

FILE

18

PUCO EXHIBIT FILING

Date of Hearing: 1-7-2010

Case No. 09-778-EL-UNC

PUCO Case Caption: Frost Energy Service Company
to Modify its RTO Participation.

List of exhibits being filed:

Handout 1 - RTO Alignment.

PUCO

2010 JAN 22 AM 11:07

RECEIVED-DOCKETING DIV

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business
01/22/10
Date processed
technician

Reporter's Signature: [Signature]

Date Submitted: 1-12-09

1 MEETING OF THE PUBLIC UTILITIES COMMISSION OF OHIO

2 - - -

3 In the Matter of: :
4 The FirstEnergy Service : Case No. 09-778-EL-UNC
5 Company to Modify its RTO :
6 Participation. :
7 - - -

8 Meeting of the Public Utilities Commission of Ohio,
9 180 East Broad Street, Room 11-B, Columbus, Ohio,
10 called at 2:30 a.m. on Thursday, January 7, 2010.

11 - - -

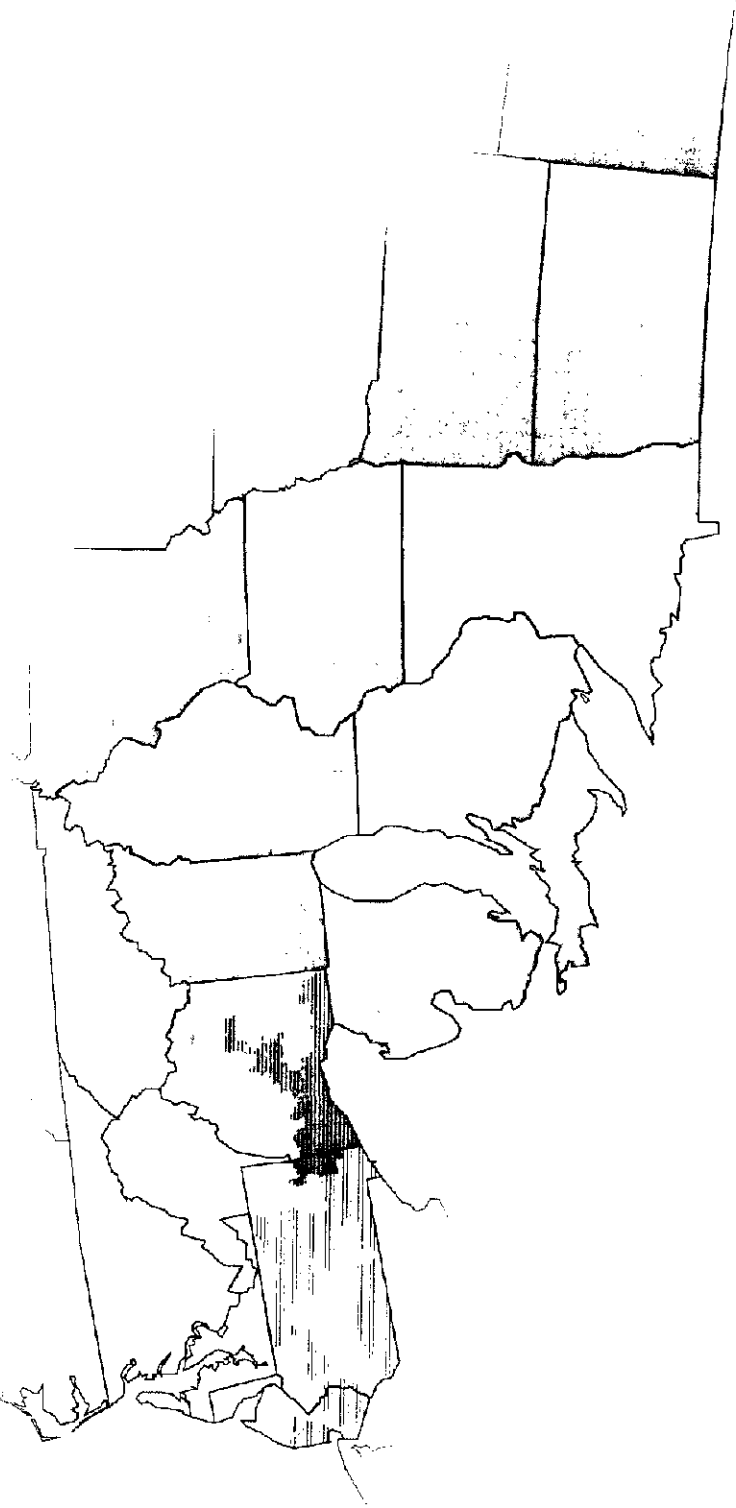
12 COMMISSION:

13 Commissioner Alan R. Schriber, Chair
14 Commissioner Paul A. Centolella
15 Commissioner Ronnie Hartman Fergus
16 Commissioner Valerie A. Lemmie
17 Commissioner Cheryl Roberto
18 - - -

19
20
21
22 ARMSTRONG & OKEY, INC.
23 222 East Town Street, Second Floor
24 Columbus, Ohio 43215-5201
25 (614) 224-9481 - (800) 223-9481
Fax - (614) 224-5724
- - -



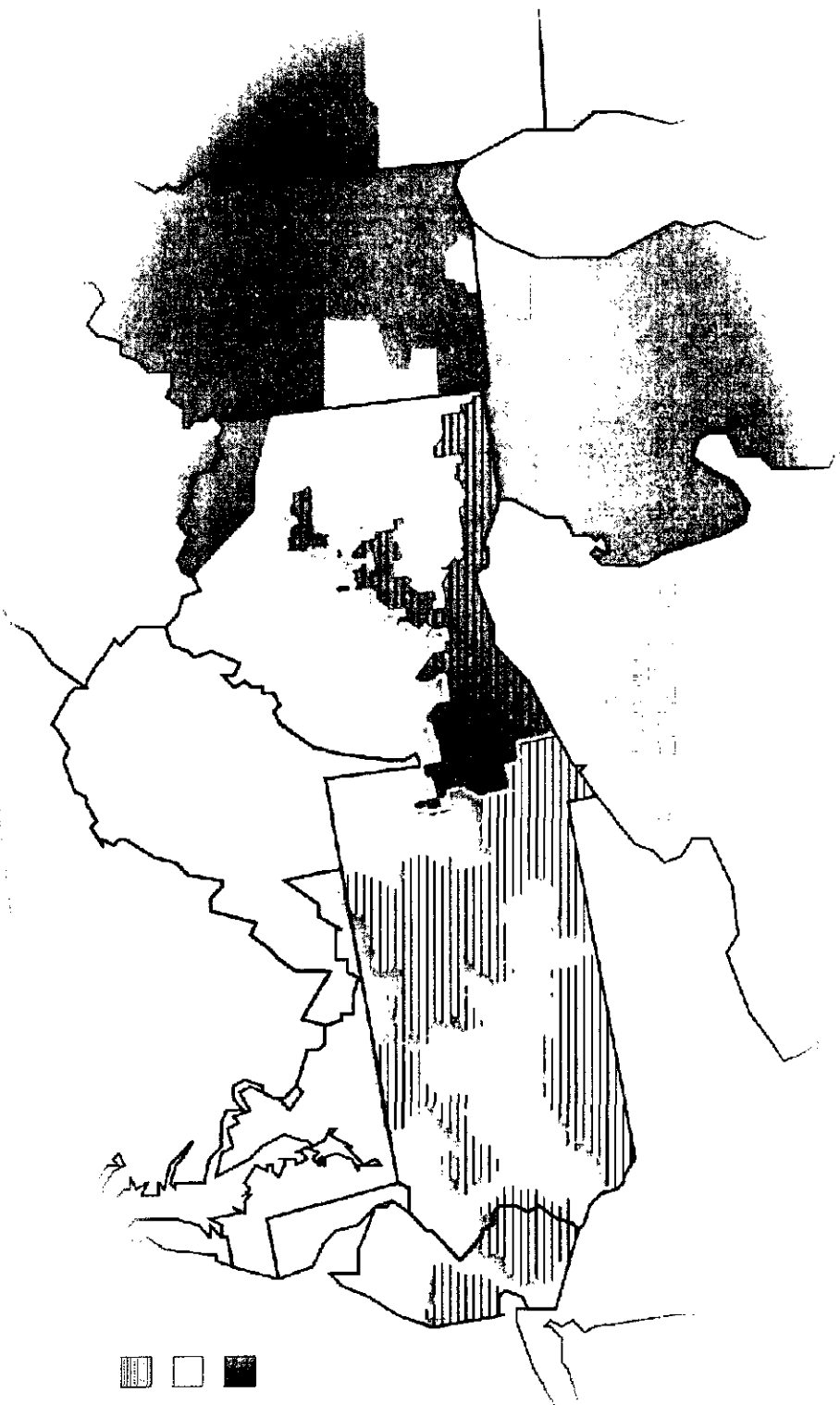
RTO Alignment



Why Align with PJM?

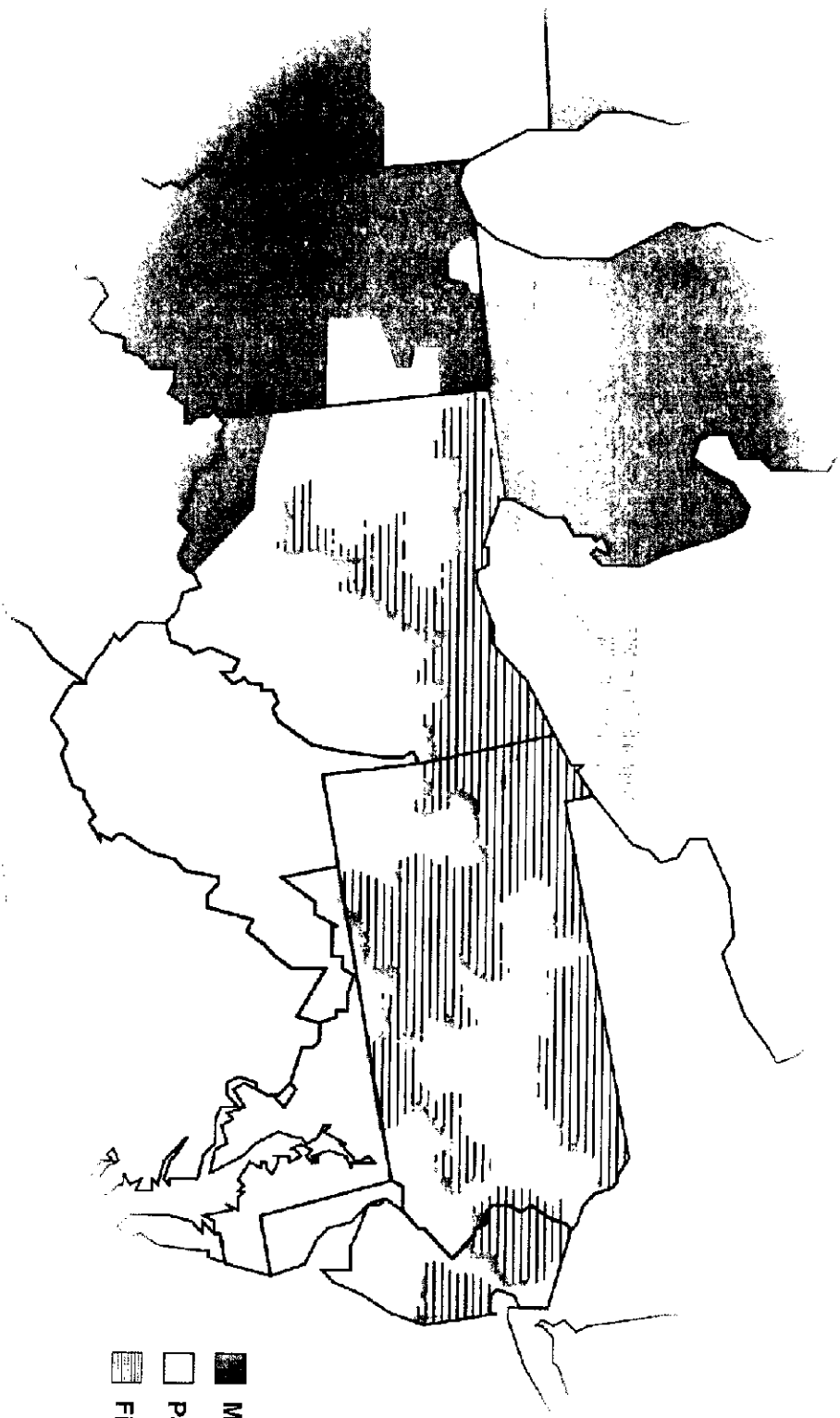
- **Consolidation provides long-term benefits to FirstEnergy and its customers, including:**
 - Fully developed retail choice market
 - Larger pool of available merchant generation
 - Better access to more transparent, incentive-based energy efficiency and demand response programs
 - Enhanced long-term planning for supply resources
 - Supports construction of new, and retention of existing generation, when and where it's needed
 - Capacity is committed in advance, so supply is assured
 - Better fit operationally
 - FirstEnergy has 32 interconnections with PJM, versus three with MISO
 - Single RTO will enhance operating efficiencies




