



Gerry Cauley, President and CEO
SERC Reliability Corporation
2815 Coliseum Centre Drive | Suite 500
Charlotte, NC 28217
704.357.7372 | Fax 704.357.7914 | www.serc1.org

March 3, 2008

Mark Lauby, Manager of Reliability Assessment
North American Electric Reliability Corporation

Special Reliability Assessment – Summer 2008 Drought Impact in SERC Region

Enclosed please find SERC Reliability Corporation's final report on our assessment of the possible impacts of continuing drought conditions on the reliability of the bulk power system in the southeastern United States during the summer of 2008.

Although increased rainfall has improved the outlook substantially in recent months, the coming spring months will be the key in determining the impacts the drought will have on bulk power supplies during the summer.

The assessment evaluated conditions under three different precipitation scenarios: actual peak conditions during summer 2007 (which saw both record peak electrical loads and severe drought conditions); current projected rainfall; and extreme hydrological conditions.

Based on the assessment, SERC believes the bulk power system in the region will operate reliably during the summer of 2008. Even under extreme hydrological conditions, bulk power supply will remain adequate as a result of imports and other operational procedures.

Although the overall supply margins are projected to remain adequate, in the most severe conditions some localized shortages may occur on a post-contingency basis, with localized load curtailment possibly being a consideration in such cases. The report outlines representative examples of these types of localized shortages that could occur under worst conditions. However, the great uncertainty of system configuration and dispatch patterns precludes predicting at this time the location and exact nature of such localized actions. The descriptions of these scenarios provided in the report should be taken as representative only at this time.

Please contact me or Carter Edge, Director of Reliability Services, if you have any questions or would like to discuss the report further.

Yours truly,

A handwritten signature in black ink that reads 'Gerry Cauley'.

Cc: Joseph McClelland, Federal Energy Regulatory Commission
Kevin Kolevar, U.S. Department of Energy
David Nevius, NERC
Charles White, SERC Chairman

Charles White
SERC Chairman
South Carolina Electric & Gas

William Ball
SERC Vice-Chairman
Southern Company Services, Inc.

Terry Blackwell
SERC Secretary-Treasurer
South Carolina Public Service Authority

(Errata - change to Study Group chairs)

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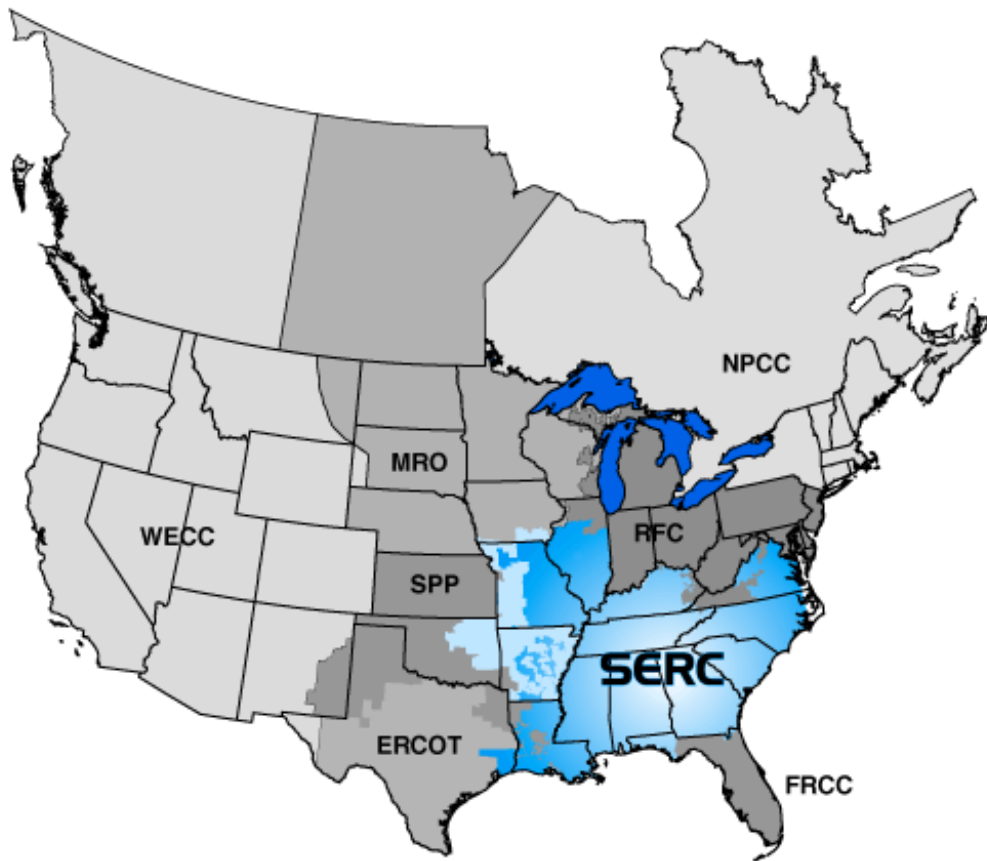
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<u>Subregion</u>	<u>Company</u>	<u>Representative</u>
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	Progress Energy Carolinas	A. M. Byrd (Alternate)
	SCPSA	J. E. Peterson (Alternate)
Southeastern	Southern Company Transmission	R. L. Carlsen
	GTC	R. D. Wiley (Alternate)
	MEAG	J. Tang (Alternate)
Central	TVA	D. W. Chastain
	TVA	W. R. Tiller (Alternate)
Delta	Entergy	M. P. Bourg (Chair)
	AECI	C. A. Calhoun (Alternate)
Gateway	CWLP	K. Kohlrus
	Ameren	G. Brownfield (Alternate)
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SCDWG Chair		M. Hart



