

BEFORE

THE OHIO POWER SITING BOARD

In the Matter of the Ohio Power Siting)
Board's Report to the General Assembly) Case No. 21-796-EL-UNC
Regarding the Power Transmission)
System

INITIAL COMMENTS OF BUCKEYE POWER, INC.

Buckeye Power, Inc. ("Buckeye") hereby submits its Initial Comments in response to the Ohio Power Siting Board's ("Board" and "OPSB") Entry issued in the above-captioned proceeding regarding a report the Board has been directed to provide to the General Assembly with respect to power transmission system planning and potential recommendations for legislative changes. The Board has provided interested stakeholders like Buckeye the opportunity to comment on whether the current requirements for the planning of the power transmission system are cost effective and in the interest of consumers.

I. BUCKEYE'S INTEREST

Buckeye Power, Inc. is an Ohio non-profit corporation with its principal place of business located at 6677 Busch Boulevard, Columbus, Ohio 43229. Buckeye is a generation and transmission cooperative that produces, procures, and provides at wholesale all the electric capacity and energy required by its member electric distribution cooperatives.¹ In addition, Buckeye arranges transmission services for the delivery of generation to its member electric

¹ The 25 distribution cooperative members of Ohio Rural Electric Cooperatives, Inc. 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.; Logan County Cooperative Power and Light Association, Inc.; Lorain-Medina Rural Electric Cooperative, Inc.; Mid-Ohio Energy Cooperative, Inc.; 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.; Washington Electric Cooperative, Inc., and Midwest Energy & Communications, which is based in Michigan with a portion of its electric load in Ohio.

distribution cooperatives at approximately 450 delivery points in the State of Ohio. Those member distribution cooperatives serve nearly 400,000 residential, commercial, and industrial customers in service territories encompassing primarily rural areas in 77 of Ohio's 88 counties.

Electric cooperatives, like Buckeye and its members, are owned and operated by their customers, referred to as their members. Electric cooperatives are operated on a not-for-profit and cooperative basis so that any margins (income over expenses) are allocated and eventually paid to their members as patronage capital. As a result, electric cooperatives are run solely for the benefit of their members-consumers—not shareholders.

Buckeye is a Transmission Dependent Utility ("TDU"), meaning that it depends almost exclusively on PJM Interconnection, LLC ("PJM") and the four transmission owners in Ohio (Duke Energy Ohio, Ohio Power Company/AEP Ohio Transmission Company, Inc., American Transmission Systems, Inc., and the Dayton Power & Light Company) for transmission of electricity to its member cooperatives. As a TDU, Buckeye is subject to PJM's Open Access Transmission Tariff, which includes cost recovery for transmission upgrades and expansions made by each transmission owner in Ohio.

Buckeye appreciates the opportunity to offer its comments regarding the Board's power transmission system planning. As discussed below, Buckeye and its members have seen dramatic increases in transmission costs over the last decade and support some of the Board's suggestions to put a check on transmission spending. However, Buckeye recognizes that portions of the transmission system are in need of upgrades and supports those investments—particularly for transmission lines that serve rural areas. As discussed below, rural areas have historically received less reliable transmission service than other areas of the state, while paying

the same costs, and the Board should promote policy changes that support, and do not undermine, needed investment in these areas.

II. COMMENTS

A. Significant Transmission Cost Increases

Buckeye agrees with the Board's concern over rising transmission costs and agrees that changes should be made to control these costs. Buckeye has experienced significant increases in transmission costs in the last decade. The total annual transmission costs and transmission rate charged to Buckeye have nearly tripled over the last 10 years, while generation costs have remained relatively flat. This increase has resulted in a total of over \$360,000,000 in additional transmission costs over that period which have been passed on to Buckeye's approximately 400,000 members. The total G&T rate Buckeye passes through to its members, including both generation and transmission rates, is approximately 15% higher today than it was 10 years ago as a result solely of the increase in transmission costs. Based on transmission projects that are being proposed at PJM, it is likely these costs will continue to increase at this rate or higher for the foreseeable future.