Existing FE-PJM Seam



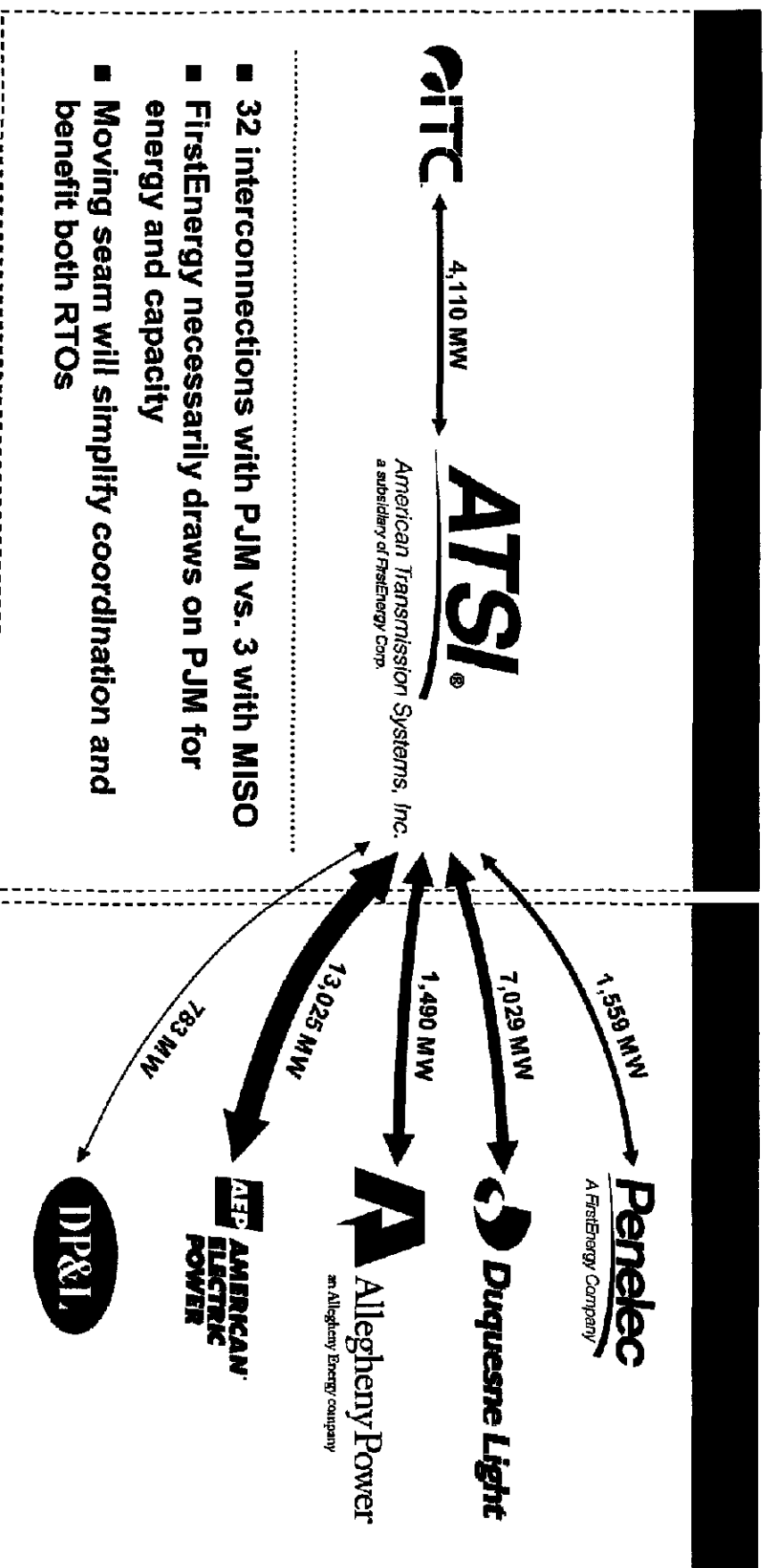
MISO
PJM
FirstEnergy

New FE-MISO Seam



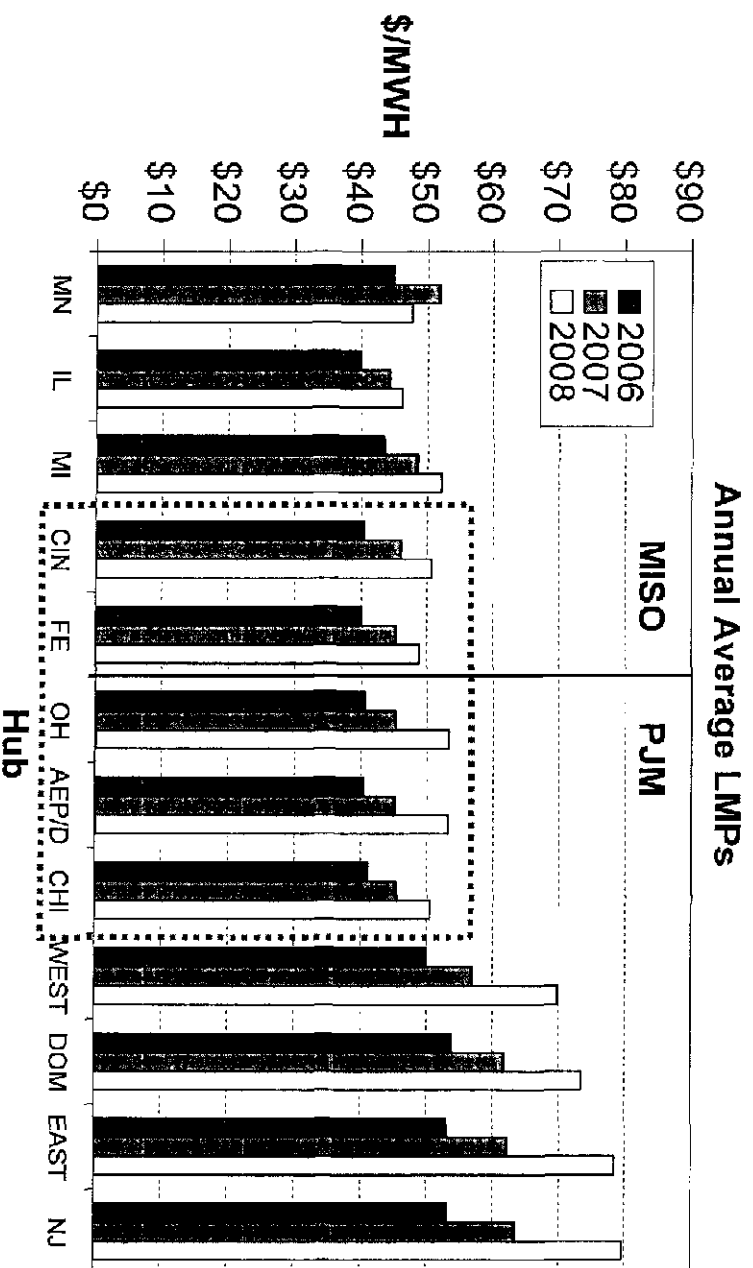
 MISO
 PJM
 FirstEnergy

FirstEnergy's ATSI has more transmission capacity into PJM than into MISO



Historical Energy Prices Are Similar for Eastern MISO/Western PJM

- Historical comparisons show little or no difference in energy prices in ATSI footprint



Note: LMP averages are taken over all hours (i.e., on-peak and off-peak hours)

Orderly Transition

- **January 2010 commitment date for PJM auction provides ample notice to stakeholders – permits time for transition planning**
- **Transitional capacity auction by PJM ensures that ATSI load-serving entities have adequate capacity during the transition period to full integration beginning June 1, 2013**
