

Electric Power Daily

Tuesday, April 20, 2010

Environmental group strikes deal with Tenaska on coal plant

In a move that separates it from most other environmental groups, the Environmental Defense Fund on Monday said it will not oppose Tenaska's air-permit application for the planned 600-MW Trailblazer coal plant near Sweetwater, Texas.

In a joint conference call with Tenaska executives, EDF National Energy Program Director Jim Marston explained that Tenaska has agreed to minimize the amount of water to be used by the plant by employing dry-cooling technology, and has agreed to enter into a legally enforceable contract to capture and sequester at least 85% of the plant's carbon dioxide emissions.

Tenaska announced earlier this month that Trailblazer will employ dry cooling and thereby consume water at roughly one-tenth the pace of a similarly sized coal plant with wet cooling. It said that instead of using an estimated 10 million gallons of water/day, Trailblazer is expected to use an average of 1 million gallons/day, and no more than 2 million gallons/day even during periods of great demand for

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Kentucky co-op delays 278-MW coal plant over financing

East Kentucky Power Cooperative is placing a proposed 278-MW coal-fired power project on hold while it reassesses its "immediate needs" for financing for a plant that could cost up to \$900 million.

The Smith 1 baseload plant, targeted for Trapp in Clark County, is not necessarily dead, Nick Comer, spokesman for the Winchester-based generation and transmission co-op, insisted on Monday. His comments followed the co-op's request Friday to the Public Service Commission to withdraw a December application seeking approval for the co-op to borrow money from banks and other lenders for a project critics claim is too expensive and unneeded.

The PSC most likely will grant the request, said commission spokesman Andrew Melnykovich. "As a matter of practice, generally when someone wants to withdraw an application the commission allows them to do so."

East Kentucky's last two coal plants, 268-MW Gilbert and 278-MW Spurlock 4,

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Ill. wind advocates fear loss of up to 1,000 MW of projects

Illinois wind advocates warn the fate of up to 1,000 MW of commercial wind projects proposed for the state in 2010 could be riding on legislation stalled in the General Assembly, which is scheduled to adjourn May 7 until late this year.

The bill, S.B. 3686, gives a preference to in-state wind projects in terms of the state's electric utilities meeting Illinois' renewable portfolio standard, one of the strongest in the nation. Enacted several years ago, the RPS requires utilities to get at least 25% of their power from renewables such as wind and solar by 2025. The Illinois wind preference initiative, sponsored by State Senator Don Harmon, a Democrat, provides for annual benchmarks.

The bill is stalled this week in the Senate Energy Committee, whose chairman, State Senator Mike Jacobs, is accused of dragging his feet because of opposition from Exelon, the Chicago-based parent company of Commonwealth Edison, the state's largest electric utility. Exelon, the nation's largest nuclear generator, is said to

Regulation

CFTC's Chilton calls for regular public meetings with FERC

The Commodity Futures Trading Commission and Federal Energy Regulatory Commission should hold joint public meetings of the two agencies to better harmonize their regulatory efforts, a CFTC commissioner said Monday.

Speaking before Infocast's FERC and CFTC Compliance Summit, Commissioner Bart Chilton, a Democrat, said CFTC's joint hearings with the Securities and Exchange Commission in September were successful, and he suggested the CFTC could duplicate this success through joint meetings with FERC.

"So as of today, I'm going to be pushing for the same kind of public discussions with FERC," Chilton said. "It's high time, and as Martha Stewart would say, it's a good thing."

In addition to giving the public the chance to comment on regulatory proceedings by both agencies, joint meetings would also hold commissioners responsible for their actions, he said.

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Markets

Senate to take up financial reform later this week: Dodd

The Senate later this week may take up major financial reform legislation, including measures to regulate over-the-counter derivatives markets, according to a key official in the debate.

Senator Christopher Dodd, the Connecticut Democrat who heads the Committee on Banking, Housing and Urban Affairs, said the Senate may take up his Restoring American Financial Stability Act (S. 3217) on Wednesday or Thursday, although the exact date for debate is up to Senate leadership.

"On Wednesday or Thursday, Democrats and Republicans in the Senate will get a chance to decide which side of the equation are they on: for change and establishing the laws and regulations that will protect us, or on the other side that said 'no, status quo,'" Dodd said at a Washington briefing.

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be concerned that a surge in wind power in Illinois could lower wholesale power prices.

"They're afraid more wind power will depress market prices for power," said Kevin Borgia, director of the Illinois Wind Energy Association, a trade group.

Exelon did not respond to questions by press time.

Jacobs, whose father, retired State Senator Denny Jacobs, is a registered lobbyist for ComEd, said the accusations are untrue. "People like to ascribe motives," he said in a Friday interview. "They can say whatever they want."

Jacobs, also a Democrat, said he did not know if the bill will get an airing prior to adjournment. "It may be heard, it may not be heard," he said. "I'm always open to compromise."

The legislation specifies that through June 1, 2016, renewable energy resources "shall be counted for the purpose of meeting the state's RPS only if they are generated from facilities located in the state," provided that cost-effective renewable energy resources are available from those facilities.

Jacobs, who insisted he is not anti-wind, said he is troubled the wind industry "needs subsidies to survive. Why are customers being asked to subsidize one industry over another?" he asked. "You're asking customers to pay for it. This subsidy they're seeking is a giant tax."

If the bill passes, the impact on customers is "pennies a month," according to Borgia. "The Illinois preference bill will raise rates by about 40 cents a month" for the average customer.

