



# The *KMU Dispatch*

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## Election Results Likely to Impact Utility Policy

Recent Congressional elections that witnessed the Democratic Party regaining control of the U.S. Senate and House of Representatives, are likely to have a significant impact on potential utility legislation and policy. Nancy Pelosi (D-CA), the new House Speaker, and Harry Reid (D-NV), incoming Senate Majority Leader, both hold very different views of energy policy than current leadership. In addition, committee leadership and composition of committees (the ratio of Democrats to Republicans) will also change. As a result, many are expecting to see a much "greener" utilities and environment agenda

over the next two years. Perhaps the most dramatic change might be in the Senate Environment and Public Works Committee. Barbara Boxer (D-CA), a staunch liberal, is set to take over the reins of the committee from James Inhofe (R-OK), an outspoken skeptic of global climate change. Climate change legislation will likely be introduced. Restrictions on carbon emissions is the most commonly mentioned approach. A "tax" on carbon emissions is another popular measure. However, the slim majorities enjoyed by the Democrats and President Bush still in the White House make immediate sweeping changes in energy and environmental policy unlikely.

## Bronson, Hansen Visit FERC Commissioners

George Bronson (Winfield) and Colin Hansen (KMU) recently visited four of the five Federal Energy Regulatory Commission (FERC) commissioners to discuss the issues and concerns of municipal gas systems. The meetings with the commissioners were organized by the American Public Gas Association (APGA). Bronson and Hansen were part of a panel of ten APGA officials that visited individually with FERC Chairman Joseph Kelliher and Commissioners Philip Moeller, Mark Spitzer, and Jon Wellinghoff on November 15<sup>th</sup> and 16<sup>th</sup>.

One of the primary topics discussed during the meetings was the need for greater "market transparency" in natural gas trading. Currently, it is very difficult for municipal utilities to have confidence that the price they are being asked to pay for gas supply is a fair, equitable and appropriate one. Market transparency solutions might include such items as mandatory reporting of all natural gas transactions and having sufficient FERC data to determine if pipelines are over-recovering on their regulated return on investment.



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## Ulysses Anticipates Innovative Wastewater Treatment Project

Plans are underway in the City of Ulysses for an environmentally-friendly wastewater treatment process that will restore a portion of a local lake. The process will begin with water from city's third lagoon. It will first be chlorinated and delivered to an eight-acre wetland for filtration through 900 linear feet of aquatic plants. From the wetland, the water will be directed into two streams for exposure to sunlight and additional aquatic plant life. The streams will carry the water over a waterfall for oxygenation and then into an equalization wetland where an underground piping system will be constructed to feed the water into Frazier Park Lake. A diversion dike will protect the lake from any future flooding, stormwater runoff or silting. The project will not only benefit the lake but will also create additional wetland habitats for area wildlife and provide a source of irrigation for the local golf course and cemetery. Construction is expected to be completed by late next spring, pending the project's approval by the Kansas Department of Health and Environment. Most of the necessary funds were generated through a \$5 surcharge imposed several years ago on all city wastewater system users. Grants were also obtained from the Playa Lakes Joint Venture and the Kansas Alliance for Wetlands and Streams. Technical assistance on the project was provided by the Kansas Department of Wildlife and Parks, and Dennis Haag of Tetra Tech Engineering contributed the overall design.

## Colby Offers New Utility Billing Option

During the months of October and November, residents of the City of Colby will have the choice to sign up for budget billing. Only customers with at least a year of billing history will be eligible for the new system. Bills will be calculated by taking an average of the customer's previous 12 months of bills and adding a 5 percent surcharge as a precaution until the averages begin working out. Budget billing, which was approved unanimously by the city council in September, assists customers by removing the month-to-month volatility of utility bills that can result from weather variations and the wholesale cost of power.

## Wellington Consolidates Utilities

Wellington recently moved to consolidate all of the city's municipal utilities into one Public Utilities department. The change joined together the municipal electric, water and wastewater utilities all into one office. Previously, the three utilities were separated into two separate departments. The move is expected to streamline the city's utility operations and increase the efficiency of each. Bob Porter was named Director of the Public Utilities. Previously, he served as its electric director.

