MESO

OKLAHOMA PUBLIC POWER

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Public Power Workshop Draws a Big Response

The annual Public Power Workshop was held in Norman this year and drew a huge response from MESO members. Nearly 100 member employees, managers, and board members attended the event which is sponsored by MESO, OMPA, and GRDA. This big response resulted in an equally large turnout of utility vendors and sponsors as 28 companies participated in the public power equipment show this year.

The Public Power Workshop has a two-day agenda with general session speakers and presentations in three training tracks for customer service, administration, and distribution employees.

We were very fortunate to have as our opening speaker Jay Albert, Assistant Secretary of Energy for the State of Oklahoma, who spoke on Oklahoma's energy policy. He was followed by Steve Collier, a nationally sought after speaker on public power issues, who is with Milsoft and previously managed electric utilities in Texas. Steve spoke on the world energy picture as well as the revolution in energy investments by public power systems. The closing general session speaker was the very popular Dr. Lee Manzer who focused on how utilities can communicate and better tell their story to customers, voters, and employees.

The breakout training sessions looked at the significant investment cities are now making in their infrastructure including Smart Grid plans, automated meter reading, energy management, LED deployment, substation upgrades, and demand response systems.

MESO's Board of Directors has made the Public Power Workshop our key member program for each year and to insure participation has kept the cost to a bare minimum with the $315 registration fee covering hotel for two nights and all meals for the Sunday to Tuesday sessions. That fee is not nearly enough to cover all the costs of the program's speakers, hotel convention space, and other costs. So we are very fortunate

(see WORKSHOP, *page 5)*

Legislature Winding Down the 2012 Session

The 2012 legislative session ends this month with many unresolved issues. MESO had 32 bills on its watch list for the session and these have been resolved with either passage or by being set aside. We are awaiting final passage on a bill requested by GRDA to allow the agency to hedge its fuel purchases. There had been proposals to place the State Bond Advisor under the Office of State Finance. This would remove the independence of that individual who reviewed all state bonds. That is something MESO, OMPA, and GRDA all opposed. The independence of the office is critical to its being able to fully function. The current advisor, Jim Joseph, has done such a fine job that he has sat on the board of both OMPA and GRDA. He understands our business. At this time, SB 1108 would keep the independence of that office.

Also on the watch list was language in the omnibus tax bill (the income tax cut legislation) that would have eliminated the deductibility of municipal bond interest from state income taxes. This would have the effect of raising borrowing costs for cities and for our power agencies. Senator Mike Mazzei is chair of the Senate Finance Committee and moved to strike that language noting the chilling effect it would have on local governments. We won't know until the last week of session how many of the various proposals on taxes will be handled, but that will be a key one for us to follow.

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Federal Agency May Take Control of Excavation Enforcement

The Pipeline and Hazardous Materials Safety Administration (PHMSA) is the agency that oversees natural gas transmission and distribution safety issues and enforcement. The agency is concerned that many states, including Oklahoma, have no statutes giving teeth to enforcement of policies related to excavation accidents. Although Oklahoma has a very good One Call system, the legislature has given no teeth to enforcement of the program so many contractors who cause damage escape with no repercussions.

PHMSA proposes to add new excavation standards that include requirements for all excavators to: Use an available one call system, to excavate with proper regard for location information and markings, to promptly report damage, and to call 911 during any emergency.

The agency would use the enforcement mechanisms in place currently for pipeline safety infractions. The rule would not apply to areas aside from natural gas, the action has some merits. We currently have issues with contractors who cause damage and who face no penalties because of lack of enforcement ability. There is not a national standard on excavation rules. This action is a move toward national standards.

As cities, we sometimes have incidents where our employees cause damage in an excavation. We pay for our mistakes. Similar oversight of private operators with enforcement seems a good idea since the contractor lobby is successful in keeping any legislation from passing that assesses penalties for bad actors.

The proposed rule is in the comment period.

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APPA, NRECA Oppose Petition to Revise Interconnection Rules for Solar Projects

The Federal Energy Regulatory Commission should reject a Solar Energy Industries Association (SEIA) petition to revise small generator interconnection rules and procedures (SGIP) to make more solar projects eligible for a fast track interconnection process, APPA and the National Rural Electric Cooperative Association said. In a March 27 joint filing, APPA and NRECA said the existing interconnection rules continue to meet the goals set forth by the commission in Order No. 2006. SEIA's proposed changes "will in some cases result in unjustifiably lower reliability and safety standards for solar generation interconnection on many – or even most – public utility systems," they said.

