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MUNI INVOLVEMENT IN COORDINATED UTILITY OPERATIONS GOES BACK MANY DECADES, BUT THE ISSUES HAVE CHANGED QUITE A BIT.

- The power pool agreements and bilateral interconnection agreements of decades past are the forerunners of today's coordination agreements – the organized markets run by ISOs and RTOs and other more limited coordination arrangements like the California ISO's Energy Imbalance Market our panelists will be discussing.
- But the issues for munies in the earlier years were more about fighting not to get shut out of participation than worrying about whether to jump in. The focus today is not so much on whether munies can participate, but whether the benefits of doing so outweigh the risks of being dragged, even if indirectly, into federal regulation of these coordination services markets.

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What I'll Cover:

- Munies have always been interested in coordination agreements that would reduce the costs to their ratepayers. Their early extensive efforts go back to the 60s and 70s – challenging terms of interconnection agreements and power pooling arrangements. I'll talk briefly about some of the big cases of that era.
- Western municipal utility efforts to coordinate multiparty dispatch also go back many decades. I'll discuss some of those early efforts.
- Last, I'll give a brief intro to the topics Craig, Rob and Jim will discuss – the Platte River/Public Service Co. of Colorado Joint Dispath Agreement; municipal participation in expansion of the Southwest Power Pool into a Mountain West Division; and municipal utility participation in the California ISO's Energy Imbalance Market (EIM)

THREE CASES — *GAINESVILLE*, *NEPOOL* AND *MAPP* – PAVED THE WAY FOR GREATER PARTICIPATION BY MUNICIPAL UTILITIES IN MULTI-SYSTEM COORDINATION AGREEMENTS

- The motivation for municipal utilities in each of these cases, as it is today, is to maximize the efficiency of their operations and to provide their citizens with the savings

A Trip Down Memory Lane

Pricing Coordination Services at Cost, Not on Relative Benefits to the Larger Utility

***Gainesville Util. Dept. v. Florida Power Corp.*, 402 U.S. 515 (1971)**

> What Florida Power chooses to emphasize is that the availability of a certain amount of power flowing from it to Gainesville is relatively more valuable to Gainesville's small system than the availability of the same amount of power flowing from Gainesville to Florida Power. It is certainly true that the same service or commodity may be more valuable to some customers than to others, in terms of the price they are willing to pay for it. An airplane seat may bring greater profit to a passenger flying to California to close a million-dollar business deal than to one flying west for a vacation; as a consequence, the former might be willing to pay more for his seat than the latter. ***But focus on the willingness or ability of the purchaser to pay for a service is the concern of the monopolist, not of a governmental agency charged both with assuring the industry a fair return and with assuring the public reliable and efficient service, at a reasonable price***.

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A Trip Down Memory Lane (cont.)

Pricing Capacity shortfall payments based on absolute shortfall, rather than shortfall percentage to protect smaller utilities

***Municipalities of Groton v. FERC,* 587 F. 2d 1296 (D.C. Cir. 1978)**

The Commission held that NEPOOL's capacity deficiency charges unduly discriminated against small participants. For the same number of deficient kilowatts, the Commission said, a small participant due to its lesser capability responsibility will pay more than a large participant. It found this impermissible because NEPOOL is affected by a capacity shortage on the basis of the number of kilowatts a participant is short, not the percentage by which the participant is below its capacity responsibility.

A Trip Down Memory Lane (cont.)

Modifying Membership conditions that served to shut out smaller (municipal) utilities

***Central Iowa Power Cooperative v. FERC,* 606 F. 2d 1156 (D.C. Cir. 1979)**

In 1972, thirty-one electric power systems signed the MAPP power pooling agreement:

- twelve investor-owned utilities;
- eight cooperative corporations;
- eight municipal systems;
- two state public power districts; and
- the Federal Bureau of Reclamation

A Trip Down Memory Lane (cont.)

Modifying Membership conditions that served to shut out smaller (municipal) utilities

- The MAPP Agreement provided for wheeling services and interchange services for participation power, emergency and scheduled outages, operating reserves, economy energy, operational control energy, and peaking, short-term and firm power.
- There were no charges for transmission of pool interchange services, but only utilities with generation and two interconnections to other members could qualify for membership.
- FERC found the membership restrictions unduly discriminatory against smaller utilities and the Court upheld FERC's finding that:

  the pool would not be injured by inclusion of such systems as long as they provide compensation for the true value of transmission services, whether in kind or in money. The Commission directed the MAPP participants and the Commission staff to develop a formula for fair compensation to be paid by those participants unable to reciprocate for transmission in kind.