## Bronson Selected to Chair APGA Board

George Bronson, director of natural gas and wastewater utilities for the City of Winfield, was recently named chairman of the American Public Gas Association (APGA) Board of Directors. Bronson's 17-month term will begin in January 2007 and conclude at the APGA annual meeting in July 2008. "Mr. Bronson brings to our board many years of experience working in the natural gas industry," said APGA president Bert Kalisch. "His leadership ability and knowledge of energy issues, especially with natural gas utilities, will serve the interests of APGA, the natural gas industry and the energy consumer. He understands the challenges our industry faces, recognizes the many pieces to our nation's energy puzzle and has ideas about how to successfully address those issues." Bronson's 28 years of experience in the gas industry include 17 years with municipal systems. He has served as an APGA board member for three years and currently chairs the APGA Government Relations Committee. Bronson was the recipient of the KMU Edgar P. Showalter Award in 2003 and was honored with the Personal Achievement Award at this year's APGA annual conference in Seattle.

## Midwest Energy Raises Gas Delivery Charge

In mid-September, the Kansas Corporation Commission (KCC) approved an increase in delivery charges for the natural gas customers of Midwest Energy. Bob Helm, a Midwest spokesman in Hays, expects that the rate increase will mean an increase of approximately \$5.15 per month for the average residential customer. Midwest Energy cited the replacement of aging pipelines, rising material costs and decreasing gas sales as the reason for the rate increase. The company pointed out that although customers may be conserving natural gas, and in turn the overall volume of gas sold by the company per consumer decreases, they still have to maintain their lines to comply with safety standards. The rate increase is only on the distribution charge and will not impact the wholesale cost of gas. This wholesale cost makes up three-fourths of the customer's gas bill. Any fluctuations in gas prices are passed on to consumers through an energy cost adjustment. Midwest Energy's 46,000 electric customers will not see their rates affected by the increase.

## Kansas City Board of Public Utilities Names New Water Manager



James Epp has been selected by the Kansas City Board of Public Utilities to serve as its Manager of Water Operations. Epp began his 18-year career at BPU as a civil engineer. He was promoted to Director of Water Support Services in 1990 and to his current position as Director of Water Distribution and Support Services in 2004. Epp was instrumental in the development of BPU's Water

Master Plan and has also served on a number of task forces and committees, including the Leadership Team for BPU's Strategic Plan. "Jim has been an asset to our Water Division for many years," noted BPU General Manager Don Gray. "He has experience in all areas of our water operations, including water distribution and engineering and has been involved in the water master planning and financing of capital improvements. He has been successful in working with our wholesale water customers, and in employee and customer relations." Epp is chairman of the Water Utility Council for the Kansas Section of the American Water Works Association (AWWA). He also served for six years on the Research Advisory Council for AWWA's Research Foundation during the 1990s.

## Project to Recharge Aquifer Receives Federal Funding

For many years, the City of Wichita has counted on a reliable supply of water, thanks in large part to the foresight of city planners who developed projects such as Cheney Reservoir. But with water needs expected to double by 2050, the city will be forced to rely more heavily upon the Equus Beds aquifer, which runs beneath Sedwick County and much of the south-central Kansas region. Recently, Kansas Representative Todd Tiahrt and Kansas Senator Pat Roberts helped to secure \$30 million in federal funds to aid with a project that will recharge the Equus Beds aquifer. The \$300 million project will capture millions of gallons from the Little Arkansas River during flood stage, purify the water, and then pump it into the aquifer. The quantity of water involved in the recharge is approximately equal to the amount of water currently contained in Cheney Reservoir. According to David Warren, director of the Wichita Water and Sewer Department, the expense involved in such an undertaking will likely double the water rates paid by Wichita residents. But even after costs increase, he added, Wichita will still be on the low end of the national scale. More importantly, the long-term economic benefits of a securing a dependable source of water will far outweigh the investment.

## Mulvane Celebrates New Wastewater Treatment Facility

On Monday, October 16, the City of Mulvane co-hosted an open house to showcase its new wastewater treatment plant. Two companies involved in the construction of the plant, CAS Construction, Inc. and Burns & McDonnell Engineering, also assisted in hosting the event. The \$6 million plant is, by far, the largest project ever undertaken by the City of Mulvane. Population growth had nearly overloaded the old plant, and the city was beginning to fall short of the standards set by the Kansas Department of Health and Environment. Although city officials did consider remodeling the old plant for a third time since its construction in the 1950s, they concluded that a new facility would be a wiser solution for an expanding city in the long run. The new plant went online over two months ago and has performed extremely well. City residents have not reported any changes in their service, aside from a sewer rate increase, which has been implemented over a three year period to help fund the project.

## Goodland Calls for Electric Rate Assessment

Electric customers in the City of Goodland may soon see an increase in their electric rates. But before this happens, City Manager Wayne Hill would like to have the rates reviewed by an outside firm. The 2007 budget was approved by council members in August, at which time Hill cautioned that electric rates would need to be assessed and possibly raised by the end of 2006. Ranson Financial of Wichita has agreed to conduct a rate review for an estimated cost of \$4,000. Hill plans to report to the city council as soon as it is completed.

## Daggett to Serve as Utility Director in Independence, Missouri

Leon Daggett was recently named director of the Power and Light Department for the City of Independence, Missouri, a community of around 115,000 with 56,000 electrical customers. The former general manager of the Kansas City Board of Public Utilities brings considerable experience to his new position. Prior to his time in Kansas City, Daggett was employed as executive vice president of American Municipal Power - Ohio. He also served for over a decade as director of public utilities in Hamilton, Ohio and is a former member of the APPA Board of Directors.



## Local Municipal Utility News to Share?

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or email your story to  
[kmu@kmunet.org](mailto:kmu@kmunet.org).



## Wolf Creek Applies for Extension

An application for a 20-year operating license extension has been submitted by the Wolf Creek nuclear power plant near Burlington. The plant supplies much of the energy for Westar's southern division, previously known as KGE. If approved, the extension is hoped to keep downward pressure on electric rates in the state. If rejected, the \$3 billion cost of the power plant will be paid off in 40 years rather than 60, leading to higher bills for customers. According to CURB lawyer Niki Christopher, the Wolf Creek plant is paying off as a reliable long-term investment, in spite of its expensive construction costs. The price of fossil fuel is rising, and nuclear power is becoming an increasingly economic option. "Every minute we are getting out of that plant is money in the bank," said Christopher. An extension would push its retirement date back from 2025 to 2045. Although its operating license is not scheduled to expire for quite some time, Wolf Creek is applying for an extension in conjunction with six other similar plants also seeking renewals. In doing so, much of the technical work associated with the 20 to 22 month process can be shared among the plants. Inspections by the Nuclear Regulatory Commission (NRC) show that Wolf Creek is operating favorably in all performance areas, with no notable violations since 1997. The renewal process will primarily involve NRC's examination of the procedures designed to ensure the plant's safety as it ages. Of the 44 plants nationwide that have applied for license renewal, none have been denied.

## Westar to Provide Pooling for Missouri Municipal Group

In early October, Westar Energy announced its agreement with Missouri Joint Municipal Electric Utility Commission (MJMEUC) for the provision of energy management services, including energy scheduling, control dispatch, ancillary services, and other power marketing services. Westar has agreed to engage in energy purchasing for the commission when market prices are favorable and to sell surplus energy when it becomes available. Doug Sterbenz of Westar Energy said of the arrangement, "This alliance continues a long relationship between our two organizations. It also allows Westar to continue executing our business strategy of providing energy marketing services to other parties. We are excited to help the utility commission and its pool member cities participate in the marketplace when it is more economical and help reduce their costs."

## Sierra Club Opposes New Coal-Fired Generation

In September, the Kansas chapter of the Sierra Club requested that Governor Sebelius take steps to prevent the construction of any new coal-fired electric generation facilities and arrange for a study of their potential environmental effects. The appeal came in response to plans by Sunflower Electric Power Corp. to construct three new coal-burning electric plants near the town of Holcomb in southwest Kansas. The permit stating that the plants comply with federal air quality standards is currently under review by the Kansas Department of Health and Environment. However, the Sierra Club is also publicizing its concerns that the new plants will deplete water supplies and prevent companies from developing wind-powered generation.

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# Municipal 'Sell-Out' Not the Solution

## Commentary

by Colin Hansen, Executive Director  
Kansas Municipal Utilities

Why is your community in the utility business?

While I'm hopeful that is an easy question that KMU member utilities can answer quickly and almost unconsciously, it is one that bears returning to from time to time. As the cost and complexity of operating a utility increases, the question becomes even more relevant. So why do our communities operate utilities?

Should you pose the question to a cross-section of members, some of the responses might include:

- "To assure the customer has reliable energy for a low price."
- "To have local control of a basic, essential service."
- "To provide better service to citizens."
- "To provide jobs for local people."
- "To control the energy destiny of our community."
- "To support other vital municipal services."

These responses – and many other benefits– demonstrate that getting out of the electric or gas business should be viewed as a drastic step. Yet, that is precisely what has happened recently.

As of December 1<sup>st</sup>, the city of Oakley will no longer operate a municipal electric utility. Citizens in the town voted this fall to sell off the city's 96-year-old municipal electric utility to Midwest Energy. The terms of the deal, approved by a 7-1 margin in a mid-September election, include selling the municipal electric distribution system for \$2.5 million. Oakley is the largest municipal sellout in forty years and the first since DeSoto sold off its electric system in 1993.

From time to time, for whatever reasons, municipal electric and gas communities are confronted with the question of whether to sell their locally-owned electric systems. Sometimes, takeover attempts are initiated by private power companies or rural electric cooperatives. On other occasions, the cities themselves make the first move. In the latter

instances, municipal electric officials are often tempted by the prospect of trading what appears to be a developing political headache for a large and sudden infusion of money.

Most times, as a community examines these issues in depth they conclude that it is in their best interest to stay in the business. In numerous cases where the city sold out, city management and local policymakers have later regretted the move.

These are times requiring hard choices. With escalating power and fuel costs, it is a difficult period for municipal electric and natural gas utilities right now. But we must remember that these difficulties are temporary. The utility industry has always been a cyclical one, largely characterized by peaks and valleys. Wholesale electricity prices will stabilize. Transmission will get built. Fuel costs will even out.

A community selling off its municipal utility, however, will not get it back. If nothing else, the purchasers of the system understand its value and will fight tooth-and-nail any attempts to "re-municipalize."

Besides, the beauty of the electric industry is growth. Electric rates have risen steadily and will continue to do so. In 1975, the average price per kilowatt-hour was 2.7 cents. Last year, the average price for residential consumers was 9.0 cents. Meanwhile, the amount of electricity sold is also increasing. As homes and businesses become more technologically advanced, the reliance on electricity grows. As a business decision, an industry in which both revenue per sale and overall sales are increasing is not a bad one to be in.

Most important, however, is the long-term impact of a municipal sellout on a community and its residents. A community's municipal utility is its lifeblood and the benefits it brings, while often somewhat intangible, are great. Be it local control, transfers to the general fund, contributed services, or free electricity for city street lights and municipal buildings, the value of your municipal utility is something to take great pride in. And something to hold on to.



by Jim Widener, General Manager  
Kansas Municipal Energy Agency

## Rick Doran Awarded Hanson Award

The Kansas Municipal Energy Agency's Annual Meeting of the Member Cities banquet was highlighted by the presentation of the 8th annual Gilbert E. Hanson, Jr. award. This award is given in Gil's memory to a colleague who has, over a period of years, made significant contributions to municipal joint-action and is recognized for contributions to community, the electric utility industry, or public power.

This year's award was presented to Rick Doran, Garnett City Manager by Diann Burress, Director, Member Services, KMEA. Ms. Burress noted that Mr. Doran had been involved in KMEA nearly since its inception and that Mr. Doran's knowledge and steady leadership have been pivotal in the completion of many KMEA and Garnett projects. She described him as "one of the rocks in the foundation of KMEA and the Kansas power community." She also remarked that Mr. Doran has the distinction of being one of the longest tenured city managers in the state of Kansas. Mr. Doran has been Garnett City Manager for 28 years and before that served as the City Clerk for 8 years.

## Oakley WAPA Power

The City of Oakley recently voted to sell its electric system to Midwest Energy. The transfer of ownership was approved by the Kansas Corporation Commission and will take place December 1<sup>st</sup>. As Oakley has both a WAPA "A" and a SWPA "B" allocation of Federal Hydro Power, KMEA will be required to unravel several long-term agreements.

## SPP Firm Transmission

Effective November 1, KMEA transferred its firm SPP transmission that was applicable to KPP members to KPP. SPP's financial considerations, such as construction and operational deposit, should be resolved by the end of the year.

## EMP No. 1

With low EMP No. 1 loads and relatively high spot market prices, the EMP No. 1 cities were able to sell over 6,000 MWh into the wholesale markets for the month of October. Those sales included transactions to several utilities in SPP as well as PJM, a Regional Transmission Organization (RTO) that coordinates the movement of wholesale electricity in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and DC. Sale prices ranged from \$25/MWh to \$75/MWh and the profits from those sales reduced the total October EMP No. 1 energy costs by over 5 percent.

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# Kansas Power Pool (KPP) Update

By Bob Porter, City of Wellington

The Operating Committee of the Kansas Power Pool (KPP) met on October 19, 2006. The members voted upon and approved several critical motions.


KPP has members on the Westar system whose power supply contracts terminate early in 2007. KPP also has a number of members presently served by Aquila whose power supply contracts will terminate in November 2007. KPP has issued requests for proposal (RFPs) to supply the needed replacement power. The response to the RFP was very limited. KPP members on the Westar system face dual issues. One is Westar's acknowledged market power and the other is the limitation on the transmission of power into and within the Westar system.

The KPP Power Supply Committee recommended to the Operating Committee that KPP assess the feasibility of building a coal fired generating plant within the Westar system to mitigate that limitation. The Operating Committee approved a motion that KPP's engineering firm, Olsson Associates, be directed to prepare a list of qualified firms to whom RFP's could be sent requesting that a feasibility study be done for the building of a coal fired generating plant in the Westar system. This is an initial step towards KPP ownership of generation. This action coupled with proposed economic transmission upgrades and the upgrades necessary to provide network integration transmission service (NITs) would increase the members' power supply options.

The members on the Aquila system also face transmission problems and extremely limited power supply options. The members on the Aquila system have requested NITs and anticipate needed system upgrades being completed within five years. The consensus of the Operating Committee was that the option of building generation on the Aquila system or anywhere else needed to ensure least cost power supplies would, at the appropriate time, also be considered. The firm selected from the RFP would be charged with considering the long-term needs of the entire KPP membership in recommending the final siting of the power plant.

The Operating Committee also approved a motion to recommend to the KPP Board of Directors that an executive committee be formed. The KPP President would chair the executive committee but would not have a vote. The members of the Operating Committee felt that a smaller group, the members of which could meet whenever the need arose, should be created.

Finally, the Operating Committee approved a motion to recommend to the KPP Board of Directors that a search committee be commissioned to recruit and hire a permanent, full time general manager. The volunteer general manager position will be abolished subsequent to the hiring of a permanent general manager.



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# Remembering the Importance of Tailgate Safety Meetings

One of the primary elements in creating a safe and effective job site is to conduct routine "tailgate meetings" prior to starting work. Tailgate meetings are an effective way to promote a safe work environment and to foster the importance of placing safety first in all day-to-day activities. In addition, they serve as a way to communicate between employees about the work needing to be completed on a project and avoid potential mishaps or injuries.

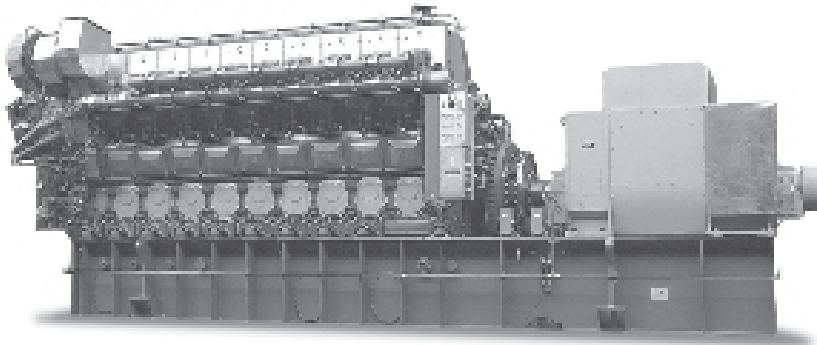
Consider one situation where a tailgate meeting might have been helpful. September 12, 2005 was a regular day for a Los Angeles Department of Water and Power crew. They were set to do some routine work installing new relaying equipment associated with the utility's substation automation project. Returning from a lunch break, one employee briefly discussed the project task with his coworker and then they went to work. Thinking he was working with a deenergized cable, he got out his diagonal cutters and proceeded to cut a cable so as to trim it to size. Unfortunately, the rest is history. That simple cable cut of an energized cable caused

an uncontrolled cascading blackout in Southern California, with nearly a million people without power. LAX Airport was shut down and flights from around the country and the world were diverted to other airports. Streets in L.A. went into instant gridlock without traffic signals and local police responded to over 1,000 elevator situations. The U.S. Department of Homeland Security was put on high alert as the cause of the uncontrolled cascading outage was originally unknown with some believing it was a terrorist strike. The media jumped on the situation with a dozen news helicopters in the air documenting the outage. The mayor called. The governor called. Numerous U.S. Senators, the Federal Energy Regulatory Commission (FERC), and even the President himself called.

Could a more thorough tailgate briefing have prevented this? Perhaps. In a full incident report (available on the LADWP web site at <http://www.ladwp.com/ladwp/cms/ladwp007269.pdf>), the report discusses inadequate pre-project "tailgate" and inadequate training to treat all existing conductors as energized. Something to remember next time out on the job site.

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|--------------------------------------|-----|----------------|
| Engine                               | HP* | Continuous kW† |
| 3.0                                  | 803 | 1430           |
| 3.0                                  | 803 | 2870           |
| 12L                                  | 803 | 3155           |

| FM-MAN B&W 3240 DF (Dual Fuel) |     |                |
|--------------------------------|-----|----------------|
| Engine                         | HP* | Continuous kW† |
| 175                            | 523 | 4701           |
| 145                            | 523 | 5011           |
| 115                            | 523 | 5321           |
| 115                            | 523 | 5631           |

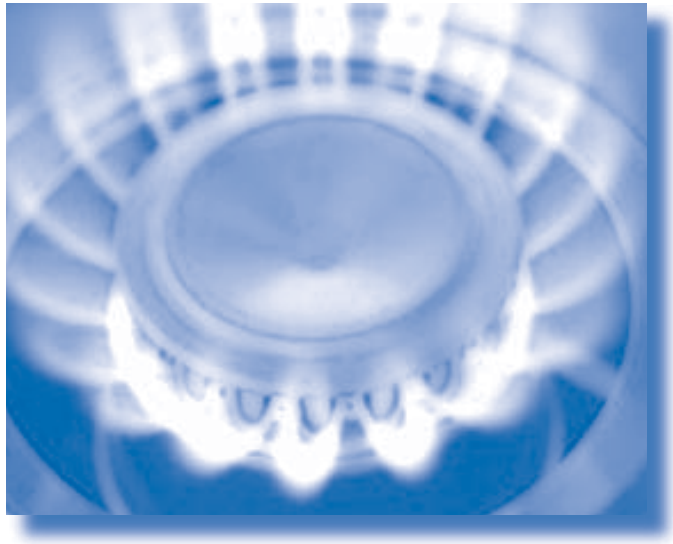
| GDD-FAIRBANKS® PG 2.6 DF (Dual Fuel) |     |                |
|--------------------------------------|-----|----------------|
| Engine                               | HP* | Continuous kW† |
| 115                                  | 514 | 4711           |

| FM-1000 257E (Dual Fuel) |      |                |
|--------------------------|------|----------------|
| Engine                   | HP*  | Continuous kW† |
| 3.0                      | 903  | 280            |
| 3.0                      | 1000 | 1030           |
| 80                       | 903  | 1040           |
| 125                      | 903  | 1055           |
| 175                      | 1000 | 1070           |
| 175                      | 903  | 1100           |
| 175                      | 1000 | 1175           |
| 175                      | 903  | 1190           |

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## **KMU Natural Gas Management Seminar**

**December 6, 2006**

Kansas Municipal Utilities is pleased to offer the KMU Natural Gas Management Seminar on December 6<sup>th</sup> in McPherson, Kansas. The objective of the seminar is to provide useful and timely information on the many pressing supervisory-level issues and concerns for municipal gas utilities. The seminar is specifically designed for:

- *Gas Utility Managers*
- *Gas Utility Supervisors*
- *Advanced Natural Gas Operators*

**Fee:** \$85 per person  
(full workshop, lunch provided)  
\$170 per person  
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**To register for the Natural Gas Management Seminar**, please call the KMU office at (620) 241-1423, or complete the online registration form at [www.kmunet.org](http://www.kmunet.org). Additional workshop information is available on the KMU website.

## **Agenda**

- 8 a.m.**            **Registration**  
*McPherson Country Club*
- 8:30 a.m.**        **Welcome / Announcements**  
George Bronson, Chairman  
KMU Gas Training Committee
- Public Awareness, Integrity Management, B31Q and More:**  
*An Update from the KCC*  
Leo Haynos, Chief of Pipeline Safety  
Kansas Corporation Commission
- 9:15 a.m.**        **Making Hedging, Futures and Other Pricing Options Work for Municipal Gas Systems**  
Jeff Billings, Manager of Risk Mgmt.  
Municipal Gas Authority of Georgia
- 10 a.m.*            *Refreshment Break*
- 10:15 a.m.**      **Kansas Pipeline Association (KPA) Informational Session**  
Jeff Canady, President  
Pipeline Regulatory Consultants
- 10:45 a.m.**      **Gas Operations Forum**  
*Questions posted at [www.kmunet.org](http://www.kmunet.org). KMU Gas Committee (moderators)*
- 12 noon*            *Lunch (provided)*
- 1 p.m.**            **Gas Operations Forum (continued)**
- 2 p.m.**            **Emergency Response Plans & Incident Reporting**  
Carl Chalfant, City of McLouth
- 2:30 p.m.*            *Refreshment Break*
- 2:45 p.m.**        **New Technologies in Natural Gas Measurement**  
Tom Gobin, President  
Gas Products Sales, Inc.
- 3:30 p.m.**        **Natural Gas Legislative & Regulatory Update**  
George Bronson, City of Winfield  
Colin Hansen, KMU
- 4 p.m.*            *Adjourn*

**Lodging.** For recommendations or assistance regarding local motel options, please contact KMU directly by calling Donna Huddle, KMU Office Manager, at (620) 241-1423 or emailing [dhuddle@kmunet.org](mailto:dhuddle@kmunet.org).

