**UNITED STATES OF AMERICA**

**BEFORE THE**

**FEDERAL ENERGY REGULATORY COMMISSION**

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| PJM Interconnection, LLC  Baltimore Gas and Electric Company,  PJM Interconnection, LLC | :  :  : | Docket No. ER14-2864-000  Docket No. ER14-2867-000  Not Consolidated |

**COMMENTS**

**SUBMITTED ON BEHALF OF**

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

Pursuant to Rules 211 of the Federal Energy Regulatory Commission’s (Commis­sion) Rules of Practice and Procedure, 18 C.F.R. S.S. 385.211, the Public Utilities Com­mission of Ohio (Ohio Commission) respectfully files the following Comments and lim­ited protest in response to PJM Interconnection, LLC’s (PJM) and PJM Transmission Owners’ (PJM TOs) September 12, 2014 proposed revisions to PJM’s Operating Agree­ment (OA), Schedule 6 and the PJM Open Access Transmission Tariff (Tariff), Schedule 12 to add new provisions allowing PJM to plan for and include multiple-driver projects in its Regional Transmission Expansion Plan (RTEP).

# INTRODUCTION

The Ohio Commission is charged with assuring that Ohioans have access to ade­quate, safe, and reliable public utility services at a fair price. Ohio is a retail choice state for electric generation service. As a state that facilitates competitive electricity markets, we are able to provide a valuable and unique perspective to the Commission.

The decisions PJM makes as the manager of transmission across our state, as well as its operation of energy and capacity markets, directly affect reliability of our electric system and the costs necessary to maintain an optimum level of reliability. Ohio is an energy-intensive state whose demand accounts for approximately 21 percent of PJM’s load.[[1]](#footnote-1) Consequently, the Ohio Commission is well positioned to evaluate the impact of PJM’s filing.

# BACKGROUND

PJM proposes to enhance its RTEP process by providing for approval of projects that satisfy more than one of the three types of benefits (“drivers”) to its transmission sys­tem, consistent with Order 1000. While the Ohio Commission generally supports PJM’s Multi-Driver proposal, it must be modified to comply with PJM’s State Agreement Approach.

## A. Order 1000

Order 1000 requires that each public utility transmission provider participatein a regional transmission planning process. In the RTEP, transmission providers, in con­sultation with stakeholders, evaluate alternative solutions by looking at transmission needs on a regional level as opposed to the local level. The Commission believed that more cost efficient transmission solutions would emerge that would not have otherwise been identified by an individual public utility transmission provider through a localized transmission planning process. [[2]](#footnote-2)

In 2013, the Commission accepted PJM’s Order 1000 compliance proposal which, among other things, included a 50 percent postage-stamp cost socialization component and 50 percent beneficiary-pays cost allocation for High Voltage or Regional transmis­sion facilities *(i.e*., double circuit 345 kV and above). Any Low Voltage or Local trans­mission facilities smaller in scale are subject to a 100 percent beneficiary-pays cost allo­cation under the solutions-based DFAX model.[[3]](#footnote-3)

In addition, the concept of a State Agreement Approach was approved, which allows transmission projects that address state public policy to be included in the RTEP. The Commission affirmed PJM’s commitment to explore future enhancements, including the Multi-Driver Approach, with states and stakeholders to improve the regional trans­mission planning process.[[4]](#footnote-4)

## B. State Agreement Approach

Under the State Agreement Approach, if one or more States identify a transmis­sion enhancement or expansion that PJM has not found to be necessary for economic or reliability reasons, but that a state (or states) has determined to be necessary to address public policy requirements, the states sponsoring the project voluntarily agree to be responsible for its costs. The costs will be allocated only to consumers in the states spon­soring the project.[[5]](#footnote-5)

A state (or states) can submit a project that addresses public policy requirements for PJM to study, even if the project does not meet the requirements to qualify as a relia­bility or market efficiency project as set forth in the PJM tariff. If the states, individually or collectively, agree to voluntarily assume responsibility for all costs of the project, the project will be included in the RTEP either as a Supplemental Project or State Public Policy Project.

## C. Multi-Driver Proposal

In this proceeding, PJM proposes to add three terms to its OA: Multi-Driver Pro­ject, Incremental Driver Project, and Proportional Multi-Driver Project. PJM states that the purpose of a multi-driver approach is to allow greater flexibility to develop projects that could include a combination of reliability, economic, and, public policy components to ensure system reliability.

A methodology was advanced for certain Multi-Driver Projects with public policy drivers. The proposal elevates some localized transmission projects not subject to regional cost allocation, “boosting” them to Regional Facilities because of the inclusion of a public policy driver. The “boost” puts such projects into the category of those which benefit the entire RTO, and for which all states pay at least a portion of the costs.

Specifically, if the addition of the public policy component to a Proportional Multi-Driver Project raises the scope of the combined project’s underlying transmission facility to a double circuit 345 kV or above, the project would qualify as a Regional Facility. As a Regional Facility, cost socialization would apply to the non-public policy drivers in the project. The same would be true if a public policy driver were added to an Incremental Multi-Driver Project. The effect of such a change would be to decrease costs for the elements of the project that are not public policy drivers and spread costs to regions of the RTO which would derive no benefit from them. Further, as explained in greater detail below, the proposal diverges from the State Agreement Approach by assigning costs using a 20 percent postage-stamp cost socialization and an 80 percent beneficiary-pays cost allocation to the “boosted” Regional Facility.