A Trip Down Memory Lane (cont.)

Efforts of Western Municipal Utilities to Participate in Regional Coordination Agreements Have a Long History

- **The Northwest Power Pool** – formed in 1942 – mostly information sharing
- **The Pacific Northwest Coordination Agreement** (Id) – included series of rate schedules for interchange energy imbalances, transmission service – included IOUs and coops, BPA and BC Hydro
- **The Mid-Columbia Hourly Coordination Agreement** – single system economic dispatch of seven Columbia River hydroprojects – this is agreement among Bureau of Reclamation and three NW PUDs*

* Source: *Power Pooling in the United States* (FERC Staff Report, Dec.1981)

A Trip Down Memory Lane (cont.)

Efforts of Western Municipal Utilities to Participate in Regional Coordination Agreements Have a Long History

- And how many remember the **Rocky Mountain Power Pool**? An informal association of public, private and federal systems in Utah, Colorado, Wyoming, Nebraska, Montana and South Dakota? – mostly to coordinate maintenance scheduling and underfrequency load shedding.
- How about the **1956 Colorado Power Pool** – between Colorado Springs, PSCo and the Central Telephone and Utilities Corporation – to furnish standby service and reserve capability – but it allowed any member to use the transmission facilities of any other member to engage in interchange of energy at cost plus 5 mills per kwh.
- Don't forget the **1974 Inland Power Pool** – consisting of IOUs and municipal utilities in Arizona, New Mexico, Colorado, Wyoming and parts of Utah and Nebraska. Mostly a reserve sharing agreement.

A Trip Down Memory Lane (cont.)

- And the **Arizona-Nevada Power Pool**? That was a 1971 agreement between Salt River and Nevada Power Company and the Western Area Power Administration.
- **Who could overlook the 1960 Arizona Power Pooling Association?** It was an agreement between two Arizona municipal utilities and the Arizona Electric Power Cooperative – it was an agreement for computerized dispatch of their combined entitlements to federal preference power.
- Imperial Irrigation District was a party to the **Lower Colorado Power Pool** – along with Southern California Edison and Arizona Public Service – for reserve sharing, economy interchange and emergency assistance.
- And who remembers the **California Power Pool**? This agreement provided for reserve sharing, emergency service, economy exchanges and energy interchange services. Munies were not permitted to participate. The IOUs argued at the time that munies would indirectly receive the reliability benefits of this agreement.*

*Source: Power Pooling Report, p. 152.

Back to the Future – Joint Dispatch at Cost-Based Rates

The biggest difference between the power pools of these earlier years and many of today's coordination agreements is the use of bid-based or market-based pricing rather than cost-based pricing. But there was one recent throw-back agreement that Craig will talk more about:

Public Service Company of Colorado, 154 FERC ¶ 61,107 (2016)

Back to the Future – Joint Dispatch at Cost-Based Rates (cont.)

A few years ago, FERC approved a **Joint Dispatch Agreement** between Public Service Co. of Colorado (PSCo), Black Hills/Colorado Electric Utility Co. and Platte River Power Authority "to facilitate the centralized intra-hour dispatch of resources within PSCo's balancing authority area."

Two key features:

- "A cost-based ceiling on the prices PSCo may charge under the JDA" for the exchange of (1) Joint Dispatch Energy; (2) Deficit Energy; and (3) Surplus Energy; and
- Not unlike some of the old power pools, "no additional transmission charges will be assessed for the receipt or delivery of energy dispatched under the Joint Dispatch Agreement."

Two new coordination initiatives affecting municipal utilities in the West

- Expansion of the California ISO's Energy Imbalance Market (EIM)
- Possible Expansion of the Southwest Power Pool into a “Mountain West” division

The CAISO EIM

Expansion of CAISO's EIM market beyond CAISO participants was approved by FERC in 2014:

Cal. Indep. Sys. Operator Corp., 147 FERC ¶ 61,231 (June 2014).

- EIM allows participating entities to purchase and sell five-minute real-time energy for meeting energy imbalance needs.
- Participation in the EIM is voluntary and there is no exit fee for leaving the market.
- CAISO will run its market software to economically dispatch the energy system of any BAA that joins the EIM

Rob and Jim will discuss what led their clients to decide to participate in EIM.

Mountain West

Mountain West would be a new division of an existing RTO – the Southwest Power Pool – but with membership on the Western Interconnection.

- Craig will discuss the factors that have led Platte River and other municipal utilities to consider membership.

THANK YOU

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