While changes to the interconnection rules for solar generation "may be warranted on a case-by-case basis for utilities that have enhanced expertise and additional load information available, those changes should not be mandated" for all utilities, APPA and NRECA said. Also, some of SEIA's proposed changes "will likely result in unnecessarily higher interconnection costs, additional disputes, and additional delay in the interconnection process."

Before considering any changes to the small generator interconnection rules, the commission should allow the Institute of Electrical and Electronics Engineers to complete its analysis of issues regarding distributed resource interconnection and the high penetration of intermittent generation, APPA and NRECA recommended. "The technical experts conducting these analyses are in the best position to determine whether the existing SGIP screens [for determining fast track eligibility] are effective, or whether they should be changed."

APPA and NRECA members support solar, but "the reliability and safety standards applicable to the interconnection of small generation, including solar generation, should not be lowered simply to enhance economic benefits to the solar industry," the associations said.

Mike Doublehead and the BBQ crew of Will Davis, Gary Pruett and Tom Rider.

Alex Damon and Dean Johnson
provided the evening music.

Tom Kelly, Pawnee Electric Superintendent
with Matt Bedinghaus, A2V Partners

Dave Wich, Acuity Brands,
speaking on LED technology.

Jay Albert
Assistant Secretary
of Energy

Brett Griffin & Shannon Dodd,
Edmond Electric, discuss electric basics.

Grant Burget, GRDA and Gary Pruett, Pryor,
with the Pelco cooker.

Workshop *(continued from page 1)*

that our membership includes many companies who provide sponsor revenues to cover the shortfall. This year's sponsors included:

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These sponsorships allowed us to provide a high grade utility training program for our members, and we greatly appreciate the information they bring to the program. One of the highlights of the Public Power Workshop is the opportunity to look at new products and services and have various providers of services in one location.

Of course, there would not be such a fine turnout if there was not a quality program. MESO is fortunate to have a committed board of directors working on our programs. We are also fortunate to have the staffs of OMPA and GRDA providing funding and assistance to make the workshop a continuously growing event.

Palma Maple of OMPA has done a fine job in taking charge of the overall administration of the Public Power Workshop, and Jennifer Rogers of OMPA was equally outstanding in doing the conference program, logo, theme, and many other details in organizing such a big production. Laura Townsend, Grant Burgett, and Justin Alberty of GRDA provided needed communications help and assistance with speakers and sessions. Tom Rider of MESO assisted in many areas such as set-up, room planning, hotel set-up as well as being a session speaker and steak griller.

Gary Pruett and Deborah Miner managed the Sunday and Monday cookout and barbecue, and we could not have done it without them. Mayor Alex Damon of Cordell provided the evening music once again, and that's become a tradition.

And finally, we must acknowledge the many speakers and session leaders we had during the conference. They included: Tom Rider, Rick Crawford of Landis & Gyr, Dave Wich of Acuity Brands, Brett Griffin and

(see WORKSHOP, *page 11)*

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Southwestern Power Administration
Southwestern Power Resource Association
Utility Equipment Leasing Corp.

EPA Carbon Rule Could Increase Cost of Electricity Over the Long Term, Fitch Says

The Environmental Protection Agency's proposal to limit carbon emissions from new coal-fired plants could have little short-term effect, Fitch Ratings said. "Over the long term, it could increase the cost of electricity as a result of handicapping a historically economic source of generation, and positively affect investments in natural gas and alternatives," the credit rating agency said.

The few facilities that are under construction would not be affected by these proposed regulations, although they seem unlikely to comply with them, Fitch said.

