UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

PJM Interconnection, L.L.C.	:	Docket Nos.	ER18-459-000
Ohio Valley Electric Corporation	:		ER18-460-000

COMMENTS
SUBMITTED ON BEHALF OF THE PUBLIC UTILITIES COMMISSION OF OHIO

January 5, 2018

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I. EXECUTIVE SUMMARY

- The application does not address transmission cost allocation under the unique circumstances of the proposed integration. Such clarification is important to establish cost responsibility on both the wholesale and retail levels.
- FERC should allow for additional time to review the application or issue a deficiency letter to the applicants.
- In the event that FERC approves this application, cost responsibility for any future transmission projects should be allocated 100% to those entities that benefit. To the extent the applicants are unable to identify who would benefit from future transmission projects given the unique circumstances of the OVEC transmission zone (*i.e.*, a *de minimis* load or no load at all), the default mode should be to socialize the cost across the PJM footprint in order to minimize the rate impact on all transmission customers.

II. INTRODUCTION AND BACKGROUND

Pursuant to Rule 211 of the Federal Energy Regulatory Commission's (Commission) Rules of Practice and Procedure, 18 C.F.R. 385.211, the Public Utilities Commission of Ohio (PUCO) submits the following comments in response to PJM Interconnection, L.L.C. (PJM) and Ohio Valley Electric Corporation's (OVEC) proposed revisions to PJM's Open Access Transmission Tariff (Tariff), the PJM Consolidated Transmission Owners Agreement (PJM CTOA) and other agreements and tariffs jurisdictional to the Federal Energy Regulatory Commission. The PUCO intervened in this matter on December 18, 2017.

PJM and OVEC seek Commission approval of OVEC's proposed integration into PJM as a new transmission zone, effective March 1, 2018. The integration agreement contains the implementation plan for the transfer of functional control of the OVEC transmission facilities to PJM, the integration of the OVEC control area into the PJM energy and other markets, and the addition of OVEC as a transmission owner.

OVEC was formed by electric utilities and electric cooperatives in Ohio and neighboring states in 1952 to provide electricity to the Piketon uranium enrichment facility then under construction by the Atomic Energy Commission (AEC) near Portsmouth, Ohio. OVEC and its utility company owners and affiliates (sponsoring companies) signed an Inter-Company Power Agreement (ICPA) to support the Piketon load and to provide for excess energy to return to OVEC's sponsoring companies. In 2003, AEC's successor, the U.S. Department of Energy (DOE), amended its agreement with OVEC. Information provided by OVEC to the PJM stakeholders indicates that the DOE facility reduced power consumption in 2001 and its load is now less than 45 MW.[1] In 2015, the DOE began decommissioning the Piketon plant. Decommissioning and decontamination work continues, but an ultimate shutdown date has not been announced.[2] When Piketon closes, OVEC will no longer have any load to serve.[3]

OVEC is an affiliate member of PJM. OVEC owns a transmission system comprised of 705 circuit miles of 345 kV transmission lines and two generating stations, Kyger Creek in Cheshire, Ohio, and Clifty Creek in Madison, Indiana. Together, the two generating stations have a nameplate capacity of approximately 2,389 MW, are pseudo-tied to PJM, and are designated as Reliability Pricing Model (RPM) resources.

III. DISCUSSION

1. The application does not address transmission cost allocation under the unique circumstances of the proposed integration. Such clarification is important to establish cost responsibility on both the wholesale and retail levels.

The applicants state that the overall integration process follows the framework established in recent FERC approved integrations. The PUCO is familiar with the PJM integration process due to its participation in the proceedings to integrate ATSI and Duke

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1 http://www.pjm.com/~/media/committees-groups/committees/mrc/20171107-special-ovec/20171107-item-02-ovec-integration-presentation.ashx, (OVEC presentation at 2) (Dec. 13, 2017).

2 https://energy.gov/pppo/portsmouth-environmental-cleanup/portsmouth-decontamination-decommissioning U.S. Department of Energy site, "Portsmouth Decontamination & Decommissioning" last visited January 2, 2018.

3 OVEC presentation at 5.

Ohio/Kentucky into PJM.[4] The OVEC integration, however, is much different from the previous integrations. The main difference is that OVEC has indicated to the PJM stakeholders that its current DOE load is very small, and may be transferred to another load serving entity.[5]

Integration of a new transmission zone with a *de minimis* load is significant because of the FERC-approved transmission cost allocation principles found in PJM's Tariff. Costs for transmission improvements or upgrades in PJM are borne by the load in either the local transmission zone or the entire PJM footprint, based on the type and size of the transmission project. This application and PJM's Tariff do not address how transmission costs would be allocated in OVEC's unique circumstance where, for all intents and purposes, there is no local load.

The PUCO questions not only how future transmission costs would be allocated to the new OVEC zone, but who would be responsible for these costs. Specifically, pursuant to PJM's Tariff and regional transmission expansion plan (RTEP), the load in a transmission zone is responsible for all of the costs for transmission projects in that zone that are less than $5 million. For reliability projects that are $5 million or more, but that are classified as single circuit 345 kV or below, the local load is allocated costs based on the solution-based distribution factor methodology. For reliability projects that are classified as double circuit 345 kV and above, the local load in that zone is responsible for a

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[4] *See, ATSI Integration to PJM*, FERC Docket ER09-1589; and *Duke Ohio/Kentucky Integration to PJM*, FERC Docket ER10-1562.

