

June 8, 2009

By: Hand-Delivery

Reneé J. Jenkins, Secretary  
The Public Utilities Commission of Ohio  
180 East Broad Street  
Columbus, Ohio 43215

PUCO

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RE: In the Matter of the Commission's Investigation into the Value of Continued Participation in Regional Transmission Organizations, Public Utilities Commission of Ohio,  
Case No. 09-90-EL-COI

Dear Ms. Jenkins:

Enclosed are an original and fifteen (15) copies of the Initial Comments of Buckeye Power, Inc. to be filed in connection with the above-referenced matter.

Thank you for your assistance. If you have any questions, please do not hesitate to call.

Very truly yours,



Carolyn S. Flahive

cc: Christine M.T. Pirik, Attorney Examiner  
Daniel Shields, PUCO Federal Energy Advocate

Enclosures

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BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Commission's Investigation    )  
into the Value of Continued Participation in        )  
Regional Transmission Organizations.            ) Case No. 09-90-EL-COI

**INITIAL COMMENTS OF BUCKEYE POWER, INC.**

BUCKEYE POWER, INC. ("Buckeye") hereby submits its Initial Comments ("Comments") in response to the Entry issued in the above-captioned proceeding regarding the value of continued participation in Regional Transmission Organizations ("RTOs"). Initial comments to the Entry were due May 25, 2009. However, Buckeye was not served with the Entry and became aware of it only after the deadline for submission of initial comments had passed. Accordingly, Buckeye is requesting, pursuant to a motion filed simultaneously herewith, that its Comments be considered timely filed.

**I. INTRODUCTION**

Ohio's Amended Substitute Senate Bill No. 221 requires the Public Utilities Commission of Ohio ("PUCO" or "Commission") to employ a federal energy advocate to monitor the activities of federal agencies, including the Federal Energy Regulatory Commission ("FERC"), and to advocate on behalf of the interests of retail electric consumers in Ohio.<sup>1</sup> The federal energy advocate is also charged with examining and reporting to the Commission on the value of participation of Ohio's electric utilities in RTOs and whether continued participation is in the interest of retail electric service customers.<sup>2</sup> The Commission initiated this examination of RTOs

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<sup>1</sup> Rev. Code §4928.24.

<sup>2</sup> Id.

pursuant to its March 4, 2009 Entry, whereby the Commission sought comments from interested parties on various RTO issues.

Buckeye has particular interest in the Entry and this examination because it is a member of both PJM Interconnection, L.L.C. ("PJM") and the Midwest Independent Transmission System Operator, Inc. ("MISO"), operates as both a load serving entity ("LSE") and an electric generator in those RTOs, and obtains open access transmission services from both RTOs. Following are Buckeye's general comments on the value of RTOs, as well as responses to select specific questions posed by the Commission's Entry.

## **II. BACKGROUND**

Buckeye is an Ohio nonprofit corporation and the provider of wholesale electric power and energy and transmission services to the 25 electric distribution cooperatives providing retail electric service to approximately 380,000 member/consumers in 77 out of Ohio's 88 counties.<sup>3</sup> These retail consumers are primarily residential and small commercial loads located in rural areas in the State of Ohio. The load of these electric distribution cooperatives represents approximately 5% of the electric load in the State of Ohio. Buckeye and its members operate their electric utilities on a non-profit cooperative basis for the mutual benefit of their member/consumers.

Buckeye is both an LSE and an electric generator, and functions in these capacities as a member of both PJM and MISO. Additionally, Buckeye owns no transmission or distribution

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<sup>3</sup> The 25 members of Buckeye are Adams Rural Electric Cooperative, Inc., Buckeye Rural Electric Cooperative, Inc., Butler Rural Electric Cooperative, Inc., Carroll Electric Cooperative, Inc., Consolidated Electric Cooperative, Inc., Darke Rural Electric Cooperative, Inc., Firelands Electric Cooperative, Inc., The Frontier Power Company, Guernsey-Muskingum Electric Cooperative, Inc., Hancock-Wood Electric Cooperative, Inc., Holmes-Wayne Electric Cooperative, Inc., Licking Rural Electrification, Inc. d/b/a The Energy Cooperative, Logan County Cooperative Power and Light Association, Inc., Lorain-Medina Rural Electric Cooperative, Inc., Mid-Ohio Energy Cooperative, Inc., Midwest Electric, Inc., Midwest Energy Cooperative, North Central Electric Cooperative, Inc., North Western Electric Cooperative, Inc., Paulding-Putnam Electric Cooperative, Inc., Pioneer Rural Electric Cooperative, Inc., South Central Power Company, Tricounty Rural Electric Cooperative, Inc., Union Rural Electric Cooperative, Inc., and Washington Electric Cooperative, Inc.

facilities and depends entirely upon PJM and MISO for open access transmission service to transmit electric capacity and energy from its generation resources to its members' delivery points.

As an LSE, Buckeye is responsible for procuring from the PJM and MISO wholesale markets the energy, capacity and ancillary services necessary to serve the load of its members. Approximately 85% of Buckeye's load is located in PJM and approximately 15% of Buckeye's load is located in MISO.

As an electric generator, Buckeye is obligated to sell energy, capacity and ancillary services into the PJM and MISO wholesale markets. Buckeye's generation resources are located primarily within PJM.