The driver for the increase in transmission costs in Ohio is clear. As a result of the restructuring of the electric industry in Ohio, investor-owned utilities ("IOUs") can no longer earn a regulated rate of return on their generation facilities, so they are instead focusing on transmission facilities where they can still earn a regulated rate of return on their investments. Even if the transmission upgrades are necessary, in a regulated environment, the utilities receive more returns for each dollar spent and, as such, could be incentivized to gold-plate transmission projects to increase their returns and profits for their shareholders. As explained below, Buckeye believes certain transmission upgrades are necessary, but agrees with the Board that measures

should be put in place to put a check on rising transmission costs and ensure the transmission companies do not have a “blank check” to invest in transmission projects.

For example, Buckeye agrees with expanding the Board’s proposed qualifications for certifying transmission projects pursuant to Ohio Revised Code 4906. Specifically, Buckeye agrees with the Board’s proposal in Item 2(d)(2) that to receive certification, the transmission companies must demonstrate that the construction of the project was competitively bid. If the project was not competitively bid, the transmission company should be required to demonstrate a valid reason for this (such as a showing that there were insufficient contractors to bid on the project). If the transmission company can justify sole sourcing a project, the transmission company should still be required to ensure the pricing is comparable to the results of a competitive bid, as suggested in Item 2(d)(2), perhaps through a comparison to recent competitively bid projects of similar size and complexity. These measures will help ensure that the transmission company is conducting the projects efficiently and in a cost-effective manner.

Other suggestions listed in 2(d) are already addressed by the PJM (the regional transmission organization (“RTO”) governing Ohio) process that each transmission company must participate in before a transmission project is initiated. There are distinct processes at PJM for planning new transmission infrastructure at the regional level—*i.e.*, PJM’s Regional Transmission Expansion Planning (RTEP) process for Regional RTEP projects and Subregional RTEP projects—and at the local level—*i.e.*, the individual transmission owners’ processes for planning Supplemental Projects which is governed by Attachment M-3 to the PJM tariffs. During the RTEP process and the M-3 process, transmission owners must provide alternative solutions for the proposed transmission project and interested stakeholders are also given the

opportunity to identify other solutions. Interested stakeholders, including consumers groups and the Board, have the ability to participate in the PJM process.

Subjecting transmission projects to the same requirements at two different levels (PJM and OPSB) could discourage these companies from making necessary investments in transmission projects in the State of Ohio, and instead focus their investments in other states where the regulatory burden for project approval is lower. In such cases, Ohio customers will still be paying for these transmission upgrades in other states through the PJM transmission tariff but will receive far less of the benefits. Or if the project is in the State of Ohio, the additional regulatory hurdles will increase the cost of the transmission owner's projects, and thus costs for consumers, without additional benefit.

If the Board determines these additional qualifications for certification of transmission projects should be considered, Buckeye cautions that such standards should not be used to prioritize larger or more lucrative projects over projects that will improve critical reliability for rural areas. For the reasons discussed below, Buckeye wants to ensure that an appropriate portion of transmission investment is dedicated to the significant needs of rural areas in Ohio.

B. Importance of Transmission Upgrades in Rural Areas

Buckeye is not opposed to transmission investment—provided an appropriate portion of that investment is dedicated to the needs of rural Ohio. While urban and suburban regions of the state have received excellent transmission reliability for decades, transmission reliability in rural areas has been woefully neglected. Despite these differences in transmission service reliability, customers in rural areas are paying the same average rate for transmission service as those in urban and suburban areas. Portions of the transmission system need to be replaced or upgraded

to maintain reliability, and this is particularly true in rural areas that have historically been overlooked.

Many of the transmission lines that serve Buckeye's members continue to suffer from a lack of reliability. Approximately one-third of Buckeye's delivery points to its distribution members (that is, the point where the transmission system connects to the distribution system), have substandard reliability due to issues on the transmission system.² Over the last five years, Buckeye members have averaged over 170 outages per year caused by outages at the transmission level, totaling over 20,000 outage minutes per year.