[5] OVEC Presentation at 2, 5.

share of the costs based on the solution-based distribution factor methodology and a share of the costs that are socialized across the PJM footprint based on the load ratio methodology.[6] Finally, the load in a transmission zone is responsible for all costs associated with any of the transmission owner's supplemental projects pursuant to FERC Form 715 local planning criteria.

Currently, both OVEC's generation and transmission projects are the sole responsibility of the OVEC sponsoring companies, subject to state and local regulation. After integration, a portion of the transmission costs will be shifted directly to OVEC's load; and as previously explained, a portion of the costs might be socialized to other transmission zones pursuant to the PJM Tariff. The PUCO notes that OVEC maintains 705 circuit miles of 1950s' vintage transmission lines and a significant portion of those Ohio lines is at the double-circuit 345 kV threshold.[7] With little to no load in the OVEC zone, it is not clear who will be responsible to pay any new costs associated with the future operations and maintenance of OVEC's transmission system. The PUCO strongly recommends that FERC clarify or require the applicants to address how the aforementioned regional, local, and supplemental transmission project costs will be recovered in the OVEC zone pursuant to the PJM Tariff and FERC Order 1000.

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[6] Regional reliability transmission costs are allocated 50 percent by distribution factor analysis to the zone(s) directly benefiting from the regional project and 50 percent by load ratio share to the entire PJM region. *PJM Interconnection, L.L.C.*, 142 FERC ¶61,214 (2013).

[7] *In the Matter of the Long-Term Forecast Report of Ohio Valley Electric Corporation and Related Matters*, PUCO Case No. 17-500-EL-FOR (OVEC Long-Term Forecast Report at 29) (Apr. 17, 2017).

2. FERC should allow for additional time to review the application or issue a deficiency letter to the applicants.

The PUCO recommends that FERC further investigate the issues raised herein and by other parties. This application presents unique circumstances that have not been presented by other PJM integration applications. FERC may need to suspend the 60-day process to allow for more time to examine these issues or, in the alternative, to issue a deficiency letter to the applicants within the 60-day timeframe. If FERC decides to move forward and approve the application, it must, at a minimum, clarify how transmission costs in the new OVEC zone will be allocated across the PJM footprint.

3. In the event that FERC approves this application, cost responsibility for any future transmission projects should be allocated 100% to those entities that benefit. To the extent the applicants are unable to identify who would benefit from future transmission projects given the unique circumstances of the OVEC transmission zone (*i.e.*, a *de minimis* load or no load at all), the default mode should be to socialize the cost across the PJM footprint in order to minimize the rate impact on all transmission customers.

The PUCO maintains that in order for the application to ensure that FERC's required "just and reasonable" standard is realized, there must be a clear declaration of who benefits, and, as a result, the cost responsibility for the future OVEC transmission system upkeep should be allocated to those entities in accordance with those that benefit. If the basis for the integration of OVEC into PJM is to reduce OVEC's overall charges for balancing load, complying with the North American Electric Reliability Corporation (NERC) and Reliability First Corporation (RFC) reliability standards, participating in

PJM's wholesale markets, and operating and maintaining the transmission system, cost responsibility for any future transmission projects should be allocated 100% to those entities that benefit. To the extent the applicants are unable to identify who would benefit from future transmission projects given the unique circumstances of the OVEC transmission zone (*i.e.*, a *de minimis* load or no load at all), costs should be socialized across the PJM footprint in order to minimize the rate impact on all transmission customers.

IV. CONCLUSION

The PUCO appreciates the opportunity to comment in this docket. The PUCO contends that this integration is much different from previous integrations into PJM. Integration of a new transmission zone with little to no load is not currently addressed by PJM's Tariff, which is significant because of the FERC-approved transmission cost allocation principles found in the Tariff. In order to provide due diligence, FERC should suspend the application or require the applicants to respond to these issues as directed by a deficiency letter. In the event that FERC approves this application, the PUCO strongly recommends that FERC require the applicants to address how the aforementioned regional, local, and supplemental transmission project costs in the new OVEC zone will be allocated consistent with PJM's Tariff and FERC Order 1000. Additionally, to the extent the applicants are unable to identify who would benefit from a particular transmission project given the unique circumstances of the OVEC transmission zone (*i.e.*, a *de minimis* load or no load at all), the PUCO recommends that future transmission costs should be socialized across the PJM footprint to minimize the rate impact on all transmission customers.

Respectfully submitted,

/s/ Thomas W. McNamee

Thomas W. McNamee
Public Utilities Section
30 East Broad Street, 16th Floor
Columbus, OH 43215
614.466.4396 (telephone)
614.644.8764 (fax)
thomas.mcnamee@ohioattorneygeneral.gov

Attorney for the
The Public Utilities Commission of Ohio

V. CERTIFICATE OF SERVICE

I hereby certify that the foregoing have been served in accordance with 18 C.F.R. Sec. 385.2010 upon each person designated on the official service list compiled by the Secretary in this proceeding.

/s/ Thomas W. McNamee

Thomas W. McNamee

Dated at Columbus, Ohio this January 5, 2018.