# COMMENTS

The proposed cost allocation method for “boosted” Regional Facilities violates the intent of the State Agreement Approach and cost causation principles. The Ohio Com­mission urges the Commission to amend PJM’s tariff to remove the potential for public policy drivers to trigger regional cost allocation.

## A. The possibility of “boosted” multi-driver projects vio­lates the intent of the Commission-approved State Agreement Approach.

The Commission found “that the State Agreement Approach is a voluntary approach to project selection and cost allocation. If any state or group of states that sup­port(s) a transmission project under the State Agreement Approach believes that another state’s public policies are being inappropriately subsidized as a result, they are under no affirmative obligation to continue pursuing the transmission project.”[[6]](#footnote-6) However, because the proposed Multi-Driver cost allocation methodology allows for a localized project to be “boosted” into regional cost allocation as a result of a public policy driver being added, the proposal is inconsistent with the State Agreement Approach.

The Ohio Commission points out that this proposal allows 20 percent of the cost of “boosted” Regional Facilities to be regionally allocated to other states, and thereby places an affirmative obligation on a state to pay for costs associated with another state’s Public Policy Project. But for the addition of a public policy driver, these facilities would have been deemed local and not subject to regional cost allocation. The proposal pre­vents a state that may have legitimate concerns about another state’s public policies being inappropriately subsidized from the remedy available under the State Agreement Approach.

The Ohio Commission is concerned that costs caused by a voluntary Public Policy Project will be spread to states that will not benefit from the Public Policy Project or the Regional Facility. This involuntary subsidization of other state Public Policy Projects is in direct conflict with the current State Agreement Approach and confers no reliability or market efficiency benefits to those non-agreeing states. By contrast, the Ohio Commis­sion does not object to other Multi-Driver Projects wherein reliability and/or economic drivers result in a regional cost allocation of the underlying transmission projects and such benefits can be demonstrated.

## B. Cost Allocation of “boosted” multi-driver projects violates cost causation principles.

The Ohio Commission avers that there should be no cost socialization for Region­al Facilities that otherwise would have remained a Lower Voltage or Local Facility, subject to local cost allocation (*i.e*., beneficiary-pays) but for the addition of the public policy driver to the Multi-Driver Project. PJM will have identified the Local Facility as sufficient to address a reliability or economic constraint that is within the state or states agreeing to the Public Policy Project and other states should not have to subsidize costs that provide no reliability benefit to those states. It is simply consistent with cost causa­tion principles that states triggering the boost to a higher voltage facility for which no reliability or economic need has been identified should pay the entire cost of the larger facility.

## C. The Commission should amend the multi-driver pro­posal to make it consistent with the State Agreement Approach.

The Ohio Commission appreciates the efforts of PJM, the Organization of PJM States, Inc., and the PJM TOs in crafting this Multi-Driver proposal. While this proposal violates the State Agreement Approach, the Commission can make a minor modification that is both consistent with Commission precedent and complies with the already-approved State Agreement Approach. The Commission can amend the tariff to eliminate the possibility of “boosted” Multi-Driver Projects being allocated on a regional basis. The tariff should be revised to indicate that costs for Regional Facilities that are triggered as a result of a public policy driver will continue to be allocated as Local Facilities, sub­ject to the full beneficiary-pays cost allocation methodology.

# CONCLUSION

The Ohio Commission supports the efforts to incorporate Multi-Driver enhance­ments to PJM’s RTEP. However, the Ohio Commission respectfully requests that the Commission amend the tariff and the OA to indicate that Regional Facilities that are trig­gered as a result of a public policy driver will continue to be allocated as Local Facilities, consistent with the current State Agreement Approach. This amendment will ensure that states that don’t benefit from public policy projects are not involuntarily assessed for them.

Respectfully submitted,

*/s/ Thomas W. McNamee*

**Thomas W. McNamee**

180 East Broad Street

Columbus, OH 43215-3793

614.466.4396

FAX: 614.64.8768

**Attorney for the**

**Public Utilities Commission of Ohio**

# CERTIFICATE OF SERVICE

I hereby certify that the foregoing has been served in accordance with 18 C.F.R. Section 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 October 3, 2014.

1. *Percentage of PJM Load by State*, Monitoring Analytics (August 20, 2014), <http://www.monitoringanalytics.com/data/pjm_load.shtml>. [↑](#footnote-ref-1)
2. *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Order No. 1000, FERC Stats & Regs. ¶ 31,323 (2011), *order on reh’g*. Order No. 1000-A, 139 FERC ¶ 61,132*, order on reh’g*, Order 1000-B, 141 FERC ¶ 61,044 (2012). [↑](#footnote-ref-2)
3. *PJM Interconnection, L.L.C*., 142 FERC ¶ 61,214 at P 412 (2013). [↑](#footnote-ref-3)
4. *Id.* at P 119. [↑](#footnote-ref-4)
5. *Id.* at P 352. [↑](#footnote-ref-5)
6. *Id.* at P 444. [↑](#footnote-ref-6)