2008 Summer Drought Assessment



FINAL - March 3, 2008

SERC Engineering Committee
Reliability Review Subcommittee

2008 SUMMER DROUGHT ASSESSMENT

Approved by the
SERC Reliability Corporation Executive Committee

March 3, 2008

Reliability Review Subcommittee

<u>Subregion</u>	<u>Company</u>	<u>Representative</u>
VACAR	Duke Energy Carolinas Progress Energy Carolinas	Brian D. Moss (RSSC Liaison) A. Mark Byrd
Southeastern	Southern Company Transmission GTC	Rod Hardiman Ken Wofford
Central	TVA TVA	Ian Grant (Chair) David Marler
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NERC RAS	SCE&G	Clay Young
OC Liaison	SCE&G	Al McMeekin
SERC Staff Support		Carter B. Edge Herb Schrayshuen

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I. EXECUTIVE SUMMARY

At the direction of the SERC Board Executive Committee, a special expedited assessment for summer 2008 has considered potential drought impacts on reliability in the region. A range of drought conditions from almost-normal to worst / extreme were evaluated.

While some subregions found a need for increased imports, and some contingencies were identified that would require action, no severe threats to reliability were found. No new or expanded Interconnected Reliability Operating Limits (IROL) were identified.

The worst / extreme case was based on an extreme hydrological scenario in excess of forecast 2008 summer conditions. A continuation of extreme drought conditions in 2008 could result in more severe conditions by 2009.

II. INTRODUCTION

On December 5, 2007, the SERC Board Executive Committee directed that a special expedited reliability assessment for summer 2008 be performed considering potential drought impacts in the region and an assessment report be presented to the Executive Committee for approval no later than February 28, 2008.

The purpose of the assessment is to assess the potential impact of drought conditions on the reliability of the SERC systems during the upcoming 2008 summer season.

The Drought

As an illustration of conditions in the SERC Region, the twelve month period from January through December 2007 was the driest year for the Tennessee Valley in 118 years of recordkeeping. Rainfall for calendar year 2007 in the Tennessee Valley above Chattanooga was 31.2 inches, or 62 percent of normal.

At the same time, lower and constant reservoir elevations are being held at Wolf Creek and Center Hill dams on the Cumberland River as a result of ongoing dam safety issues.

The TVA river system has been operated in conservation mode since February. While the mainstem reservoir elevations and storage on the Tennessee River from Knoxville to the Ohio River are in the normal range, and the commercial navigation channel is being maintained at normal depth, tributary reservoirs have about 91% of normal storage.

The Southeastern subregion entities are also in a conservation mode regarding reservoir storage and hydrogeneration.

Other subregions in SERC have been similarly affected. Missouri and Illinois counties are recovering from drought conditions that were experienced off and on from 2005 through 2007. Major rivers in the Gateway subregion have experienced lower flows and

river levels than historical averages over the last ten years, but have not been as severely impacted as those in the Southeast. Drought conditions for the Osage River basin were much more severe during 2005 and 2006, but recovered to more normal levels in 2007 because of above normal precipitation in southeastern Kansas and western Missouri. Conditions on the Mississippi River in 2007 were slightly above the average for the decade.