Buckeye is in favor of upgrades to transmission facilities that are in desperate need of repair to ensure reliability to its members and their retail customers, and Buckeye is willing to pay reasonable costs associated with those upgrades. These upgrades are necessary to support economic development and expansion in rural areas of Ohio. Many new delivery points are being requested in these areas, and Buckeye continues to struggle to ensure sufficient transmission facilities are available in a timely manner to support this development. Increased transmission investment in these areas will help ensure new delivery points, and the associated distribution systems and customers, receive adequate service. This state has prioritized expansion of broadband to rural areas—ensuring reliable electricity to rural areas should also be a priority.

For these reasons, the Board should consider whether the suggested measures will negatively impact transmission projects in rural areas. Buckeye does not think expanding the jurisdiction of the Board to include electric transmission lines with a design capacity at or above 69 kilovolts (kV) (as suggested in Item 2(a)) will lower transmission costs and may instead have

² Buckeye considers 0.4 or more outages at the transmission level annually to constitute substandard reliability. These outages can cause an entire distribution circuit to lose power.

a negative effect. The increased oversight may slow down much needed projects in rural areas by adding an additional impediment to building these projects. In addition, the regulatory hurdles may actually *increase* the transmission owner's costs to implement the projects, and these costs, along with a rate of return component, will be passed on to customers through the transmission rate. Over 80% of Buckeye's members' total delivery points, and over 90% of delivery points experiencing substandard reliability, are served by transmission lines operated at less than 100 kV.³ As a result, these increased regulatory hurdles will have a disproportionate effect on Buckeye's members and their retail customers. Adding more administrative hurdles for these 69 kV projects will only result in delays of these projects with little added benefit. The reliability of transmission delivery in rural areas is just now in the process of catching up to reliability in urban and suburban areas, and Buckeye does not want these strides undermined by unnecessary regulatory hurdles.

In addition, 69 kV transmission projects, which may be considered Baseline Projects or Supplemental Projects, still receive federal oversight because they are subject to either the RTEP process or the M-3 process at PJM. The Federal Energy Regulatory Commission ("FERC") determined that the M-3 process satisfied the nine transmission planning principles laid out in Order 890, including transparency, openness, coordination, and information exchanges.⁴ In the M-3 process, transmission owners provide models used to develop their local plans and consider and present alternatives to meet the identified needs. The M-3 process also enables stakeholder participation (including OPSB) to review and comment on the Supplemental Projects.

³ For the period of 2016-2020, 150 Buckeye transmission delivery points exceeded the target of 0.4 outages per year. Approximately 93% (139/150) of these delivery points are connected to sub-transmission (<100kV) facilities. For the period of 2006-2020, 149 delivery points exceeded 0.4 outages per year, and 95% (141/149) are connected to sub-transmission facilities.

⁴ See *PJM Interconnection, L.L.C.*, 172 FERC ¶ 61,136 (2020)

C. Ohio Deregulation and Wholistic View of Electric Systems

The Board and the General Assembly should consider that the massive increase in transmission costs may be in part due to Ohio's decision to deregulate and cede control over generation to the PJM marketplace in the early 2000s. Some of the recent transmission investment, and associated costs to customers, has been necessary to ensure grid reliability as a consequence of generation retirements. Generation, transmission, and distribution systems are intrinsically connected: generation retirements can drive the need for transmission investments. But with deregulation, the regulation of generation, transmission, and distribution has been segregated and no single entity has a wholistic view of the electric system. As a result, the balancing of costs between generation and transmission is not considered by any regulator, because in Ohio generation is not subject to regulation and no entity governs both generation and transmission. Before de-regulation, Ohio regulators could look at transmission and generation decisions wholistically in a regulated integrated resource plan, balancing total system costs, reliability, and other priorities of Ohio. Buckeye is not confident that any regulator is taking the full view of these issues now. IOUs see the guaranteed rates of return associated with transmission as a place to put their investments to maximize returns for their shareholders. The deregulated wholesale generation market is not where they want to invest because there is no guaranteed rate of return, and the PJM capacity market does not adequately compensate generators. In addition, federal regulators and PJM market participants (including many states with different priorities than Ohio) may be prioritizing environmental goals over affordability and reliability in a manner that Ohio may not necessarily agree with. