



## The Public Utilities Commission of Ohio

*Monitoring marketplaces and enforcing rules to assure safe, adequate, and reliable utility services.*

Ted Strickland, Governor  
Alan R. Schriber, Chairman

### Commissioners

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August 22, 2007

The Honorable Joseph T. Kelliher, Chairman  
The Honorable Suede G. Kelly, Commissioner  
The Honorable Philip D. Moeller, Commissioner  
The Honorable Marc Spitzer, Commissioner  
The Honorable Jon Wellinghoff, Commissioner  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, D.C. 20047

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RE: Midwest Transmission System Operator, Inc.  
Docket No. ER05-6-000

Midwest Independent Transmission System Operator, Inc.  
PJM Interconnection, L.L.C., *et al.*  
Docket No. EL04-135-000

Midwest Independent Transmission System Operator, Inc.  
PJM Interconnection, L.L.C., *et al.*  
Docket Nos. EL02-111-010, *et al*

Ameren Services Company, *et al.*  
Docket Nos. EL03-212-005, *et al.*

Dear Chairman Kelliher and Commissioners Kelly, Moeller, Spitzer and Wellinghoff:

The majority of PJM and MISO Transmission Owners (TOs) made a joint filing in the above dockets on August 1, 2007. In response to the August 1, 2007 filings, I would like to restate the concerns the Ohio Commission continues to have with the RTO unjust and unreasonable rate designs for the recovery of transmission investment.

The majority of the TOs in PJM and MISO support maintaining the current rate designs within each RTO. For existing transmission facilities, the rate design is a zonal license plate design. For new transmission projects, the rate design varies between the two RTOs, however, each includes a component of the postage stamp allocation methodology.

The Ohio Commission supports rate designs that allocate transmission costs to those who are benefiting from and utilizing the transmission facilities at issue. License plate rate design fails

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to assign costs to users of the facilities outside of the TO's zone, while postage stamp designs assign costs to all TOs located in an RTO regardless of their use of the facilities. The Ohio Commission strongly believes not taking into consideration use and benefits results in unjust and unreasonable rates.

The Ohio Commission has filed many comments in regard to rate design issues and has consistently advocated for regional rate designs that allocate costs of existing and new facilities to those that benefit and utilize those facilities. Most recently, this Commission filed for rehearing in Docket No. EL05-121-000, requesting the Commission reconsider its decisions regarding the implementation of license plate rates for existing facilities and postage stamp rates for facilities 500kV and above. We believe that this treatment between existing and new facilities results in unfair rates to Ohio ratepayers. Ohio's customers are required to pay the full tab for existing facilities, many of which are High Voltage backbone transmission facilities, that are clearly providing benefits beyond the borders of Ohio, while at the same time Ohio's customers are now required to pay for new facilities in other zones that may or may not provide any benefits to Ohio's rate payers. In essence, Ohio's rate payers are being penalized for its companies having sufficient transmission facilities already in place, while companies in other states, that are now strengthening their infrastructure, get to spread their costs to Ohio's customers. Something is not right with this picture. To avoid this disparate treatment, existing facility costs should be allocated under the same methodology as new facility costs and neither should be allocated utilizing postage stamp rate designs. In the Commission's Opinion 494 a *beneficiary pays* approach was promoted for new transmission facilities that are below 500 kV. The Ohio Commission urges the Commission to consider the use of a similar beneficiary pays approach for all transmission facilities and not just for those operating below 500kV.

Now that the August 1, 2007 filings have been made, the Commission has another opportunity to revisit the equitable assignment of transmission costs to those benefiting and utilizing transmission facilities and eliminate the unjust rates resulting from license plate and postage stamp rate designs. I urge you take advantage of this opportunity.

In addition to the TO filings made on August 1, 2007, AEP filed a separate letter in this docket. The Ohio Commission supports many statements included in this letter, and in particular, the statement on page 2 of 2, which reads:

"PJM and MISO make much of the fact that the proposal that they submitted today was supported by a vast majority of transmission owners within these RTOs. AEP actively participates in all aspects of PJM's governance process, and we understand and indeed support the Commission's general deference to RTO stakeholder's preferences. In the area of setting rates, however, the Commission cannot simply defer to the will of the majority. The Federal Power Act demands that the Commission provide for the allocation of costs in a manner that is fair and reasonable, even if that allocation is widely unpopular."

The Ohio Commission supported the elimination of through and out rates, however, the Ohio Commission's support was based on the understanding that the through and out rates would be

replaced by regional rate designs that properly aligned the costs with the beneficiaries and not the rate designs the Commission has allowed to be implemented to date.

The Ohio Commission recognizes the need for investment in the transmission infrastructure; however, this will not be accomplished by the use of unjust and unreasonable rate designs for recovery of that transmission investment. As a result, I urge the Commission to take advantage of this opportunity to address the regional rate designs within and between the RTOs and order the implementation of rate design methodologies that better assign the costs of these facilities to those that are benefiting from these facilities.

Sincerely,

A handwritten signature in black ink, appearing to read 'Alan R. Schriber', with a stylized flourish at the end.

Alan R. Schriber, Ph.D.,  
Chairman