in fiscal year 2006, and by its natural gas storage and energy management operations.

The energy retail and wholesale businesses have continued to benefit from a rolling commodity hedging strategy, further cost efficiencies and a strong performance from the generation fleet, ScottishPower said. Coal-fired stations were especially valuable, as high gas prices pushed up power prices, allowing plants running on coal to benefit.

ScottishPower also said that recent retail price increases had begun to offset the continuing cost pressures from high wholesale commodity prices faced by the company.

The energy networks business continued to perform in line with expectations, the company said.

The effective tax rate for the year is expected to be in line with statutory rates.

Duke closes sale of trading business to Fortis

Duke Energy said Monday it has completed the sale of its commercial marketing and trading business to Fortis.

Under the deal, the Benelux-based financial services group bought Cinergy Marketing and Trading and Cinergy Canada for $410 million — a base purchase price of about $210 million and $200 million for the current trading portfolio, Charlotte, North Carolina-based Duke said in a statement.

On an after-tax basis, Duke anticipates cash proceeds from the deal totaling about $475 million, but does not expect to record a material gain on the sale. Duke inherited CMT — which comprises both the Cinergy Marketing and Trading and Alberta-based Cinergy Canada — in its merger with Cinergy, which closed in April.

The trading entities will now be known as Fortis Energy Marketing & Trading in the US and FB Energy Canada in Canada, Fortis said in a separate statement Monday. The North American energy marketing and trading businesses will be coled by Jim Fallon and David Jones, Fortis said. Fallon was previously president of CMT, while Jones previously was US head of energy trading at Fortis.

Fitch raises Aquila ratings; cites debt reduction

Fitch has upgraded three of its Aquila Inc. ratings, the ratings agency said Monday.

Fitch upgraded the utility holding company's issuer default rating to B from B-, its senior secured rating to BB/RR1 from BB-/RR1 and its senior unsecured rating to B+/RR3 from B-/RR4, it said.

About $1.1 billion of debt was affected by the changes, Fitch said, adding that its outlook on the company was stable.

The upgrade reflected the utility's improved credit profile and improved recovery prospects as a result of its debt reduction and restructuring efforts during the past year, Fitch said.

Using proceeds from utility and non-utility asset sales, Aquila has reduced debt and debt equivalents by about $720 million, it added.

Special session urged on rates… from page 1

procedure for tremendously profitable utility companies to potentially turn already record earnings and profits into exorbitant gains for their executives and shareholders — at the expense of working families, senior citizens and those on fixed incomes."

The General Assembly passed the state's deregulation law in 1997 and a rate moratorium in effect since then is due to expire in January.

Results from the September 5-8 auction are expected to translate next year into rate increases of 22% for customers of Commonwealth Edison and from 40% to 55% for customers of Ameren's three electric utilities in the Midwestern state — AmerenIP, AmerenCILCO and AmerenCIPS.

The Legislature is set to return to Springfield on November 14 for a brief fall veto session, but Michael Madigan wants a special session before then. The conclave also would be prior to the November 7 general election, in which Blagojevich and Lisa Madigan, both Democrats, are up for re-election. Lisa Madigan has appealed the Illinois Commerce Commission's January 24 approval of the auction to the Second District Appellate Court. She contends the competitive bidding process is illegal under the state's electric choice law. The court is expected to issue a ruling soon.

Blagojevich's press secretary could not be reached for comment.

The Citizens Utility Board consumer watchdog, responding to Michael Madigan's request, also encouraged the governor to convene a special session. "This is an issue the state needs to tackle right now," said CUB spokesman Jim Chilsen.

Chicago-based ComEd, the state's largest electric utility, reacted to Madigan's request by asserting in a statement that a rate freeze extension would be "very bad for Illinois. Such a measure would have severely negative consequences for our state, our economy and all consumers."

Forcing ComEd into a position "where it buys electricity for more than it is allowed to collect from customers would immediately threaten the company's stability and put us at risk of bankruptcy."

FERC fines Ameren … from page 1

having prevented the breaches, said, "We are not surprised by Ameren's agreement with FERC and the size of the settlement, but we need to remember that this penalty and commitments from Ameren are going to [FERC]," said Blunt. "It does not even begin to address the damages and environmental harm caused to the State of Missouri by the breach."

To fully compensate Missouri and its citizens, "significantly more will be needed," Blunt added.

Kelliher said the state's public utility commission will have to decide whether to pay the penalty through increased consumer rates.

Taum Sauk is a pumped-storage facility. Water is pumped to a mountain reservoir during times of low electric demand and low prices and is later released to generate power to meet higher power demand.

On December 14, a corner of the Taum Sauk facility's upper reservoir breached after the reservoir had been overfilled. Transducers that measured the height of water pumped into the reservoir had become loose from their anchors and gave inaccurate readings, indicating reservoir levels were lower than actual levels.