Jacobs said he could not verify the accuracy of that statement. Even if it is true, "How many people are there in Illinois?" he asked. Told there's about 11 million, he replied, "What's 11 million times 40 cents?"

Borgia pointed to language in the bill that limits price increases for customers to no more than half a percent over the previous year.

If the bill fails to pass this spring, Borgia said he fears several wind projects will blow away from Illinois and into neighboring

states. "The bill could affect about 1,000 MW of wind projects in Illinois that could be built in 2010," he claimed.

Negotiations are ongoing in an attempt to salvage the legislation in some form. Borgia said IWEA and others are working with ComEd and Exelon "and we're hoping to get an agreement so that in some way new Illinois wind projects are protected. I feel confident Exelon and ComEd will recognize the loss of Illinois jobs is not something they want on their hands right now," with double-digit unemployment and the state facing a \$13 billion budget shortfall in the coming fiscal year, starting July 1.

Harmon agreed "some progress" is being made in the talks, although he conceded, "This particular bill may not be the vehicle in the end should we reach agreement."

Among options under consideration, officials say, is reducing the five-year preference for Illinois wind to two or perhaps three years.

Jacobs did not rule out a compromise. But he said he is not persuaded by claims wind jobs for Illinoisans could be lost if the legislation does not pass.

Wind projects "steal jobs, they're not creating jobs," he said.

Illinois' first wind farm was built in 2003. By the end of 2009, the state was home to more than 1,800 MW of wind generation capacity. IWEA says more than 12,000 MW of new wind projects are in some stage of planning in the state. While not all the projects are likely to become reality, IWEA predicts the state probably will experience 5,000 MW to 10,000 MW of additional installed wind capacity in the coming decades. — *Bob Matyi*

Business-friendly climate bill OK: Romm

Joseph Romm, a prominent blogger on climate change policy and senior fellow at the Center for American Progress, said Monday he believes the pending climate change bill in the Senate will be "business friendly" with a price collar and

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Chief Editor

Rod Kuckro

News Desk

202-383-2254, electric@platts.com

Amy Fickling, editor

Paul Ciampoli, editor

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strategies to transition to a low-carbon economy yet still require industries to reduce their greenhouse gases by 17% by 2020.

In a major nod toward gaining support from the business community to advance greenhouse gas restrictions, White House officials have invited US Chamber of Commerce President Thomas Donohue this week to meet on climate and energy legislation issues. The controversial bill must gain 60 votes in the divisive Senate to pass.

"The bill is going to be business friendly," said Romm, who was an acting assistant secretary in the Department of Energy during the Clinton administration, but he added, "I don't think that John Kerry is going to sign on to a bill that doesn't achieve what needs to be achieved."

Kerry, a Massachusetts Democrat, is working with South Carolina Republican Lindsey Graham and Independent-Democrat Joe Lieberman of Connecticut on a climate change bill that is expected to set up a cap and carbon dioxide emissions market for the electric power sector as early as 2012 and set up caps and fees for large industrials and refineries at later dates in keeping with the Obama administration's emission reduction goals outlined in the global climate talks in Copenhagen last year.

After months of trying to win over stakeholders, the three are expected to unveil their bill next week. Conservatives are expected to oppose it for its impact on business as may some green groups for not strident enough provisions to counter climate change.

"What we need is a deal," said Romm "If we don't have a deal this year, we're certainly is not going to have one before 2013. And there may not be one for a long time."

The legislation must jumpstart the transition to a clean energy economy by putting a price on carbon dioxide emissions and tightening that cap, Romm said in an interview.

"You have to have some sort of mandatory cap that gives you a serious price," he said.

But Romm said he also expected to see a price collar to buffer compliance costs for emitters but, if done right the collar would still incentivize investments in clean energy.

"For me the floor price is critical," said Romm. "You want real emission reductions and you want to have certainty for the people investing in clean energy."

To that end, Romm said he hopes the price floor is no lower than \$12 and that it included provisions to increase it over time. A price ceiling should be triggered to a "strategic reserve" of emission allowances rather than exist as a hard limit on the cost of emission allowance, he said.

"I'm not opposed to a ceiling if the ceiling price is high enough and it rises," Romm said. "I'm not a big fan of hard ceilings—what is called a 'safety valve.' But if it is a high enough price, I'm not going to lose sleep over it."

Electric utilities, responsible for nearly 40% of the nations' carbon dioxide emissions, lobbied Kerry and others for a hard price collar on valuable tradable allowances to avoid price spikes in what is expected to be a volatile market. — *Cathy Cash*

Senators to introduce offshore wind power bill

A group of five Democratic and Republican Senators said Monday they plan to introduce a bill that seeks to develop a national plan for offshore wind development.

The yet-to-be-numbered bill, sponsored by Ohio Democrat Sherrod Brown, would provide grants for research on and development of offshore wind energy projects. It would also create incentives for wind development and seek to streamline the permitting process for those projects.

The so-called Program for Offshore Wind Energy Research and Development Act of 2010 would create a new grant program at the Department of Energy aimed at improving offshore wind energy technology, examining threats to wildlife and the environment, and helping to integrate offshore wind into the electricity grid.

The measure would also require DOE to establish a "road map" for the development and production of offshore wind technologies, make recommendations for federal and state regulation and permitting of such projects, and consolidate data on offshore wind energy capacity.