Recent Relief of Drought Conditions

Portions of the region have recently experienced relief in drought conditions due to rainfall from mid-December 2007 through late January 2008. The table below from NOAA’s U.S. Drought Monitor data (<http://drought.unl.edu/dm>) shows recent improvements in the the extent of the geographic area categorized as “exceptional drought” (D4) for the five states most impacted. These deficits have lessened in four of the five areas. It should be noted that rainfall can change these numbers quite quickly.

Percent of Land Area Categorized as “Exceptional Drought”

<u>State</u>	<u>Mid October 2007</u>	<u>Mid-January 2008</u>
Alabama	63.7%	38.9%
Georgia	32.2%	15.7%
North Carolina	12.9%	46.0%
South Carolina	25.0%	19.5%
Tennessee	29.6%	17.8%

In the Southeastern subregion, several reservoirs are improving but remain below normal levels. However, most are currently at or above normal winter levels due to the recent rainfall, runoff, and inflow.

The U.S. Seasonal Drought Outlook for January through April 2008 indicates continuing improvement throughout most of the affected portions of the SERC region. Some long-term forecasts indicate a return to drought conditions for portions of the southeast during the summer period.

Reliability

For this assessment, a reliable system is considered to be one that continues to operate predictably following contingencies, with planned interruption to load as a tool that can be used to ensure the system does not enter an unstudied condition.

Long term utility plans include resource reserve margins that typically vary around 15%. This provides sufficient resources for expected events such as outages and planned maintenance, as well as allowing for unexpected situations such as a drought. Short term or operational steps that can be taken to increase available power are operating generating plants out of optimal economic sequence, purchasing of replacement power, and advanced purchases of gas. If sufficient generation is not available, utilities have multi-step consumer programs for load reduction such as contracted curtailable load and other DSM tools when necessary. These programs ensure that even during extreme circumstances, operators can ensure that the system remains reliable and does not enter an unplanned state, even if some load interruptions are required.

It should also be noted that this assessment has assumed that present day environmental constraints on operations, such as allowable temperature of river cooling water, will continue to apply. In an extreme situation it is possible that relaxed constraints would allow less thermal derating of plants.

Assessment Work Scope

Recognizing that some conditions during 2007 were unusually severe, but that conditions for 2008 are uncertain, the assessment work scope included an extreme scenario as well as the more likely moderate scenarios. The SERC Near Term Study Group (NTSG) used the most recent 2008 Summer Study Revision 3 as a base case to develop regional cases in accordance with the following:

1. Overall reduced hydro dispatch and reduced area generation with import transfers to replace lost generation.
2. Dispatch scenarios to meet 2008 summer peak load capacity projections considering three levels of drought severity:
 - Case A – actual hydro generation dispatch at summer 2007 peak
 - Case B – present projection of hydro generation (~50% of normal rainfall, but may vary by subregion)
 - Case C – extreme hydrological conditions (constricted to mandatory hydro releases only)
3. N-1 contingency analysis performed on each case.

It should be noted that the study cases were based on present day regulations and operating constraints. No allowance was made for the possibility of relaxed constraints such as limits on water temperature.

Procedure

PTI's PSS/E version 30.2 was used to create the three drought scenario base cases. Each company provided its actual hydro dispatch at 2007 summer peak for case A and

its assumptions of reduced generation, redispatch, and imports to define the drought scenario base cases B and C.

PTI's MUST version 8.3 was used to run N-1 AC contingency analysis on each drought scenario base case. Typical summer assessment monitored element and contingency element MUST input files were used for this analysis.

Unless otherwise specified, 50% of the imports assumed from external areas in case B and case C were from MISO and the remaining 50% from PJM.

Buses with voltage (normal and/or contingency) below 0.95 p.u. and branches with loading above 100% of Rating B were identified, and the results were distributed to each company for their review and preparation of the following assessments.

Southeastern Power Administration

The Southeastern Power Administration is an agency of the United States Department of Energy. It is referenced in this assessment in several contexts (as a power supplier, Balancing Authority, etc). "SEPA" is the Power Marketing Administration for 11 southeastern states and, as such, has preference customer power delivery obligations in all five SERC subregions. Through the US Army Corps of Engineers, the Southeastern Federal Power program has 18 hydroelectric-multipurpose reservoirs located in three SERC subregions connected to the Bulk Electric System (4 projects in the Central subregion are additionally connected at 69 KV).