- **June 1, 2011 integration date permits alignment with state retail plans**
- **FirstEnergy will fulfill contractual obligations to MISO**

Key Dates

August 17

Date of FERC filing

December 17

FERC order approving move to PJM

January 31, 2010

Deadline to participate in May 2010 RPM auction for 2013/2014

March, 2010

Transitional capacity auctions

June 1, 2011

ATSI integration with PJM

June 1, 2013

Align with PJM capacity market



Impact on a Standard Rate Residential customer (750kwh/month)

Impact on Residential Customer (750 KWhr/month)

	<u>PY 2011</u>	<u>PY 2012</u>	<u>PY 2013</u>	<u>PY2014</u>
Current monthly electric bill (\$) *	\$ 89.25	\$ 89.25	\$ 89.25	\$ 89.25
Benefits net of costs of moving to PJM (\$)	\$ (0.58)	\$ (0.36)	\$ (0.09)	\$ (0.03)
<u>Estimated monthly electric bill in PJM (\$)</u>	<u>\$ 88.67</u>	<u>\$ 88.89</u>	<u>\$ 89.16</u>	<u>\$ 89.22</u>
% change	-0.6%	-0.4%	-0.1%	0.0%

* Assumes May 2009 auction prices

- **Quantified benefits to customers include the following:**
 - PJM administrative savings
 - Savings from improved dispatch calculated by PJM
 - Internal FE savings passed on to customers
- **Estimated costs include:**
 - Exit fees and entry costs
 - Legacy RTEP (assumes current projects are completed on schedule)
- **Quantified benefits more than offset the estimated costs of the move (eg. Enhanced competition)**
- **There are many other benefits that have not been quantified**