The other cosponsors of the bill are Maine Republicans Susan Collins and Olympia Snowe and Delaware Democrats Thomas Carper and Ted Kaufman. — *Jean Chemnick*

Gensler: bill would cover 90% of derivatives

The financial regulation proposal offered last week by a key senator is a "strong" proposal that would cover approximately 90% of derivatives trade, according to CFTC Chairman Gary Gensler.

Gensler, in an interview Monday with CNBC, said the proposal by Senate Agriculture Committee Chairwoman Blanche Lincoln is part of a trend that sees the government making "good progress" toward tighter regulation of derivative trade. He said the Lincoln proposal would cover 90% of all the "standard" derivatives products traded in the US, and also cover all major trading entities.

"We've advocated that we must have a trading requirement, must have a clearing requirement, and have a very narrow non-financial end-user exemption," Gensler said.

In unveiling her proposal last week, Lincoln, an Arkansas Democrat, said her Wall Street Transparency and Accountability Act would impose mandatory clearing requirements for standardized derivatives and require them to trade on a registered swap execution facility or designated contract market.

Under the Lincoln proposal, the CFTC would be required to set up "the public release of swap transaction and pricing data in as close to real-time as is technologically possible after execution for swaps subject to the mandatory clearing requirement," or are cleared through a derivatives clearing organization.

Asked about Wall Street concerns that such steps would increase costs, Gensler said transparency "lowers costs...all economic studies say this." He added that some of the Wall

Street concerns surround the costs involved in clearing and the posting of margin that would come with moving swaps on to an exchange, "but transparency absolutely lowers costs."

"Wall Street's interest are different from Main Street," he said. The financial community's interests "are not about Americans' interests. We need to look out for America."

— *John Kingston*

Treasury releases additional renewables funds

The Treasury Department has released \$440 million more in cash grants in lieu of tax credits to renewable energy project developers over the past six weeks, according to the department's web site. Of that total, \$400 million has gone to big wind farm developers.

Treasury, which began in September disbursing cash to developers who bring wind, solar, biomass, landfill, geothermal and hydro projects into service, has, through Friday, disbursed a total of \$3.047 billion to developers of 497 projects around the country.

On March 3, the Treasury had disbursed \$2.6 billion of the so-called 1603 funds to developers of 393 projects.

While six of the 104 projects chosen since early March were wind farms, three other projects were landfill and three others are biomass facilities. The rest were solar projects. A number of grants of over a million dollars went for solar installations at commercial firms in New Jersey.

The cash grants program was established by the American Recovery and Reinvestment Act of 2009, signed into law by President Barack Obama roughly 14 months ago. The act is also known as the stimulus package.

The cash grant program was designed to keep the renewable energy industry building new projects as investment banks were hindered by the financial crisis that hit in the fall of 2008.

The program rewarded developers who brought projects into service since January 2009 by granting 30% of the cost of their project in cash, rather than make them wait to use investment tax credits.

Over the past eight months, the developers of 43 wind farms with a total capacity of 4,705 MW have received \$2.57 billion in the direct cash grants.

Over the past six weeks, NextEra received \$175 million for bringing online two wind farms, one in Iowa and one in Illinois.

First Wind received \$120 million for a wind farm in Utah. The partners of the Harvest Wind project, located along the Columbia River near Bickleton, Washington, received \$60 million. The partners are the public utility Cowlitz PUD, Lakewood Light & Power, and cooperative Peninsula Light, all of Washington, and the municipal utility Eugene Water and Electric Board, in Oregon.

Cielo Wind and Edison Mission received \$38 million for their 69.6-MW Goat Wind facility in Texas near San Angelo.

John Deere Wind received \$7.2 million for the 9.9-MW Threemile Canyon facility in Oregon. In late February, Deere & Co. said it retained Goldman Sachs to look into selling its wind business.

Twenty three firms have now received 1603 funds from

Treasury for bringing wind farms online over the past 16 months. Of those, 16 are US based firms, while seven are the US affiliates of non-US based companies. — *Jeffrey Ryser*

Gas, coal industries in Colorado at odds over law

Representatives of the natural gas industry in Colorado on Monday praised the signing of a new law that could substantially increase the use of gas for power generation in the state; however a representative of the mining industry said the law would cripple the state's coal industry.

Governor Bill Ritter on Monday signed into law the Colorado Clean Air-Clean Jobs Act, requires the state's largest electric utility, Xcel Energy, to cut nitrogen oxide emissions by up to 80% from several coal-fired power plants along Colorado's Front Range by the end of 2017.

"This law is a template for tomorrow that allows us to transform our energy portfolio, our economy and our environment by working strategically and collaboratively," Ritter said in a statement.

"By shifting our oldest and least efficient coal plants to cleaner, Colorado-produced natural gas, we send a strong message to the rest of the country that we absolutely can cut air pollution and protect public health while also creating jobs and protecting ratepayers."

The b-partisan legislation sailed through the Legislature in a matter of weeks after Xcel and several influential Republican lawmakers got on board with the effort to pass the law in a bid to forestall federal regulatory action to enforce compliance with the Clean Air Act.

Under the Colorado Clean Air-Clean Jobs Act, Xcel will work in conjunction with the Colorado Department of Public Health and Environment to submit a plan to the Public Utilities Commission by August 15, detailing how the utility will retire or retrofit 900 megawatts of coal-fired capacity.

Xcel has said it would give primary consideration to replacing or repowering three coal-fired Front Range power plants with natural gas, renewables, greater efficiencies and other cleaner energy sources.