SEPA does not serve load, and therefore has no projected capacity margins or target margin levels. SEPA does not make firm purchases for capacity margins. All of SEPA's capacity is categorized as "existing certain". Hydro conditions are uncertain and SEPA has fuel supply concerns. Reservoir levels, however, are expected to remain sufficient to meet peak capacity. SEPA is a partial requirements supplier, markets power based on previous drought conditions and does not expect any reduction in capacity. Several hydro units are undergoing major rehabilitation, however the outages will be coordinated in such a way that system reliability and contractual commitments will not be affected.

III. SUBREGIONAL ASSESSMENTS

CENTRAL SUBREGION

General Overview

Reliability has not been impacted to date in the Central subregion by drought conditions. No significant problems are expected through the coming summer season.

No fuel limitations have been experienced and none have been identified for the coming summer season.

TVA is continuing to coordinate its efforts with the Corps of Engineers and also with the Southeastern Power Administration regarding the water management and hydro generation under their control on the Cumberland River. In addition, TVA maintains communications with representatives from state and federal agencies to discuss drought impacts and mitigation measures.

Reliability Assessments

TVA:

In addition to participation in the SERC NTSG study, TVA has evaluated a wide range of sensitivities for the effects of drought on generation resources. Operating guides have been developed as necessary for TVA's Reliability Coordination area.

TVA modeled a forecast load of approximately 34,180 MW for the three 2008 summer drought scenarios. Deficiencies in generation in Case A were met with TVA internal units. Deficiencies in generation in Case B were met with TVA internal units and 431 MW of imports from MISO and PJM. Deficiencies in generation in Case C were met with TVA internal units and 862 MW of imports from MISO and PJM.

There were a few voltage and thermal overload problems that were identified by N-1 AC contingency analysis for all three case scenarios. These problems do not appear to be a result of any drought condition.

For Case A and Case B, N-1 AC contingency analysis indicates no significant reliability impacts.

For Case C, N-1 AC contingency analysis indicates a few overloads that can be attributed to the north-to-south transfers that were modeled to account for generation deficiencies.

Transmission

TVA has been performing sensitivity and benchmarking studies for low hydro using load forecasts and state estimation of TVA's system peak for last summer.

A number of thermal and voltage violations could have been experienced for the peak day of August 16, 2007 if certain contingencies had occurred. Most of these problems will be corrected by existing capital projects.

Generation

TVA will finalize its assessment of available resources for the summer by mid-February. As in previous years it is planned to have at least 15% capacity margin for the summer. The actual capacity margin for summer 2007 was 17.4%. A number of additions to generation resources have been made since last summer.

Consideration has been given to the addition of temporary cooling towers at Cumberland and Browns Ferry. These can be constructed in a relatively short time, and could be available for 2008 summer.

Operational Issues

During summer 2007 a few operating issues were identified that were likely due to the drought but were dealt with through redispatch, reconfiguration, or limited use of emergency ratings.

For summer 2008, there are no anticipated major generating unit outages, transmission facility outages, or unusual operating conditions expected for the upcoming summer that could impact reliability.

An Operating Guide has been developed in the event of rapid further lowering of the Wolf Creek dam water level.

BREC:

One potential Big Rivers under-voltage issue [material redacted] was identified in Case B and Case C of the drought study. In addition, a possible overload [material redacted] was identified in Case C. Both of these issues have been identified in previous planning studies and were only slightly worsened by the drought conditions. Projects are planned to mitigate both problems. In the interim, it may be necessary to implement congestion management procedures during times of heavy north to south flows. This could include the use of operating guides issued by the reliability coordinator and the use of the TLR process.

EKPC:

EKPC has no reliability concerns for Case A, B or C drought scenarios. All violations identified in the study occurring in the EKPC area can be alleviated by redispatching available internal generation. A possibility that the Lake Cumberland water level might drop below the level of the J.S. Cooper Station's minimum intake level for cooling water has been addressed by a cooling tower to be finished by June 2008.

EON (LGEE):

EON has no reliability concerns for the projected or extreme drought scenarios. All of the violations identified in the EON area can be alleviated by simple operating procedures (either operating guides currently in use, or redispatching available internal generation).

DELTA SUBREGION

Entergy:

Within the Delta Subregion, the Entergy System has reliability concerns in two rural areas of its service territory –Natchez, MS and northwest Arkansas – for Cases B and C.