## What is an RTO?

*APPA Washington Report*

by **Robert Varela**

**Editor, Public Power Weekly**

What, exactly, is a regional transmission organization—what is the nature of this new beast?

Take the PJM Interconnection. It is a limited liability, non-stock company incorporated in the state of Delaware. According to its 2005 Annual Report, PJM's 10-member Board of Managers "is constituted as an independent body, and PJM operates independently from its members."

PJM also says its organizational structure is that of a membership limited liability company with five membership sectors having equal voting power—although its members have no equity ownership in PJM. Governance is through an ascending committee structure that requires super-majority consent to "final membership action"—which is simply to "advise and inform" PJM's independent Board of Managers, which exercises ultimate decisional authority. PJM currently has 13 committees, five user groups, 21 working groups, nine subcommittees and three task forces.

A letter from PJM President Phil Harris in the 2005 Annual Report also says, "Today's PJM is the product of the efforts of many 'owners'"—an allusion to the roughly 390 market participants in the region who are its "members."

PJM does some things a traditional utility would do—operates a transmission system, handles

interconnection requests for new power plants, runs a demand-response program, dispatches generating units (which it does not own), plans expansion of the transmission grid.

It also operates several markets (day-ahead, real time, ancillary services, etc.) and allocates and auctions financial transmission rights. It has a monopoly on all of these functions. Thus, for example, if any PJM member defaults on payment of its share



of PJM's operating expenses, "the remaining PJM members would be billed a ratable portion of the operating expenses previously billed to the defaulting member," the annual report states.

PJM has two wholly owned subsidiaries. One sells PJM software to other RTOs and grid operators. The other, PJM Environmental Information Services Inc., which was formed last year, sells emissions tracking services on a subscription basis to generators in support of renewable portfolio standards and other disclosure requirements.

PJM also decides on "nodes" for locational marginal pricing and locational capacity pricing. Along with its authority to allocate financial transmission rights, that effectively gives it power to raise prices. Just ask Chambersburg, Pa., and Front Royal, Va., which saw their transmission costs increase by millions of dollars when PJM without warning slashed their FTR allocations.

PJM also has an independent market monitor to help enforce anti-manipulation rules.

And recently, with its "reliability pricing model" (RPM), PJM has taken on a new responsibility. As Craig Glazer of PJM explained recently, electricity is a necessity and embedded with the public interest, so there is no choice except to have a long-term capacity obligation. Under RPM, PJM requires load-serving entities to line up capacity resources three years in advance. Three years may be too short a time frame, Glazer said. When he was with the Public Utilities Commission of Ohio, they used a 15-year window, which was too long, he said.

Call it RPM or what you will, PJM has taken on itself responsibility for ensuring adequate generation resources to serve the 51 million end-use customers in its 13-state region.

Deemed a "public utility" under the Federal Power Act, PJM is subject to regulation by the Federal Energy Regulatory Commission (which at times has acted more like a proud papa than a regulator when it comes to

# Washington Report (continued)

PJM). PJM is not regulated directly by the 13 states in which it operates.

So PJM is a limited liability, non-stock company with many members who are also "owners" (although they aren't legally) and also customers, and PJM operates independently of its members/customers/"owners." If Southern Co. wanted to buy PJM, who would they make the check out to and who would ultimately get the proceeds of the sale?

It is part monopolist/part entrepreneur, part company/part membership organization, part utility/part regulator. It runs wholesale markets and takes responsibility for 51 million retail customers. It apparently has no owners to answer to, it has plenty of members and committees but it doesn't answer to them, and it has no markets or customers to answer to since it enjoys monopolies for its major functions.

What is an RTO?