"This legislation creates the opportunity for the Public Utilities Commission to select natural gas-fired generation to replace some of the oldest coal-fired generation in the Denver Front Range," Tisha Schuller, president of the Colorado Oil & Gas Association, said in a statement to Platts.

The new law "has the potential to increase natural gas throughput by 15%, resulting in an addition 400 industry jobs," Schuller said. "This could have a four-fold effect on communities with the addition of indirect and induced jobs, potentially creating up to 1,200 new jobs in Colorado."

Lem Smith, a spokesman for Encana Oil and Gas, said the new law "sends a positive signal for natural gas in terms of being a lower-emitting resource." The Denver-based exploration-and-production company was one of several gas producers that joined with a coalition of environmental organizations and members of the Ritter administration to push for the legislation.

"We believe it's going to create a healthier intrastate

marketplace for gas," Smith said.

However, Stuart Sanderson, president of the Colorado Mining Association, said in a statement Monday that the legislation would result in the production losses of "at least 2.6 million tons of Colorado coal currently being sold to Front Range generating units at Cherokee and Valmont."

The new law also would result in the loss of hundreds of jobs in the coal, rail and related industries in the state, Sanderson contended. "It will also hurt energy consumers as the cost of natural gas exceeds that of coal by 300%," he said.

"This bill was flawed from procedural standpoint and from a substantive standpoint," Sanderson told Platts. He also contended that the legislation "was negotiated in secret," and was rushed through the state legislature without sufficient studies being conducted.

He said this hurried process did not give the advocates for the mining industry a fair chance to be heard.

"This did not follow the normal legislative schedule. It was pushed through in three weeks time without any debate," he said. "Yes we were blindsided." — *Jim Magill*

Delmarva Power moving ahead with decoupling

Delmarva Power expects to finally separate its electricity sales from revenue during the fourth quarter of this year after reaching an agreement with the Delaware Public Service Commission staff and others on a decoupling method.

The details of the new method will be worked out over the next four or five months so the new rate method can be implemented, Bridget Shelton, a Delmarva Power spokeswoman, said.

Delmarva is the 13th state to implement decoupling, Jim Owen, a spokesman for the Edison Electric Institute, said. Another five states have decoupling mechanisms pending and seven states have implemented other lost revenue adjustment methods.

Delmarva first proposed a decoupling method in 2007, Shelton said. The PSC earlier ordered the utility to develop a fixed rate for customers rather than a variable rate, which Delmarva originally proposed, she said. The agreement sets out the framework for developing the rate, Shelton said.

Only a customer's delivery rate, which is about 25% of the bill, will be fixed, Shelton said. The remaining 75% is the charge for power used by the customer.

"The commission staff worked to see that customers would not see any significant rate impacts on their distribution rates as a result of decoupling," Bruce Burcat, executive director of the PSC, said. The commission, once it approves the agreement, must determine a fixed level of revenue to cover the company's distribution costs, Burcat said.

Delmarva will implement a two-part, modified fixed variable rate design that includes a customer charge and a distribution demand charge.

The settlement has nine major provisions, including one that protects customers who would be severely affected by the change, Shelton said. The distribution demand charge will have a cap to protect residential customers who are large users, Shelton said.

The new rate design will result in a pricing structure that is more economically efficient and equitable, the company said. It better aligns the company's distribution rates with the underlying cost of providing electric distribution service. It also protects customers from swings in revenue that are a result of fluctuations in sales, while still allowing the company to recover the revenue approved by the commission, the company said.

The settlement will allow Delmarva Power to work as a full partner with Delaware as it pursues its energy reduction goals, Gary Stockbridge, president of the Delmarva Power Region, said in a statement. Breaking the link between revenue and sales will align the company's interest with those of its customers, he said.

The agreement was reached with the Division of the Public Advocate, the Delaware Department of Natural Resources and Environmental Control and the Delaware Energy Users Group. — *Mary Powers*

British Columbia moves on new 900-MW dam

British Columbia will move forward with the development of a new 900-MW dam on the Peace River in eastern British Columbia, Premier Gordon Campbell said on Monday. The new dam would be the third built on the river and is estimated to cost up to C\$6.6 billion (US\$6.5 billion). Under a timeframe outlined by the government and Crown Corporation BC Hydro, the dam could be operational in 10 years.

The announcement Monday moves the province into the third step of a five-step process that the government is following as it considers construction of the dam.

"The third stage is the stage that counts. It means that we're ready to build it," said Campbell in the announcement at the W.A.C. Bennett Dam, the first dam built on the Peace River.

During the two-year third phase, the province will conduct an environmental assessment of the site. The government will also begin detailed design work on the site. BC Hydro and the province began consideration of dam, called "Site C" in 2004. The fourth step of the process would be further design work and the fifth stage would be construction.

Campbell said that the dam is needed to help meet an energy demand that is expected to grow 20% to 40% in the next 20 years. The province has an energy plan to be self-sufficient with renewable power by 2016 and is securing power from several small renewable projects to meet that goal. The most recent cost estimates for the site would mean power from Site C would cost from \$46/MWh to \$97/MWh.

Campbell said that the power generated by the dam would help supply firm power to balance those intermittent resources.

"We need all of the energy we can create in British Columbia," Campbell said.