Within PJM, Buckeye owns or is contractually entitled to the output of (a) two out of three units, representing approximately 1230 MW, at the Cardinal Station, a base-load, coal-fired electric generating station located near Brilliant, Ohio, along the Ohio River,<sup>4</sup> (b) the approximately 200 MW Greenville Electric Generating Station, a gas-fired peaking power plant located near Greenville, Ohio, (c) The Robert P. Mone Station, an approximately 510 MW gas-fired peaking power plant located near Convoy, Ohio, pursuant to a power purchase agreement with Buckeye's affiliate, National Power Cooperative, Inc., (d) approximately 55 MW of hydroelectric power, pursuant to a power purchase agreement with the New York Power Authority, and (e) an approximately 1.2 MW dairy farm biodigester system and an approximately 1.8 MW poultry farm biodigester system, pursuant to 10 year power purchase agreements with the farm owners.

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<sup>4</sup> Ohio Power Company owns the third unit at Cardinal Station.

Although Buckeye's generation is primarily located in PJM, some of Buckeye's generation is located in, or deliverable to, MISO service territory. Buckeye Power Generating, LLC, a wholly owned subsidiary of Buckeye, holds an 18% ownership interest in the Ohio Valley Electric Corporation ("OVEC") and corresponding contractual rights to approximately 406 MW of energy and capacity from OVEC under a related Inter-Company Power Agreement. Buckeye's OVEC entitlement is deliverable into PJM or MISO. In addition, Buckeye recently entered into a power purchase agreement whereby it obtained rights to approximately 30 MW of energy and capacity from a wind turbine facility located in Story County, Iowa, in MISO service territory.

### **III. DISCUSSION**

As a general matter, Buckeye supports the existence of RTOs and Ohio utilities' continued involvement with RTOs. Buckeye believes, however, that Ohio's current split between membership in MISO and PJM creates burdensome and unnecessary inefficiencies resulting primarily from a lack of functional integration between the two RTOs.

#### **a. General Comments**

RTOs represent an overall improvement to the electric industry and its long term transmission development by performing several valuable functions for Ohio's utilities and electricity consumers. Among other things, RTOs have introduced transparency into the transmission system planning process, which was previously controlled solely by transmission owning entities, through the implementation and use of the stakeholder process.

RTOs have enhanced system reliability through regional transmission planning and by using capacity markets and marginal pricing to incentivize electric generators to build capacity in order to meet electric load. RTOs also manage transmission congestion through locational

marginal pricing (“LMP”) policies, which effectively identify transmission congestion issues and manage the same by providing incentives to build new transmission in order to remedy congestion.

Despite Buckeye’s overall support of the RTO system, the fact that Ohio utilities are not all members of the same RTO impedes Buckeye’s ability to effectively and efficiently fulfill its obligations as an LSE and electric generator in Ohio. As described in Section II herein, Buckeye’s generation resources are primarily located in PJM, while approximately 15% of its load is located in MISO. Using generation in one market to serve load located in another creates significant challenges for Buckeye because PJM and MISO are not fully integrated functionally. Buckeye must coordinate its LSE and generation obligations under different tariffs, inconsistent market rules, different market scheduling times and different rates and fees. Communication difficulties between PJM and MISO exacerbate these differences.

Buckeye therefore recommends that the Commission require its jurisdictional utilities to participate in the same RTO in order to alleviate the administrative burden associated with the dual RTO system. Alternatively, the Commission should work to substantially improve the integration between PJM and MISO, and the Commission’s federal energy advocate should work with Ohio LSEs, such as Buckeye, that are located in both RTOs to help resolve integration problems between PJM and MISO.

b. Comments on Specific Questions Regarding RTO Alternatives

i. Question 2: “Would it be reasonable, cost effective, and viable for the Ohio Commission to pursue the construct of an Ohio-only RTO?”

No. An Ohio-only RTO is unworkable given that many of Ohio’s transmission facilities are owned by utilities with multi-state integrated electric systems. Furthermore, in order to increase their utilization of renewable energy resources, Ohio’s utilities will require a broad

transmission network with the infrastructure capable to support the transmission into Ohio of energy from renewable electric resources located in other states. In addition, an Ohio-only RTO would defeat the broader regional transmission and reliability planning purposes of RTOs. For these reasons, an Ohio-only RTO is not feasible or desirable.

- ii. Question 3: “What recommendations could be made to FERC or required of Ohio’s RTO member companies that would result in increased value to Ohio’s consumers?”

For the reasons discussed in subsection III(a) above, the Commission should require Ohio’s RTO member companies to join one common RTO, or alternatively work to fully integrate PJM and MISO functionally, in order to alleviate the challenges associated with Ohio’s dual RTO configuration. A single RTO system would increase utilities’ operational efficiencies which, in turn, would decrease utility costs and lead to lower cost electric service for Ohio’s consumers.

Ohio’s federal energy advocate should also support the efforts of Ohio utilities<sup>5</sup> to ensure that Ohio consumers do not disproportionately bear the burdens of the robust high-voltage transmission system owned by Ohio transmission owning entities, which system also benefits consumers in other states.

## **CONCLUSION**

For the foregoing reasons, Buckeye supports continued participation by Ohio’s utilities in RTOs and urges the Commission to require its utilities to join only one common RTO, or to work with PJM and MISO to eliminate their functional incongruities in order to improve integration. Buckeye also urges the Commission and the Ohio federal energy advocate to support the efforts of Ohio utilities, such as AEP, at FERC to ensure that the benefits of an


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<sup>5</sup> Such utilities include transmission owning entities, such as American Electric Power (“AEP”), as well as LSEs, such as Buckeye, that take transmission service from such transmission owning entities.

existing, as well as new, robust high-voltage transmission system are borne by all consumers who benefit from such system, and not just the consumers of the entities that own such systems.

Respectfully submitted,

BUCKEYE POWER, INC.

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**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a copy of the forgoing has been served upon all parties listed on the attached Service List, by U.S. Mail delivery or, where indicated, also by electronic mail, this 8th day of June, 2009.

  
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Ann B. Zallocco

**SERVICE LIST**  
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