While the Entergy System anticipates normal hydro conditions for the summer based upon current reservoir levels and anticipated rainfall, substations near the Natchez, MS area may experience low post-contingent voltage during periods of high load coupled with reduced hydro generation output. Entergy has identified a project to increase reactive power capability in the Natchez, MS area, and it is scheduled to be in service in 2008. Should this project be postponed beyond summer 2008, Entergy's primary mitigation plan is to coordinate post-contingent load curtailment in the local area, which is primarily served by the company's 115 kV transmission system. This mitigation plan is not expected to affect reliability of the company's bulk transmission grid.

Substations in northwest Arkansas, including portions of the Entergy footprint near Harrison, AR and Batesville, AR, may experience low post-contingent voltage during periods of high load coupled with reduced hydro generation output from SWPA. Entergy's primary mitigation plan is to coordinate post-contingent load curtailment in the local area. Again, this mitigation plan is not expected to affect reliability of the company's bulk transmission grid.

Entergy may also experience high post-contingent thermal overloads on the 161 kV lines near Conway, AR during periods of high load coupled with reduced hydro generation output from SWPA. The overloads are present with Case A, and they are exacerbated by lessened output from SWPA generation. Entergy's primary mitigation plan is to cut schedules as required in real time operation based on the NERC-prescribed TLR process. Since this potential problem cannot be completely mitigated by cutting schedules, coordinated post-contingent load curtailment in the local area may be required in the Conway, AR area under this generation dispatch scenario. This mitigation plan is not expected to affect reliability of the company's bulk transmission grid.

With regard to overall resource adequacy, the Entergy System expects resource availability, fuel availability and hydro conditions to be normal during the 2008 summer season. Loss-of-Load studies are performed annually for the regulated utility for the current year based on updated load forecast and unit availability data. The long-term test of resource adequacy is met by achieving a 16.85% planning reserve margin.

AECI:

Within the AECI system of the Delta Subregion, there are no signs of potential problems for Case A or B. However, under Case C there could be low voltages

at certain busses, which are located around the Table Rock Lake and Bull Shoals Lake area where power supply is heavily supplemented by hydro generation units. From AECI's perspective, this scenario is considered very extreme and unlikely. Should this extreme event arise, AECI will notify SPA and request that their hydro units be run in synchronous condenser mode. This should maintain the voltage at an acceptable level while using very little water. If the event is so "extreme" that there would be no water available for synchronous condenser mode, then AECI would review the generation dispatch; and if all generation available is being used, then load curtailment options would be reviewed.

GATEWAY SUBREGION

General Overview.

Drought conditions have not been as severe in the Gateway subregion as compared to other subregions of SERC. Although the 2007 summer was drier than normal, precipitation throughout the winter months of 2007-08 has mitigated many of the concerns for low lake and river levels in the area. Reliability has not been impacted to date by drought conditions in the Gateway subregion, and no significant problems are expected through the coming summer season.

Fuel limitations have not been experienced and none have been identified for the coming summer season. Forecast generation from hydro units in the subregion is expected to be at levels considered to be normal for the decade. Hydro capacity makes up less than 2% of the total generation in the Gateway subregion.

Individual company studies by Gateway subregion members to review the impact of drought conditions for 2008 summer have not been performed because there is no significant concern for drought conditions in the subregion.

Ameren:

A review of the contingency analyses of the drought scenarios showed no drought related transmission overloads or low voltages for the Ameren system in Missouri and Illinois.

SIPC:

No transmission system overloads or low voltages were identified from the contingency analyses of the drought scenario conditions. Though a single subtransmission overload was identified, it is unaffected by the drought scenario assumptions. The overload would impact local SIPC load only and would not impact any surrounding utilities. Mitigation of this overload is being investigated.

SOUTHEASTERN SUBREGION

General Overview

As reflected in the U.S. Drought Monitor data shown in Section II above, there has been significant improvement in drought conditions within the Southeastern subregion. Relief has continued through rainfall since the reported mid-January data. There is expectation this trend will continue through the winter period. The U.S. Seasonal Drought Outlook for January through April 2008 calls for some improvement throughout most affected portions of the subregion, particularly the northern areas.