He said that the Site C project would produce 30% of the energy that the W.A.C. Bennett site does, with 5% of the environmental impact. The W.A.C. Bennett Dam, built in 1968, produces 2,730 MW at full capacity. When completed, the Site C dam could meet 8% of the province's current electricity needs.

Development of Site C would create a reservoir, flooding portions of the Peace River valley between the Peace Canyon

and the confluence of the Peace and Moberly rivers, as well as portions of the Moberly and Halfway rivers.

The Sierra Club of British Columbia criticized the decision on Site C, saying destruction of trees in the reservoir's footprint would increase carbon dioxide emissions. The group called Site C an "ill-advised" mega-project that fails to meet minimum international standards for large dam construction.

Sierra Club BC Executive Director George Heyman said the province should make energy efficiency and the expansion of low-impact sustainable energy sources a top priority.

— *Pam Radtke Russell*

Kleen Energy plant may be online by April 2011

The developer of a 620-MW Connecticut plant that was the site of a fatal natural gas explosion in February says it may be able to have the facility in commercial operation by April 2011.

Industry observers had questioned whether the plant would be restored following the explosion that shook the ground for miles surrounding the Middletown plant.

But in a report filed late last week, Kleen Energy told the Connecticut Siting Council that it believes it can repair the gas-fired plant and get it up and running based on preliminary inspections.

Six workers died following an explosion February 7 that occurred when the natural gas-fired facility was undergoing a gas blow to clean debris from newly constructed gas lines between the gas compressor station and the heat recovery steam.

The developer said it believes now that its primary contractor, O&G Industries, can begin repair in the coming months. Before the explosion, the plant was 93% complete and expected to begin operating by June.

O&G is currently estimating a substantial completion/turnover of the facility on April 2, 2011. This schedule targets commercial operation in April of 2011 and is currently based on milestones which incorporate known damage at this time, said a quarterly report filed by Kleen Energy's attorney Lee Hoffman of Pullman and Comley.

ISO New England does not expect project delay to have any near-term effect on grid reliability, given that the state has ample capacity. Kleen Energy holds a capacity contract with Connecticut Light & Power, the state's largest utility, the result of a solicitation issued several years ago when the state's capacity picture was bleak.

The federal Chemical Safety Board determined in March that the cause of the explosion was ignition of gas by an undetermined source. The CSB found several potential ignition sources available, including within an adjacent power plant building.

Turbine vendor Siemens Power Generation is now on site investigating the extent of damage to one of the combustion turbine generators and will move on to a second turbine generator when the area is made safe.

Kleen Energy said it expects that it will need to order a "robust" list of replacement parts but none require "a long-lead time" or represent an impediment to completing the construction.

The report described substantial damage to the outside sheet metal covering the main power building. It also found damage to certain outbuildings, including the ammonia and cooling tower chemical feed buildings. "Importantly, no material structural or foundation damage has been identified by any of the various experts on site," the report said.

"While this preliminary damage assessment appears positive, it must be stressed that it is preliminary in nature," the report added.

Investigators have limited Kleen Energy's access to the site, so the developer's evaluation of damage has been slow to come. Middletown police and fire department controlled the site until February 26, when the US Chemical Safety Board took over and later the Occupational Safety and Health Administration.

Kleen Energy expects to file another quarterly progress report on July 15. The project is majority-owned by Energy Investors Funds. — *Lisa Wood*

Modeling for NW inertia would estimate pricing

The economic benefits of the adding Northwestern Energy's proposed Mountain States Transmission Intertie line will be scoured in the Northern Tier Transmission Group's first-ever user requested economic study.

The NTTG is a subregional planning group with member-owned transmission in Washington, Oregon, California, Idaho, Montana and Utah that was created in 2007. One of the group's missions is to conduct such an economic study about once every year.

This year, for the first time, one of its members, Northwestern Energy, requested that the group to study the benefits of smoothing transmission between Montana and Idaho through the addition of MSTI. MSTI will add 1,500 MW of capacity on a 430-mile, 500-kv line from Townsend, Montana, to Jerome, Idaho.

"We want to fully understand the economic benefits of MSTI and we expect that the study will quantify the economic benefit of relieving congestion on the transmission corridor," said Claudia Rapkoch, a spokeswoman for Northwestern.

At a stakeholder meeting last week, NTTG members agreed to go forward with the study, which will be paid for by NTTG members and take about five months to complete.

When finished, the study, or modeling, will show how much generators that move power over the line could be paid for their power, on an hour-by-hour basis, at different locations throughout the Western Interconnection for an entire year. Economic studies are unusual for subregional planning groups, Kip Sikes, planning committee chair for the NTTG, said, but they are often done on a regional level.

The Western Electricity Coordinating Council performs economic studies on a regional level, but they are relatively new and evolving, Sikes said.

"It allows you to see how much energy is moving every hour, and whether there's a bottleneck that prevents energy from getting out of Montana," Sikes said.

As opposed to a transmission reliability study, which only pinpoints the worst constraints, an economic study pinpoints the impact of different variables, such as how much power

would be generated from different locations and whether that power is needed.

"It will show for this hour, what is the lowest-cost generator," Sikes said. "If there are a whole bunch of really high-cost resources, they may be displaced by a low-cost resource."

The study, arguably, could make or break the case for wind farms that are being developed in Montana and elsewhere in the West. The results of the study will be made public in August.