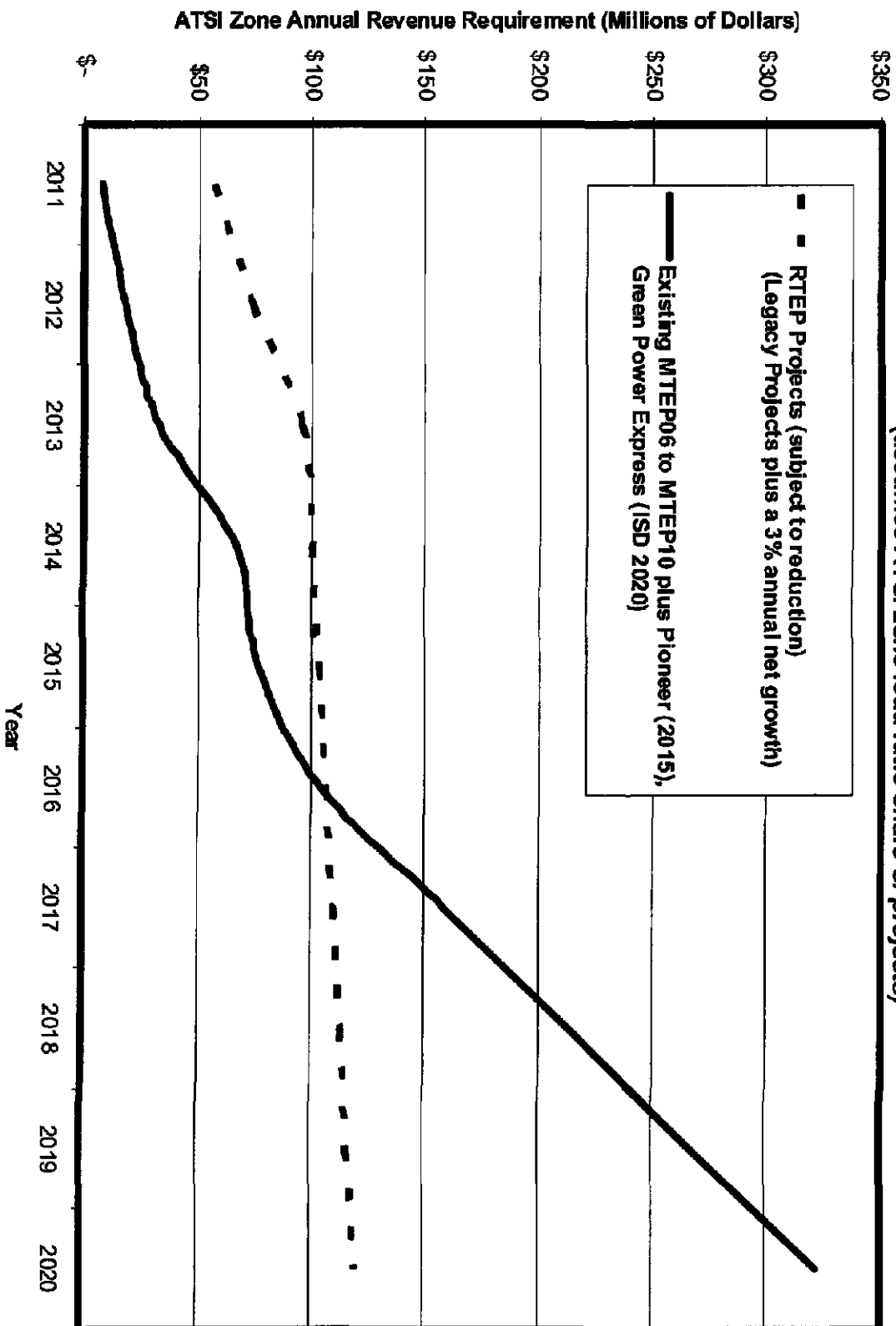
Impacts on Ohio POLR Procurement

- **More competitors in PJM**
 - Example: 60 suppliers in recent PP&L POLR process
- **Capacity price and availability is known in PJM ahead of the auctions**
 - Reduces supplier risks and risk premiums
- **Energy dispatch benefits and lower administrative costs will be factored in by suppliers**

MISO Transmission Cost Allocation

- **Significant risk of large cost allocation to ATSI zone if integration is delayed**
 - Note that projects only need to be approved while ATSI is a member to be allocated these costs
 - Several large projects pending approval with In-service dates in 2015 through 2020
 - Over \$14 billion of projects already approved for incentive rate treatment at FERC and pending MTEP approval
 - Pioneer - \$1billion, In-service date 2015 (\$22 million ATSI annual revenue requirement)
 - Green Power Express - \$13.6 billion, In-service date 2020 (\$270 million ATSI annual revenue requirement)
- **Expected changes to transmission cost allocation**
 - OMS voted on December 15th approving MISO to proceed with changes to transmission cost allocation for new (and potentially existing) projects. Will shift additional costs to ATSI customers.
 - FERC filing due in July 2010