Most Southern Company reservoirs are currently at or above their normal levels. However, based on current drought conditions, the Company's total hydrogeneration output may be below normal for the upcoming summer season. The reservoir drainage basins have started recovering from an extreme drought condition which typically requires as much as 18 months of normal rainfall to return conditions to normal. During the recovery period there could be an adverse impact on seasonal hydrogeneration. Although most storage levels are normal, the lower rainfall quantities forecast for the spring may result in below normal output for hydro peaking generation this Summer since streamflows will likely not have recovered in this short time span.

Reliability Assessment

Potential constraints identified in the N-1 contingency analysis for the three scenarios appear to be local in nature and likely reflect the unusual dispatch and purchase patterns modeled. To the extent similar constraints occurred under actual conditions, these could be managed with generation adjustments, system reconfiguration, or alternative purchase patterns.

Southeastern subregion entities do not anticipate adverse reliability impacts in the near-term. Although hydrogeneration is not likely to return to normal levels by the 2008 summer peak, storage reservoirs are recovering due to the recent rains and cooperation between subregion entities, regulatory agencies, and the Corp of Engineers. Precautionary contingency plans have been developed to moderate impacts on generation facilities should the drought continue through 2008. Daily system load demands will be met by combining available hydrogeneration with other generating resources.

VACAR SUBREGION:

General Overview

Reliability has not been impacted to date in the VACAR subregion by drought conditions. With current mitigation and conservation measures employed, no significant problems are expected through the coming summer season.

Increased CT operation may impact the availability of oil and gas; however, no limitations have been experienced and none have been identified for the coming summer season. VACAR members will continue to work closely with their fuels groups to monitor and assess fuel availability and develop contingency plans as needed.

The VACAR Drought Working Group has a bi-weekly conference call to share drought related information and developments. These calls identify any changes in current mitigation strategies, mitigation strategies under consideration, notification of filings for flow variances, notifications of approved flow variances, specific impacts on generation resources, significant changes in hydro generation operations, and hydro generation and stream flow projections. In addition to the scheduled calls, any VACAR member may initiate a call if changes warrant.

Reliability Assessments

VACAR members have participated in both regional and sub-regional drought assessment studies. In addition to working with the SERC Near-Term Study Group, a VACAR Ad-hoc Study Group under the direction of the VACAR Operating Task Force and the VACAR Planning Task Force performed an additional 2008 spring and summer drought study assessing subregional reliability under expected, moderate, and severe drought conditions. The VACAR study used transfer analysis to identify reliability concerns that may limit potential power imports into the VACAR subregion from MISO/Commonwealth Edison, PJM West, PJM Mid-Atlantic, TVA, and Southern Company. The power imports were used to replace drought impacted generation in the VACAR subregion as the subregion transitioned from no impact to expected, expected to moderate, and moderate to severe drought conditions.

Both the VACAR 2008 spring and summer drought assessments did not identify any power import transfer limits as the subregion transitioned from no impact to expected and expected to moderate drought conditions. [Material redacted.] No other transfer limits were identified for 2008 spring power imports sourcing from MISO / Commonwealth Edison, PJM West, PJM Mid-Atlantic, and Southern Company.

For the transition from moderate to severe drought conditions in the 2008 summer assessment, power import transfer limits were identified from all five potential exporting areas. Since these limits occurred at relatively high transfer levels, the majority of the required power imports could be achieved from the tested export areas; however, additional power imports would be required to replace the remaining generation deficiency in the VACAR subregion. [Material redacted.] The VACAR members will be able to use these study results to help them identify the best

options for replacing power lost due to drought impacted generation in the VACAR subregion.

Progress Energy Carolinas:

Progress has implemented drought procedures associated with their hydro generation and continues to provide minimum required downstream releases from its hydro generation facilities. Progress continues to implement its drought contingency plans at some fossil plants and will provide for alternate dispatch to preserve this generation for the 2008 summer peak season. In extreme conditions where no rainfall occurs through the 2007-08 winter period, fossil and nuclear plant generation capability could be impacted as early as 2008 spring.

Progress does not expect any reliability impacts through the 2008 summer peak season. The NTSG study identified some thermal constraints under Case B and C. All but one constraint can currently be mitigated. Progress is working on an operational solution to mitigate one potential 115 kV line overload. This solution will be completed by 2008 summer.

Duke Energy Carolinas:

Duke hydro generation was reduced and some steam stations were impacted by the drought conditions in 2007 summer. In order to conserve generation for the on-peak period, Duke has managed these impacts through redispatching and derating these units during off-peak and weekend periods. Duke hydro operations has been releasing only the minimum required quantities of water in order to more effectively manage the critical water supply rather than providing hydro generation to meet system demands. If the current conditions exist into the 2008 summer, limitations on some steam stations will require derating and additional redispatch.