Rapkoch said that Northwestern had a strong turnout for its informational meetings on MSTI, and she said that the open season likely would begin sometime this spring and last through the end of the year. — *Pam Radtke Russell*

EV charging market to reach \$11.75 billion

The charging infrastructure to support electric vehicles will grow over the next five years to account for worldwide revenue of \$11.75 billion for the installation of 3 million charging stations by 2015, according to a report from ABI Research.

The 3 million charging stations would be a jump from the 20,000 stations that will be installed by the end of 2010, said Larry Fisher, author of the report released Monday and research director at ABI, a consulting and research firm based in New York. ABI defines charging stations as any location where dedicated equipment has been installed for the specific purpose of charging plug-in electric vehicles, Fisher explained in an interview.

Standard electrical outlets in homes can charge vehicles, but depending on the vehicle battery size and type, the time to fully charge a battery could approach 24 hours. Thus, ABI believes charging stations are expected to be 240-volt level two charging stations in the early years of EV adoption, which can charge a vehicle in four to eight hours, while faster charging level three stations may not emerge until later in the forecast period, Fisher said.

The US is expected to lead the EV charging infrastructure market given the strong purchasing power for EVs and plug-in hybrid electric vehicles, along with the willingness of public and private entities to invest in charging infrastructure, the ABI report said. It projects that the US will represent 54% of the world market for installed charging stations by 2015, followed by China at 23%, which will have as many charging stations as the rest of the world.

The report counts charging stations that may be installed by homeowners to support EV purchases, along with battery swapping stations planned by companies such as Better Place, which is starting pilot projects in San Francisco and Hawaii, Fisher said. Better Place has a business model where the company owns the EV batteries and switches them at battery switching stations or charges them for customers owning EVs, which lowers the initial cost of EVs.

Other companies, such as Coulomb Technologies, build and sell EV charging stations, and some EV market forecasts project that parking garages, retail stores and shopping malls may offer charging spots as a way to attract customers and include wiring costs as a part of doing business, reducing the need for public charging stations in cities, Fisher noted. The Starwood hotel

chain has seven different locations in the US with Coulomb Technologies charging infrastructure used to offer guests free charging of electric vehicles, he pointed out.

"Infrastructure supporting electric vehicles and plug-in hybrid-electric vehicles is on the cusp of a rapid and sustained growth curve. The charging infrastructure technology is here. We're just waiting for the release of these vehicles into the market," Fisher said in a statement. — *Tom Tiernan*

EDF in deal with Tenaska ... from page 1

electricity, such as extremely hot or cold days.

Marston said Monday that Tenaska's dry-cooling commitment was an important element in EDF's decision to withdraw from the contested air-permit case now before the Texas Commission on Environmental Quality.

He added that while the TCEQ has refused to include in air permits commitments to capture and sequester certain percentages of CO₂, Tenaska and EDF have agreed to enter into a legally enforceable contract requiring that at least 85% of the CO₂ generated by the Trailblazer plant is sequestered in acceptable geologic formations.

Tenaska plans to use amine absorption or another technology at the ultra-supercritical pulverized coal plant to capture 85% to 90% of its CO₂ emissions, and plans to pipe the CO₂ for use in enhanced oil recovery in the Permian Basin.

Marston explained EDF's decision to reach a compromise with Tenaska by saying that the group would "prefer — rather than fight with companies [planning coal plants] — to come up with solutions." He added that any future Environmental Protection Agency regulation of CO₂ emissions "certainly won't apply to projects that secure air permits before January 1, 2011," and that it is unlikely EPA will require later projects to capture and sequester anything near the 85% of CO₂ emissions Tenaska is promising.

Marston noted that EDF's agreement with Tenaska does not include any limits on mercury reductions. EPA's efforts to minimize mercury emissions from new coal plants are sufficient, he said, adding that it was "hard enough to reach agreement" with Tenaska on water-use reductions and a commitment on CO₂ capture and sequestration without adding mercury emissions to the negotiation mix.

Tenaska executives on the conference call said that the company plans to use treated wastewater from the city of Abilene to meet all of the coal plant's cooling needs. That, they said, will eliminate the need to use any freshwater.

Greg Kunkel, Tenaska's vice president of environmental affairs, said that if, as it hopes, the company secures all needed approvals for the Trailblazer project by the end of this year, Tenaska would start construction in early 2011 and complete the plant about five years later. Tenaska is still seeking commitments from prospective power buyers.

Asked after the conference call if Tenaska has made or promised any financial support for EDF, EDF spokeswoman Chris Smith responded, "Absolutely not." She added, "Our policy is not to take any contributions from companies we

might do business with.”

The Sierra Club and others still oppose Tenaska’s application for a Texas air permit. A contested-case hearing on a draft air permit proposed by the Texas Commission on Environmental Quality’s staff will begin in June at the State Office of Administrative Hearings. The administrative law judge’s ruling in that case is expected to go to the TCEQ later this year for a decision on the final air permit.

Other environmental groups said Monday that, unlike EDF, they see no place for coal-fired generation. “We don’t think there is such a thing as ‘clean coal,’ especially when you take into account the cradle-to-grave impacts of coal mining and coal waste,” said Lev Guter, associate field organizer for the Sierra Club’s “Beyond Coal” campaign.

Ryan Rittenhouse, anti-coal organizer at the Texas office of Public Citizen, said that the Trailblazer project’s emissions of sulfur dioxide and nitrogen oxide would be similar to those of a conventional coal plant, and that the project’s large “parasitic” load — the hundreds of MW of extra capacity needed to power its CO₂-capture equipment — would cause it to emit more SO₂ and NO_x/MWh than a conventional plant.

Rittenhouse added that “no one knows if dry cooling will work” as proposed by Tenaska, particularly during the sometimes extreme conditions posed by Texas’ hot, dry summers.

“Public Citizen congratulates EDF and Tenaska on their deal to sequester CO₂,” said Tom Smith, director of Public Citizen’s Texas office, in a written statement issued after the conference call. “EDF has agreed to do what the state’s environmental agency should be doing by assuring that Tenaska’s commitment to sequester CO₂ emissions can be enforced if this plant is built. While this deal may reduce some concerns about CO₂, it doesn’t mean that this still isn’t a dirty old coal plant, and we will continue to work with the local opponents ... to oppose the permitting of the plant.”

“The devil is in the details and the metaphor is especially appropriate given the hellish consequences. Substantial questions still remain unanswered due to the confidential nature of the agreement. Is this deal dependent on cap and trade being passed? Does the deal really require that the coal plant will operate only if the carbon capture facility is also built and operated at least 85% of the time? Does the deal contemplate some other agreement for carbon capture without some federal cap and trade requirement for CO₂? What happens if the off-takers don’t sequester the CO₂? Can EDF take action against them if Tenaska is no longer a partner? What happens if the tertiary oilfields become saturated? What are the penalties? Do they have to shut down?”

“The net output of this plant will be significantly reduced by the energy consumed by carbon capture and dry cooling, making some the emissions per MWh of output far higher than other similar pulverized coal plants. Another big question is why is Texas getting stuck with a pulverized coal plant by Tenaska when they are building an IGCC plant in Illinois which is far cleaner?” Smith said.

He noted that this “is not the first deal of its kind in Texas.

Public Citizen and the Sustainable Energy and Economic Development Coalition reached an agreement with Nu Coastal to offset 100% of its CO₂ from its Calhoun County plant. That plant has been sold to a new company which leads us to question if EDF can take action against the new permit holders if Tenaska is no longer a partner?

“This deal doesn’t solve the questions about water availability, waste disposal and the damages done by coal mining. In summary this still is a dirty old coal plant and we’ll oppose it,” Smith said .

Arch Coal announced last month that it has taken a 35% equity stake in the Trailblazer project, and that it has entered into an agreement to supply Powder River Basin coal to the plant for at least its first 20 years of operation. — *Housley Carr*

Kentucky co-op delays project ... from page 1

both built during the past five years, were financed by the federal Rural Utilities Service. But RUS loans for power projects, including coal plants, currently are not available. East Kentucky did not elaborate about its success, or lack thereof, in securing financing for Smith in the new filing.

Mark Goss, an East Kentucky attorney and former PSC chairman, asked the commission to dismiss the financing request “without prejudice,” meaning it could be refiled at a later date. “EKPC believes that financial prudence requires that it step back and reassess its immediate needs for this financing,” he said. “EKPC will refile an application . . . for commission approval pending this reassessment.”

Comer would not provide details of the co-op’s private financing efforts to date. But he said, “Generally speaking, we’re confident the financing for Smith 1 is available in the marketplace. But as the filing points out, we believe it’s prudent to step back and reassess our immediate needs for financing right now.”

Although it is not a member of a regional transmission organization, East Kentucky has a reserve sharing agreement with the Tennessee Valley Authority and E.ON US, parent company of Louisville Gas & Electric and Kentucky Utilities, the Commonwealth’s two largest electric companies. As a result, Comer said Smith’s delay is not expected to affect the co-op’s power needs for the foreseeable future.

Environmental groups that have opposed Smith praised East Kentucky for stepping back from the project. “They said they’re reassessing their financing, which is a good decision because our analysis . . . shows this is an extremely ill-chosen financial option for them to pursue at this time,” said Robert Ukeiley, attorney for the Sierra Club, Kentuckians for the Commonwealth and the Kentucky Environmental Foundation.

Last year, the groups released a study by New York-based TR Rose Associates that warned Smith’s construction would imperil East Kentucky’s already perilous financial condition.

Ukeiley said his clients wished East Kentucky had gone even farther. “What would have been really positive would have been if they had decided to forego building a new coal-fired power plant in favor of meeting their customers, who are

their owners, needs with energy efficiency and renewables.”

The Kentucky Division for Air Quality recently issued an air permit for Smith. Two additional regulatory approvals are required — a supplemental environmental impact statement and Section 404 water quality permit — from the Army Corps of Engineers. The corps still is accepting public comments on both. “We don’t expect to have all the necessary permits until the spring of 2011,” said Comer, who added the co-op “expects to refile with the PSC pending the outcome of this [financial] assessment.” He did not know when that might be, however.

East Kentucky previously said it hoped to have all regulatory approvals and financing in place to commence construction late this year. Smith had been targeted for commercial operation in 2013. Now, 2014 is a more likely scenario, Comer said.

The delay also comes as the PSC is preparing to make public results of a management audit of East Kentucky. That report should be released later this month, said Melnykovych, who confirmed the co-op “was provided with a draft of the audit back in November.” Since then, “it’s just been a matter of discussing it with them and getting it finalized.”

Comer said Smith’s delay is unrelated to the co-op’s longstanding review of responses to an April 15, 2008, request for proposals for up to 300 MW of renewable energy resources. East Kentucky continues to say it intends to purchase at least 50 MW off the solicitation but will not reveal a timetable for a final decision.

Earlier this month, East Kentucky dedicated its sixth landfill gas plant in Mason County. In all, it has about 18 MW of landfill gas-fired generation. East Kentucky, one of the largest G&Ts in the nation, owns more than 2,500 MW of generation capacity and in excess of 2,800 miles of transmission lines. Its 16 member co-ops serve more than 500,000 customers in more than 80 of Kentucky’s 120 counties. — *Bob Matyi*

Chilton calls for meetings ... from page 1

“I have little patience with the often-used Washington excuse of ‘this was held up by staff,’” Chilton said. “If something doesn’t get done, or doesn’t work right, or fails to happen when it should, well, Harry Truman was right — the buck stops here. Markets and consumers should look to the commissioners and should have an opportunity to publicly hear and comment on our work.

The two agencies have been embroiled in several jurisdictional disputes in recent years. Most recently, the CFTC and FERC have disagreed over which agency would have jurisdiction over certain transactions, such as financial transmission rights, if Congress authorizes regulation of over-the-counter derivatives markets.

Since 2007, they have also squabbled over FERC’s bid to bring charges against failed hedge fund Amaranth Advisors and its head natural gas trader for alleged futures-market manipulation. CFTC has said it has sole jurisdiction over the futures markets, while FERC said Amaranth’s trading in futures markets affected the spot markets under its regulatory domain.

Chilton said that there has been a “fair amount of gnashing

of teeth and rending of cloth” over the two agencies’ jurisdictional spats. “I’d like to see that end.”

In the case of FTRs, Chilton said the two agencies need to work collaboratively to oversee these instruments and rebuffed allegations that his agency does not have the proper expertise to regulate them.

FTRs are financial instruments used to help hedge the risk of electric transmission providers.

“This is precisely the kind of area where the CFTC, as a financial market prudential regulator, can provide some useful expertise,” Chilton said. “As FERC moves more and more into the arena of overseeing markets involving financial contracts, there’s a mutual benefit to sharing information about financial market oversight.”

Chilton explained that additional collaboration over regulation of FTRs does not mean the CFTC is asserting jurisdiction. “It means we’re sharing our expertise,” he said. “Conversely, if FERC has information about cash-market activities that may be affecting futures-market prices, I know they’ll be sharing that with CFTC enforcement staff.”

The CFTC and SEC’s hearings on September 2 and 3 were the first joint sessions on record of the two agencies. The hearings sought to find areas of regulatory overlap and to fill in gaps ahead of prospective OTC reform.

The CFTC has memorandums of understanding with FERC and the SEC to address the sharing of information in proceedings of overlapping jurisdiction. It has also created a joint CFTC/SEC advisory committee, Chilton said. — *Jessica Marron*

Senate to take up bill this week ... from page 1

Dodd’s bill covers numerous areas of financial reform — such as mortgage lending practices and consumer protection — in addition to OTC regulation. It passed out of committee last month without any Republican support.

Also, on Wednesday the Senate Committee on Agriculture, Nutrition and Forestry plans to debate and vote on OTC language authored by its chairman, Senator Blanche Lincoln. The Arkansas Democrat hopes to attach her language to Dodd’s bill, but has said she may introduce it as stand-alone legislation.

Both measures would require nearly all standardized OTC derivatives to be taken to central clearing, but Dodd’s bill would offer clearing exemptions to physical hedgers at the discretion of market regulators, while Lincoln’s would provide an exemption solely to firms that have a legitimate hedging need.

Physical hedgers such as energy producers and distributors have pressed for exemptions, saying the cost to clear would be detrimental to their business.

Dodd said he is continuing to work with Lincoln, the Agriculture panel’s top Republican, Saxby Chambliss of Georgia, and others to come to an agreement on derivatives language.

“I’m of the view that we err on the side of transparency,” Dodd said. “When markets can price and react to instruments, everyone benefits. If there is some exception that makes sense, I’m willing to listen to that.”

But at greater contention is a measure in Dodd’s broad-reaching language that would create a \$50 billion reserve to

dissolve a failing Wall Street firm. Senate Republicans contend this will institutionalize “too big to fail,” while Democrats such as Dodd contend that this measure was a Republican creation — and he has not yet heard any alternatives.

“I hear the floor statements and I see the press releases, but I’m waiting for that knock on the door,” Dodd said, criticizing those that would “sit there and fire broadsides against the bill without making any specific suggestions.”

Senate Republicans last week wrote a letter to Senate Majority Leader Harry Reid, a Nevada Democrat, saying that they are “united in ... opposition” to the banking committee’s legislation, as they believe it has been a partisan undertaking so far.

But Dodd said he was not yet concerned about the prospects of a filibuster, and the Republican letter did not mention it specifically.

“I don’t really believe Republican members want to be in a

position where they’re talking about filibustering a bill that would allow us to address those issues, as we do in our legislation.”

President Barack Obama, who has threatened to veto any measure that does not contain strong provisions to regulate derivatives, on Saturday again pushed for lawmakers to put aside their bickering and move forward on financial reform.

In his weekly address, Obama said derivatives were a part of what led the nation to near-financial ruin last year.

Major investor “Warren Buffett himself once described derivatives bought and sold with little oversight as ‘financial weapons of mass destruction,’” he said. “That’s why through reform we’d help ensure that these kinds of complicated financial transactions take place on an open market. Because, ultimately, it is a marketplace that is open, free, and fair that will allow our economy to flourish.” — *Jessica Marron*

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