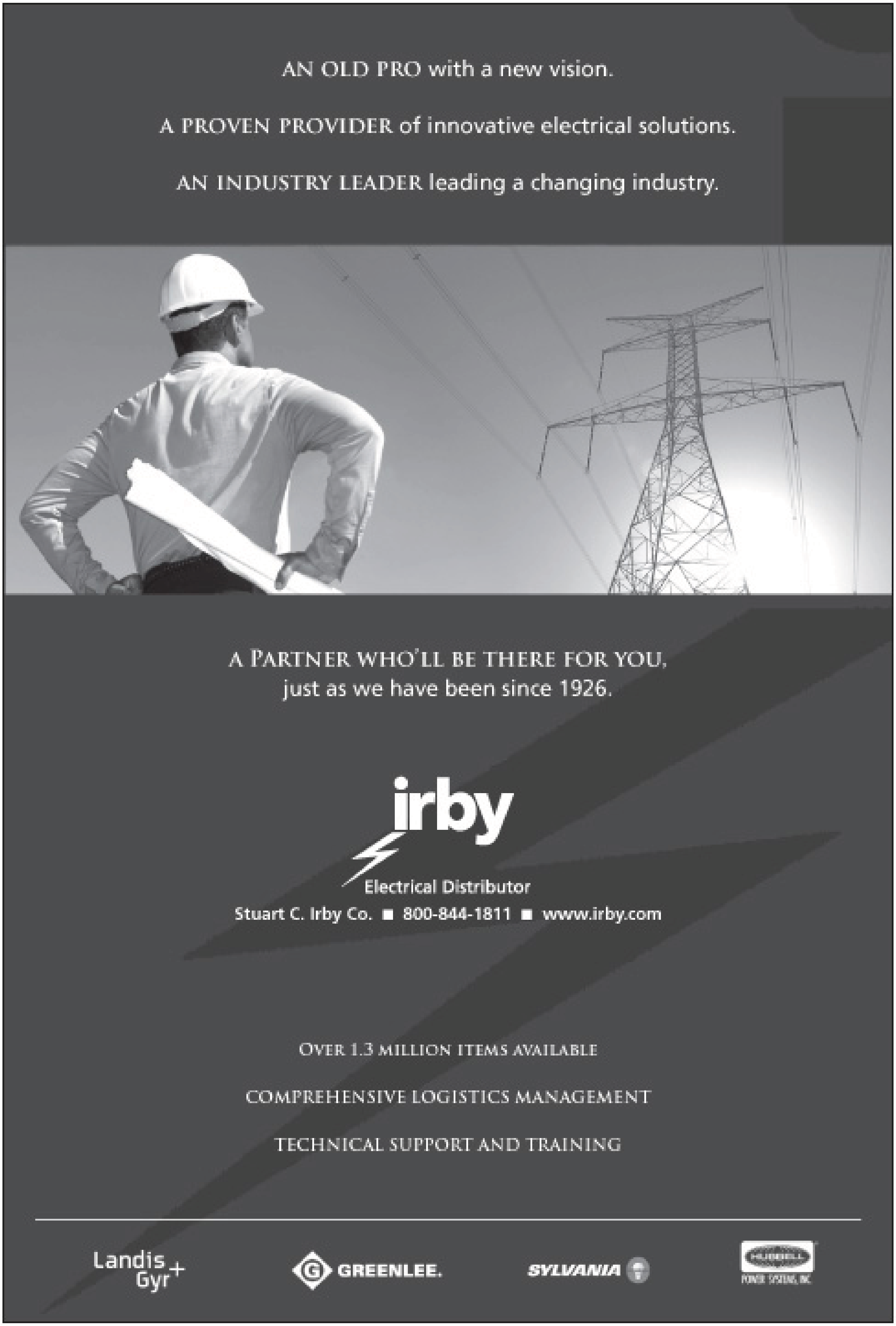
Over the short run, EPA's proposal would have a muted affect, as the record low cost of natural gas, increase in coal costs and other environmental compliance costs have led to an almost complete stoppage in new coal-fired plant construction, Fitch said. Many proposals for new plants have also been rejected by regulators in states like Florida, Nevada and Oklahoma.

Over the longer term, those dynamics "will put upward pressure on electricity prices in some regions," Fitch said. Much of this upward pressure could be attributable to the need to build infrastructure to distribute natural gas in areas where coal dominates. Renewables and nuclear could benefit from the proposal, Fitch said. Should natural gas prices increase while coal production remains costly, nuclear could become more attractive.

House Cyber Security Bill Promotes Information Sharing

Reps. Mary Bono Mack, R-Calif., and Marsha Blackburn, R-Tenn., introduced a cyber security bill March 29 that allows the federal government and private sector to share information about cyber attacks and threats. Their bill, H.R. 4263, is companion legislation to a cyber security bill introduced in the Senate by Sen. John McCain, R-Ariz.

"Under our legislation, our nation's best and brightest minds will finally be freed to work hand-in-hand to share information, develop safety protocols and put into place critical early-warning systems — much like a Weather Service advisory before a tornado — but shared between companies and federal authorities," said Bono Mack, who chairs the House Energy and Commerce Committee's Commerce, Manufacturing and Trade Subcommittee. Blackburn said the bill "puts the private sector in the driver's seat, instead of relying on overly prescriptive government mandates that hamper growth and weaken response capabilities."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S&P Says EPA's Proposed Carbon Rules Are Unlikely to Affect the Credit Quality of Cooperative or Public Power Utilities

The Environmental Protection Agency's proposal to place stringent limits on carbon emissions from new power plants should not impair the credit quality of public power electric utilities or rural electric cooperatives, if it becomes a final regulation, Standard & Poor's said March 28. With the exception of a handful of coal plants that are under construction, few public power or cooperative utilities are pursuing coal resources and their risk profiles do not depend on the addition of baseload coal resources, S&P said. The proposed new source performance standard exempts existing generation and plants that are under construction.

Although the rule would cover emissions from new gas plants, their emissions levels should fall within permissible ranges under the regulations. Consequently, if the rules are implemented as proposed, they should not have operational or financial implications for the existing generation fleet, S&P said.

There are several reasons for limited interest in new coal-fired capacity that could fall within the proposed regulations' crosshairs, the rating agency said:

- The recent recession eroded demand for many utilities and broadly reduced the need for new generation capacity, irrespective of fuel source.
- Natural gas prices are at their lowest levels in more than a decade, posing economic challenges for new coal plants. Many utilities have reported reduced reliance on their coal plants as they replaced coal-fired production with gas-fired production from owned plants and market electricity purchases, particularly in regions with an abundance of natural gas generation, S&P said. Some utilities have even reported that their simple-cycle, gas-fired units have at times dispatched ahead of baseload coal.
- The anticipated costs and technological and operational challenges of carbon capture technology would likely raise the competitive hurdles for new coal plants at a time when natural gas prices are low.
- Multi-pronged EPA regulatory initiatives have created significant operational and cost uncertainties for coal-fired generation, S&P said, citing rules on mercury, sulfur dioxide, nitrogen oxide, particulates, coal ash disposal and power plant cooling.

In light of limited interest in new coal generation, the expected barriers to new coal-plant construction as a result of EPA's proposed regulation should not have operational, financial, or credit implications for cooperative and public power utilities, S&P said.

In the longer term, the rating agency said it will assess the resource options available to utilities and

(see S&P, *page 11)*

Coal and Carbon Dioxide Take Center Stage

The Environmental Protection Agency acting on its authorization by the Supreme Court to oversee carbon dioxide emissions took a major step in that direction in late March. EPA rules now limit the amount of carbon dioxide that can be emitted from power plants. The rule would require new coal plants to emit 44% less carbon dioxide than current power plants. Ultra supercritical units such as the J. W. Turk under construction in Arkansas emit some 25% less CO2 than existing plants but even those units would not meet the standard. All existing plants and those under construction do not have to meet the rule. The threshold for CO2 would not affect natural gas generation units which emit about 15% less than the threshold.

The effect of the rule would be to require CO2 capture systems which are not yet feasible. Utility groups have noted that this rule effectively eliminates coal as a power supply option.

Oklahoma has previously taken action through the legislature to move Oklahoma to natural gas, energy efficiency, and wind generation as electricity resources in the future. The legislature passed such legislation in 2010 at the behest of our natural gas industry. The rule would not prohibit existing coal-fired plants from being rehabilitated for life extension. Utilities are currently viewing whether to upgrade coal-fired units to meet sulfur dioxide and particulate emissions standards or move to natural gas. That process will be ongoing over the next decades as utilities add scrubbers to remove sulfur dioxide emissions and new bag houses to better capture particulate emissions.

The rule will become an election year issue as those favoring coal will use the rule to show that the administration is working to turn America away from coal-fired generation.

Separately, the Sierra Club, which has worked endlessly against coal-fired generation, announced that it had received $26 million in donations from Chesapeake Energy and related gas suppliers in recent years. Those funds helped the club in its legal challenges to coal generation. The club also announced it would stop taking gas industry donations as the club has been working for stronger controls and regulation of natural gas fracking. The gas industry has taken a leading role in funding efforts to move the nation away from coal and toward gas generation. The announcement caught many off guard.

APPA, speaking for public power systems, stated that the rule could cause problems for utilities and consumers in some areas and will join other utility groups in discussions with EPA on easing of the rule.

EPA Agrees to Act on Regional Haze Plans This Year

The Environmental Protection Agency must take final action this year on regional haze plans for dozens of states under a consent decree approved March 30 by the U.S. District Court for the District of Columbia. The agreement with conservation groups sets a series of deadlines through November for the agency to issue proposed and final rules to approve state implementation plans or issue federal implementation plans to address degraded visibility.

The consent decree "establishes firm, enforceable deadlines for action on plans to clean up air pollution in 37 states and the District of Columbia and Virgin Islands," said the National Parks Conservation Association.

The conservation groups sued EPA over its failure to comply with a Jan. 15, 2011, statutory deadline for issuing regional haze plans for 34 states that did not submit a plan and for five more states that submitted incomplete plans.

The consent decree comes as New Mexico officials are considering alternatives to an EPA plan that calls for Public Service Co. of New Mexico to install selective catalytic reducers on the 1,800-MW coal-fired San Juan Generating Station. PNM says the controls could cost $750 million or more.

The Broadband Gap

This month's issue of Governing Magazine had statistics noting how access to broadband high-speed communications is statistically related to economic development. Counties with 40-70% of the population having access to broadband were among the lower income counties while individuals in upper income counties tended to have high levels (99-100%) of access to broadband. Research indicates that lack of high speed access is a killer in business development for a community. But even with that Governing noted that America still has very slow speeds. The average speed of broadband in America is 616 kb second which is one third the speed of Korea and places America behind 25 other nations.

There are a handful of communities in the nation that have installed their own broadband systems or have partnered in networks to increase broadband access. There has not been a systematic investigation of economic development in those communities compared with communities lacking access. But we do note that Sallisaw installed a fiber to the home system several years ago, and development in that city increased markedly over the growth in years prior to broadband deployment. The economic impact goes further than business development as Sallisaw's package of communications services averages $60 per month less than a set of services from a carrier such as AT&T.

Seeing these kinds of statistics has caused MESO member Siloam Springs, Arkansas, to look at the possibility of a municipally-owned fiber optic network. Siloam Springs will have a vote of the people on May 15 to determine if the city will spend the $8 million necessary to allow it to offer television, internet, and telephone services over a fiber system. The city looked at this five years ago and determined not to go forward when the local cable provider promised a fiber network and high speed access. That has not happened. We will look forward to that vote's results.

PSO to Shutter Coal Unit

PSO will close one of its two coal-fired units in Oolagah as part of an agreement with the Environmental Protection Agency. The two units were opened in 1977-1978. One unit will be closed in 2016 while the other unit will be equipped with scrubbers to remove sulfur dioxide and equipment to better capture particulates in its emissions. That second upgraded unit will also be closed in 2026-2027. Cost of the upgrades will be around $200 million. The actions follow EPA's review of air quality and haze in the region.

EPA still has negotiations with OG&E on that company's four older coal-fired generation units. OG&E has asked to be allowed to continue to operate its coal units until 2026 without making investments in pollution controls. The company would then close all four units. The PSO agreement makes it unlikely that EPA would agree to that offer.

Last month we saw an announcement from SWEPCO that it would close a coal-fired plant in east Texas as part of its agreement to operate the J.W. Turk plant in Arkansas.

PSO says that the coal-fired generation will be replaced by market purchases or by building a new gas-fired unit or both.

GRDA and WFEC also have coal-fired plants in Oklahoma, but both are a later generation than the PSO and OGE units.

S&P *(continued from page 8)*

their cost implications as coal plants in the grandfathered fleet reach the end of their useful lives and need to be replaced. In the near term, S&P will continue to "monitor the developing, but still uncertain, cost implications of regulations focused on other attributes of coal-fired electricity production," such as the Mercury and Air Toxics Standard Rule and the Cross-State Air Pollution Rule. "To the extent that these rules appreciably place upward pressure on capital and operating costs or force plants to shut down in the face of burdensome retrofit requirements -- beyond vintage plants with low capacity factors and high heat rates -- there could be negative credit implications for coal-dependent utilities if they are unable to adjust revenues to preserve a credit-supportive alignment between revenues, expenses, and debt service obligations," Standard & Poor's said.

Workshop *(continued from page 5)*

Shannon Dodd of Edmond Electric, Joel TenBrink of UTS, Mike Socha with Finley Engineering, Janice Berryhill from Altus, Ann Brousard of Cooper Power Systems, and Mike Waddell, Justin Alberty, and Melanie Earl of GRDA.

The conference was such a hit that we must take a look at returning to Norman next year. Vendors especially were happy with the great turnout and the central location. A survey was sent to all the attendees. The conference planning committee will use those surveys to determine how we do the Public Power Workshop next year. Thanks to all of you who attended and gave us your feedback.

CALENDAR

May 10, 2012
The Supervisor Course: Individual Strengths and Gifts
MESO/OMUSA Headquarters

May 15, 2012
Success Skills: The Art of Successful Communications
MESO/OMUSA Offices, OKC

May 18, 2012
MESO/OMUSA Board Meeting
MESO/OMUSA Offices, OKC

June 7, 2012
Utility Applications of Capacitors & Overvoltage Protection
Indian Capital Tech Ctr., Sallisaw

June 14, 2012
OGA Scholarship Classic
Cimarron National Golf Club, Guthrie

June 14, 2012
Line Clearance Tree Trimmers
MESO/OMUSA Offices, OKC

June 19, 2012
Supervisor Course
MESO/OMUSA Offices, OKC

June 21, 2012
The Supervisor Course: Getting People to Take Action
Altus

June 28, 2012
Understanding Transformer Connections
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