Ameren, which was aware of the transducer problem, made several adjustments to its instrumentation, but had not repaired the transducers at the time of the breach, FERC said.

FERC's Office Energy Projects and Office of Enforcement investigated the dam breach. Both a commission team and an independent one reported their findings in this spring.

"The rigor of our investigation and the size of the settlement show that the commission is committed to protecting public health and safety," Kelliher said.

There was a previous breach on September 25."That incident was not reported to the commission," Kelliher said. "That incident was caused by license violations; we ultimately concluded that the project was not operating in a safe manner."

"There were prior indicators, if addressed, could have avoided this dam breach," Kelliher said.

The normal operating high water levels were set too high, Kelliher said. "The visual monitoring of the upper reservoir was almost nonexistent," Kelliher said.

The breach released approximately 1.4 billion gallons of water, which flowed through the Johnson's Shut-ins State Park and into the East Fork of the Black River, upstream from the facility's lower reservoir. The flood injured nine people and caused environmental and property damage.

"There was no loss of life but there was a very serious threat and an infant that's nearly the same age as my own son was threatened," Kelliher said.

"A child was covered with mud and in hypothermia and went to the hospital for a period of three weeks or so."

"This incident could have been avoided," Kelliher said.

Project developers advised ... from page 1

energy projects, including wind farms, transmission lines or power plants, other speakers said at the conference. Even a natural gas-fired power plant that would be built near an existing coal-fired plant ran into "a buzz saw of opposition" that threw a wrench in the local zoning and permitting process, said Chris Colbert, vice president for coal power production at GenPower.

GenPower's Longview power plant being developed in West Virginia has seen plenty of opposition, and Colbert advised developers that they should "never underestimate local politics" and that "creating even one antagonist is one too many." The 600-MW coal-fired facility to be located in Monongalia County has been approved by the state Public Service Commission, but GenPower is still dealing with other permits, and construction should begin in December, Colbert said.

The Internet and e-mail have made it easier for project opponents to become organized, and that will continue, noted David Friend, vice president for US Wind Force. Friend's company and partner Padoma Wind have encountered opposition to their proposed 100-MW Liberty Gap wind farm in Pendleton County, West Virginia.

Many of the same groups opposing coal-fired plants are objecting to wind farms in West Virginia, and siting new transmission lines to move power into the capacity-constrained Northeast will be a challenge, speakers said. Opposing energy development has become "a cottage industry" for some citizens, Colbert said.

At ScottishPower subsidiary PPM Energy, "we try to minimize the impact of projects" by taking into account bird migration routes, local habitat and visual concerns of its wind farm developments, said Theo de Wolff, managing director at PPM.

The best wind resources on the East Coast are offshore, but because onshore projects are growing so fast the commercial deployment of offshore wind farms "will not happen until the next decade," de Wolff said, meaning after 2010.

ERCOT encouraged by proposals ... from page 1

Meanwhile, an additional 22,048 MW of capacity has been announced in ERCOT, including 2,830 MW of gas-fired plants, 4,748 MW of nuclear plants, 1,461 MW of wind farms, and 12,009 MW of coal plants, plus a 100-MW wood waste-fired plant. The report did not include Exelon's announcement on Friday that it, too, is studying the possibility of building a nuclear plant in Texas.

The PUC noted that two other out-of-state coal projects now under development will provide a total of 900 MW to ERCOT: a plant in Choctaw County, Oklahoma, that will provide 500 MW to Brazos Electric Power Cooperative, and a plant in Holcomb, Kansas, that will provide 400 MW to Golden Spread Electric Cooperative.

Demand within the ERCOT region is growing at an annual rate of 2.3%, said Ken Donohoo, the reliability council's manager of transmission services, and the region will need 1,500 MW to 1,800 MW of new capacity each year just to keep pace. Donohoo said the response of generators to ERCOT's recent forecast of a declining reserve margin has been "very encouraging. We've had a lot of generators making requests for interconnection assessments, and a lot signing interconnection agreements, which we take as a really positive sign."

ERCOT said in June that without the addition of new generating capacity, its reserve margin will fall to 15.2% in the summer of 2007, 11.8% in 2008, 8.9% in 2009, 7.2% in 2010, and 4.9% in 2011. ERCOT seeks to maintain a reserve margin of at least 12.5%.

"We still are concerned about [the supply situation in the summers of] 2007, 2008 and 2009," particularly if the weather is extremely hot, Donohoo said. He added that the coal projects now under construction and under development will not begin commercial operation until 2010 at the earliest, and that new nuclear capacity will not come online until the middle years of the next decade.

Still, the magnitude of new project announcements is encouraging, said PUC spokesman Terry Hadley. "They are coming in pretty quickly," largely in response to the declining reserve margin, he said. Hadley acknowledged that securing needed approvals and financing for new plants is "a lengthy process" and that all of the projects may not be built. He added, however, that "[t]he fact that all of these companies are stepping up their plans is a very good sign."

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