ATSI Zone Annual Revenue Requirements For Expansion Projects In Other Zones (assumes ATSI zone load ratio share of projects)



Capacity

- **Both MISO and PJM have similar reserve margin requirements (~15%)**
- **MISO and PJM have two very different approaches to resource adequacy**
 - There is a capacity cost in MISO, but it is not transparent and requirement is only 2 months forward
 - PJM capacity market is transparent; capacity requirement is for one year and known 3 years in advance
 - PJM is better for reliability in a deregulated environment
- **PJM market accommodates and provides incentives for customers to offer Demand Response and Energy Efficiency into their markets.**

Appendix

January 7, 2010

1/5/2010

Impact on Residential Customer (750 KWhr/month)

	PY 2011		PY 2012		PY 2013		PY 2014	
	<u>Total</u> \$/Year	<u>Residential</u> \$/month	<u>Total</u> \$/Year	<u>Residential</u> \$/month	<u>Total</u> \$/Year	<u>Residential</u> \$/month	<u>Total</u> \$/Year	<u>Residential</u> \$/month
Customer Costs								
PJM Legacy Transmission Expansion (RTEP) Revenue Requirement**	57	0.71	74	0.93	96	1.20	101	1.26
MISO Exit Fees*	6.9	0.09	6.9	0.09	6.9	0.09	6.9	0.09
PJM Integration Cost*	1	0.01	1	0.01	1	0.01	1	0.01
Total Cost		0.81		1.02		1.30		1.36
Customer Savings								
RTO Administrative Cost Savings***	9	0.11	9	0.11	9	0.11	9	0.11
Internal ATSI Efficiencies*****	5	0.06	5	0.06	5	0.06	5	0.06
Energy Market Savings*****	97	1.21	97	1.21	97	1.21	97	1.21
Total Benefits		1.39		1.39		1.39		1.39
Net Quantified Benefits		0.58		0.36		0.09		0.03

Other Benefits to retail customers

Markets that support choice

- Improved price transparency in PJM capacity market
- Capacity price and availability is certain which reduces risks for LSEs (reduces risk premiums to serve customers)
- Lower retail transaction costs due to PJM web-based systems
- More retail and POLR competitors in PJM
- Improved opportunities for DR and EE

NOTES:

* For rate purposes, we assume the exit fees and integration costs are spread over 5 years.

** Assumes current projects completed on schedule. Does not include an 8.5% reduction in RTEP for other Ohio utility customers

***Based upon PJM calculation, assumes cost differential remains into the future. Does not include reductions for other Ohio utilities

****Estimated efficiency gains passed through formula rates

*****Based upon 1 year PJM model results, assumes efficiencies remain into the future

Major RTEP Approved Projects for Postage Stamp Treatment

Project and Sponsor Company	Projected SD	Estimated Cost (\$M)	Useful Life	Status/Comments
Carson-Suffolk Dominion	2011	\$ 165	51 years	Foundations were scheduled to start November 1, 2009
TRAIL Allegheny Energy and Dominion	2011	\$ 917	51 years	Major materials and major construction services have been contracted, some work in progress.
Susquehanna – Roseland PSEG and PPL Electric	2011	\$ 1,260	42 years	Construction scheduled to start in Feb 2010
Branchburg to Roseland to Hudson PSEG	2013	\$ 939	42 years	Status update unavailable
MAPP Dominion, Potomac Electric Power Company and Baltimore Gas & Electric	2014	\$ 1,128	35-51 years	Construction started in the fall 2009..
PATH Allegheny Energy and AEP (WV)	2014	\$ 1,800	51 years	Currently in Preliminary Engineering/Design, Permitting has been submitted. Land Acquisition is underway
Other Eligible Projects	Sub-Total	\$ 6,209		
		\$ 300		
	Sub-Total	\$ 6,509		