Reliability of the bulk electric system has not been impacted and Duke does not anticipate any reliability impacts through the coming summer. The NTSG study identified nearly identical thermal and voltage constraints in all drought conditions. These constraints are unrelated to the drought conditions and can be mitigated with switching.

South Carolina Electric and Gas (SCE&G):

SCE&G continues to monitor drought conditions impacting hydro and other generating stations on its system. SCE&G has experienced minimal drought related unit de-rates; however continuing drought conditions impacting river flows and lake levels in the Saluda, Broad, Edisto, Santee, and Catawba-Wateree Basins through the 2007-08 winter may lead to modified system dispatch. SCE&G is actively pursuing mitigation measures at plants that could be impacted and is working closely with other VACAR members to develop coordinated water management plans.

SCE&G does not expect any reliability impacts through the 2008 summer peak season. The NTSG study identified no thermal or voltage constraints in the SCE&G system under the studied drought conditions.

South Carolina Public Service Authority (SCPSA):

SCPSA lake levels have recently stabilized, but hydroelectric generated energy levels remain low. SCPSA has reduced scheduled discharges into the Cooper River to below normal levels, and is now operating at these levels with additional discharges as required to address salinity level concerns in the Cooper River.

SCPSA does not expect any reliability impacts through the 2008 summer peak season. The NTSG study identified nearly identical thermal and voltage constraints in all studied drought conditions. These constraints are unrelated to the drought conditions. All identified constraints are local in nature and can be operationally mitigated.

Dominion Virginia Power:

Most of the Dominion service territory experienced moderate to severe drought conditions during 2007. Many localities implemented mandatory water usage restrictions. However, improved rainfall near the end of the year has improved water levels somewhat and the mandatory restrictions have been lifted.

Limited generation at Kerr Dam (Corps of Engineers) will limit downstream generation at Gaston and Roanoke Rapids. It is anticipated that the hydro generation would be operated during peak periods with any curtailment due to water availability occurring during non-peak periods.

Yorktown, Chesterfield, Possum Point, Chesapeake, and Surry power stations are on tidal waters and should not have operational impacts as a result of the ongoing drought condition. Condenser tube leaks could be a secondary effect due to increased concentration of salinity in the river water. Other major generating stations use cooling water from private lakes where the major water loss is due to evaporation and no significant problems are anticipated.

Drought conditions are currently expected to improve, or at least not worsen, in the Dominion service area in the coming year.

Based on current forecasts, no operational problems are anticipated on the Dominion system due to drought conditions during the 2008 summer or upcoming seasons. Under severe drought conditions, Dominion does not expect to encounter operating problems during the summer of 2008; however, Dominion continues to monitor generation and meteorological conditions closely. The NTSG study identified some thermal constraints under Case C. These constraints may limit north to south transfers.

IV. SUMMARY AND CONCLUSIONS

All subregions of SERC experienced some drought effects during 2007. This provided a valuable basis for evaluation of 2008. A drought study necessarily is a snapshot in time based on assumptions such as load level, dispatch, transmission system topology, and levels of transfers among and through the systems. It is unrealistic to view a planning study as representative of operating conditions on any given day. System reliability is studied in progressively finer detail as the time horizon closes so that the system does not move into an unstudied state and actions can be taken to maintain reliability.

It is noted that Case C is based on an extreme hydrological scenario in excess of forecast 2008 summer conditions. If an extreme drought continued through 2008, the conditions leading into 2009 could be more severe. However, at the time of this assessment, conditions in 2008 appear to be improving.

As discussed above in the section on Reliability, utilities plan to have a significant generation margin under normal conditions. In the event that this margin is reduced by an unexpected event such as a drought, a number of alternatives are available to obtain additional power. If these alternatives cannot provide adequate power, multi-step customer programs are in place to reduce consumption in the system. These plans ensure the system remains reliable and does not enter an unstudied condition.

Even under the extreme assumptions of Case C, no subregion has identified significant concerns that might threaten reliability for summer 2008. At most, some redispatch, modest increases in imports, and operating guides will be required. Individual Transmission Planners and Planning Coordinators are continuing drought preparedness initiatives already underway and operational representatives continue to provide opportunities for coordination and sharing of system conditions.