



July 1, 2008

Rae McQuade  
Director  
North American Energy Standards Board  
1301 Fannin, Suite 2350  
Houston, Texas 77002

Re: Order No. 698, Intraday Nomination Timeline Proposals

Dear Ms. McQuade:

Enclosed please find an affidavit on behalf of Old Dominion Electric Cooperative ("Old Dominion") in support of an additional intraday schedule in the NAESB Gas Nomination Timeline ("Timeline"). This affidavit is offered in response to the FERC Order No. 698 Directive regarding coordination in scheduling between the nation's pipeline infrastructure and the natural gas generators that rely on that pipeline infrastructure.

The NAESB Timeline is a key issue affecting operational inflexibility for Old Dominion's Rock Springs natural gas-fired generation units. The culprit in this matter is the lack of an alignment between the "Gas Day" and the "Power Day", and Rock Springs is but one example of the negative effects of that misalignment.

The addition of an additional intraday "bumping" schedule in the NAESB Timeline nomination cycle will encourage operational flexibility in the growing natural gas-based generation segment of the power industry, not only in the Eastern markets but nationwide. As discussed in the attached affidavit, there are a host of issues surrounding the lack of coordination between the pipeline segment and the power segment of the energy industry. This first step toward closer integration of two of the most important aspects of our nation's energy and economic infrastructure is needed at this time.

Please post this correspondence to the NAESB WGQ Committee webpage.

Respectfully submitted,

John F. Baileys

Enclosure

cc: D. Richard Beam, Old Dominion Electric Cooperative  
Adrienne E. Clair, Stinson Morrison Hecker LLP

**AP 2007 ITEM 7C/AP 2008 ITEM 4C  
FERC ORDER 698 DIRECTIVES**

**Insuring Value of Firm Capacity Contracts in a Changing Industry  
(The Need for Workable Gas Nomination Cycles under the NAESB Timeline)**

**AFFIDAVIT OF JOHN F. BAILEYS  
ON BEHALF OF  
OLD DOMINION ELECTRIC COOPERATIVE**

1. My name is John F. Baileys. I am employed by ACES Power Marketing (“APM”). My current position is Director of Fuels. My responsibilities include developing strategies, plans, intelligence and risk management products associated with Coal, Gas, Oil, Fuel Transportation, Emissions and Renewable Energy for APM’s owners and customers. My affidavit here is provided on behalf of Old Dominion Electric Cooperative (“Old Dominion”). Among other things, APM provides Old Dominion natural gas scheduling service.
2. The purpose of this affidavit is to describe Old Dominion’s inability to effectively nominate and schedule natural gas for delivery to generating units due to the existing NAESB Gas Nomination Timeline (“Timeline”). In Old Dominion’s case, the lack of scheduling flexibility affects Old Dominion’s ability to efficiently operate its generation facilities during periods when operation of these facilities is required to meet Regional Transmission Organization (RTO) scheduling standards for reliability. In order to address this operational issue, I support inclusion of an additional Intraday “bumping” cycle in the Timeline, with a nomination deadline of 3:30 p.m. Central Time or thereafter. The additional Intraday cycle is an initial solution to address the lack of coordination between gas and electric scheduling, the Order 698 Directive. As discussed herein, additional measures are necessary to more effectively address this lack of coordination and the unavoidable costs and inefficiencies resulting from same.
3. Old Dominion’s generation facilities are located in the region of PJM Interconnection, L.L.C. (“PJM”) and are subject to dispatch by PJM. By way of example, one such generating facility is Old Dominion’s 50% share of a 680 MW, simple-cycled combustion turbine electric generating Rock Springs Plant in Cecil County, Maryland. The natural gas units at Old Dominion’s Rock Springs facility are offered into PJM for both its Day-Ahead (“DA”) and Real-Time (“RT”) markets. PJM posts the Day-Ahead Awards at 4:00 p.m. Eastern Time the day prior to dispatch.
4. Old Dominion’s Rock Springs facility is contracted with Columbia Gas Transmission (TCO) for 135,000 Dth/Day of firm natural gas transportation service. The current Timeline Intraday 1 scheduling opportunity with a nomination deadline of 10:00 a.m. Central Time does not provide sufficient flexibility to coordinate between gas and electric scheduling. Moreover, the Intraday 2 scheduling opportunity is not reliable for the purpose of coordinating gas scheduling with electric generation because it is a “no bump” cycle which does not guarantee firm capacity holders a right to their capacity.



Instead, with the current natural gas Timeline operating at odds with the electric power dispatch realities, generators like Old Dominion must inefficiently schedule gas at the risk of incurring significant imbalance penalties.

5. Buying gas based on anticipated generation dispatch instructions from PJM presents another serious problem with the existing Timeline. Given the difference in the “Gas Day” (9:00 a.m. to 8:59 a.m. Central Time) and the “Electric Day” (midnight to 11:59 p.m. in the dispatch zone), accurately predicting gas to be utilized in the Day-Ahead power market is very difficult. At the time the gas nomination is submitted and then confirmed by the pipeline, there is no guarantee that the units will run as awarded, they often do not run at all. Moreover, it is very rare that the hours the units are dispatched Day Ahead match the actual hours run in Real-time. For the first three weeks in June, 2008, one or both Rock Springs units were dispatched as follows in the DA and/or RT PJM markets:
  - a) Day Ahead Market but no Real Time dispatch, 4 times.
  - b) Day Ahead Market and Real time dispatch, 5 times
  - c) No Day Ahead but Real time dispatch only, 7 times
6. The current intraday natural gas cycles per the Timeline impede Old Dominion scheduling gas for these units. In the summer, the units are often dispatched in real time after the Intraday 1 nomination deadline. The Intraday cycle-2 nomination deadline is 6:00 p.m. and the gas flow commences at 10:00 p.m., which is often 8-10 hours after the units come online, drawing natural gas for fuel. This is not acceptable to some pipelines.
7. Additionally, if Old Dominion (or other PJM generators’) units are dispatched by PJM in real-time prior to 10:00 a.m. Eastern Time, there is no way to schedule gas on the cycle provided by the Timeline. Old Dominion has to increase notification times for dispatch with PJM to reduce the likelihood of dispatch, due to the uncertainty of finding, confirming, scheduling and pricing natural gas for dispatch before 10:00 a.m. Eastern time.
8. In order to take into account the effect of the Timeline on its gas scheduling and electric generation dispatch, Old Dominion tries to estimate these significant imbalance costs and penalties, and must add them to its PJM offer curve. This has the effect of increasing the cost of dispatch in PJM and thus artificially increasing power prices.
9. In addition to the need for an additional intraday nomination opportunity, there should be consideration of solutions to pipeline practices that do not provide sufficient flexibility for generators to reliably provide service without incurring significant scheduling or imbalance penalties. For example, during peak periods of natural gas usage or whenever there are constraints on the pipeline, Old Dominion is required by TCO to schedule gas on a ratable basis. In contrast to the natural gas scheduling rules, generators such as Old Dominion’s simply are not dispatched by PJM to use natural

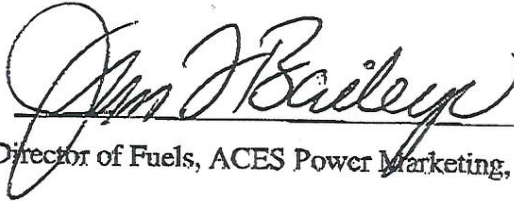
gas on a ratable, equal amount per hour over a 24-hour period. For example, if Old Dominion were to schedule gas Day Ahead in the evening cycle and expected the Rock Springs units to run for 8 hours and utilize a total of 3200 Dth/hour or 25,600 Dth, Old Dominion would have to buy and schedule sufficient gas flow of 76,800 for 24 hours which would create a 51,200 Dth imbalance, if the units operated as expected.

10. This excess gas would go into Old Dominion's Storage in Transit ("SIT") account. This imbalance could not be reduced by future consumptions at the facility due to the TCO scheduling restrictions. This would cause a large potential imbalance penalty and/or losses from sales of unwanted natural gas. TCO's tariff does not allow sales from SIT to the TCO pool, a liquid trading point, so the only option is to find a counterparty who is short on their SIT account. This situation will soon be made more costly when TCO's new FERC-approved scheduling penalties are implemented. Thus, in order to dispatch the Rock Springs units under the current Timeline, Old Dominion must incur either an hourly scheduling penalty or is at risk to a large SIT imbalance penalty. To be clear, Old Dominion's concern is not simply the adverse financial impact of unavoidable penalties. Old Dominion is committed to following the tariff provisions of TCO because Old Dominion assumes that TCO's restrictions are necessary for operational or reliability reasons. What Old Dominion seeks here is an ability to maintain pipeline reliability while also allowing flexibility so that generators can more efficiently schedule gas as needed to fuel their facilities.
11. One alternative to the NAESB Timeline and penalties incurred due to same is for generators like Old Dominion to batch their gas, whereby natural gas is batched from an interconnecting pipe during the anticipated run times of the generation facility and matches the hourly burn profile of the plant. However, batching has not been a meaningful alternative to better coordination between gas and electric scheduling.
12. On a few occasions, Old Dominion has been able to communicate and coordinate with two interstate pipelines to allow for non-NAESB, non-tariff schedules to be accepted and to begin flow on a non-regular cycle where supplies of gas are to be "batched" (the flow of gas between pipelines at a high flow rate for a short period of time). Out of the 12 dispatches in June 2008, less than half (5) were batched.
13. The time and coordination necessary to commence flow has been difficult and costly and sometimes cannot be coordinated to allow for the commencement of flows. In order to offer the output of its generating units, Old Dominion must add a significant premium to its PJM bid in order to account for more expensive and volatile gas prices.
14. Notably, there have been occasions when Old Dominion's Rock Springs facility could not be dispatched when PJM called upon the unit due to TCO not allowing for non-ratable consumption (where hourly supplies do not match hourly deliveries) on its system, yet failing to provide a mechanism to schedule hourly receipts and deliveries of gas. This uncertainty in the ability to flow gas supplies along with the unknown total costs of the supply severely complicates the dispatch of Old Dominion's Rock Springs peaking units.



15. The Rock Springs facilities are only one example of this problem. Old Dominion owns two other generating facilities that are subject to dispatch by PJM. The lack of coordination between the electric and gas day causes the same problems at these facilities. However these units are dual fuel; they can also run on fuel oil which is much more expensive than natural gas and more detrimental to the environment. Providing the facilities have not reached air permit limits having oil means less potential impact on reliability and more on the cost of electricity. Improving the coordination between the two markets will significantly reduce the instances Old Dominion must offer the units on oil. Old Dominion has had to offer these units on oil and has been dispatched on oil several times during June 2008.

16. In summary, having an additional schedule in the Timeline that provides the ability for pipelines to provide for hourly scheduling of receipts and deliveries would provide some help in solving the problems associated with insufficient flexibility in gas scheduling. In addition, provisions to address the mis-match (non-ratable) of hourly receipts and deliveries would greatly reduce the amount of unknowns and uncertainty in the dispatch of all peaking plants similar to Old Dominion's Rock Springs facility.



John F. Baileys, Director of Fuels, ACES Power Marketing, LLC

SWORN TO AND SUBSCRIBED before me this 2nd day of ~~June~~ <sup>July</sup>, 2008

  
Notary Public

COMMONWEALTH OF PENNSYLVANIA  
Notarial Seal  
Helen E. Piorkowski, Notary Public  
Honesdale Boro, Wayne County  
My Commission Expires June 15, 2009  
Member, Pennsylvania Association of Notaries

My Commission Expires: 6/15/2009