## Employment

### Information Technology Technician

The Information Technology Technician involves skilled and technical work in the city's computer and software systems, installation and maintenance, troubleshooting and repair of all PC based SCADA, network, microprocessor based relaying and city-wide wireless network. The IT ensures all process control and computer operated functions are working properly and will be instrumental in setting up and maintaining an Automatic Meter Reading System that maybe comprised of a fixed base network or mobile laptops. The applicant chosen will be subject to a pre-employment physical and drug screening. Must be a resident of Russell County within six months of hire date. High school diploma or G.E.D. is required. Applications available at City Manager's Office, City of Russell, 133 W. 8th St., P.O. Box 112, Russell, KS 67665-0112. Phone 785.483.6311. Fax 785.483.4397. www.russellcity.org Open until filled. EEO-ADA

### Lineworker

The Town of Laverne, Oklahoma is accepting applications for a Journeyman Lineworker for the Laverne Electric department. Laverne is a small community of 1100 people and maintains approximately 10 miles of 4160 volt main electric lines and two 2000 kilowatt CAT generators for peaking and standby power. The Lineworker would be responsible for maintenance of the electric lines, trimming tree limbs from the lines and reading electric meters on a monthly basis for billing purposes. The pay range is \$18.00/hr to \$21.00/hr depending on qualifications and experience. The Town of Laverne provides employee health insurance with

dental, vision and life insurance coverage. The employer provides matching funds for retirement with the Oklahoma Municipal Retirement Fund and offers paid holidays as observed by the Federal Government. Laverne is located 80 miles South of Dodge City, Kansas; 40 miles Northwest of Woodward, Oklahoma. Interested parties may contact Gary Carnagey at 580-921-5121 or mail resume to Town of Laverne, PO Box 430, Laverne, OK 73848. The Town of Laverne is an equal opportunities employer.

### Electric Lineman

The City of Ashland is accepting applications for an electric lineman. This position involves maintenance of city electric services. Salary is negotiable, based upon qualifications. Benefits include family health and dental insurance, paid holidays, personal and sick days, uniforms, and KPERS retirement program. Applications can be requested at City Hall located at 703 Main Street, P.O. Box 547, Ashland Ks. 67831. Phone (620) 635-2531. Applications will be accepted until position is filled.

### Journeyman/Lineman

The City of St. John is currently accepting applications for the position of Journeyman/Lineman. The City of St. John offers an excellent benefit program that includes: vacation, personal and sick leave, health insurance, life insurance, KPERS retirement program; and paid holidays. Selected applicant must be willing to reside within 3 miles of St. John. Salary negotiable based upon qualifications. You may get an application at city hall, 115 E. Fourth Avenue, St. John, KS 67576. Phone: (620) 549-3208.

### Electric Distribution Operator

Electric Distribution Operator Greenfield Municipal Utilities is accepting applications for this fulltime position. Applicants will need knowledge and skill in the operation and maintenance of overhead/underground electric distribution systems. The ability to operate and/or maintain diesel generation will be considered a plus. Must have or be able to obtain a class B CDL with air brake endorsement. GMU offers competitive wages and an excellent benefits package. Position open until filled. Post-offer physical and drug/alcohol screening required. EOE. Send letter of introduction and resume to:

General Manager  
Greenfield Municipal Utilities  
P.O. Box 95  
Greenfield, Iowa 50849

### Electric Technician

The Electric Technician position involves skilled and technical electrical work in the power plant and new state of the art gas turbine facility. This includes breaker maintenance installation of electric equipment, testing of protective relays, computer SCADA systems and knowledge of blueprints and PLC programming. The applicant chosen will be subject to a pre-employment physical and drug screening. Must be a resident of Russell County within six months of hire date. High school diploma or G.E.D. is required. Applications available at City Manager's Office, City of Russell, 133 W. 8th St., PO Box 112, Russell, KS 67665-0112. Phone 785.483.6311. Fax 785.483.4397. www.russellcity.org Open until filled. EEO-ADA

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(785) 826 6768 (mobile)  
tbrungardt@solomoncorp.com

# Upcoming Events

- **KMU Natural Gas Management Seminar**  
December 6, 2006  
McPherson Country Club  
McPherson, Kansas
- **2007 Kansas Legislature**  
Reconvenes January 8, 2007  
Kansas State Capitol  
Topeka, Kansas
- **League of Kansas Municipalities (LKM) City Hall Day**  
January 25, 2007  
Kansas State Capitol  
Topeka, Kansas
- **APPA Legislative Rally**  
March 12-15, 2007  
The Mayflower Hotel  
Washington, DC
- **2007 KMU Conference**  
May 2-4, 2007  
Wichita Hyatt Regency  
Wichita, Kansas

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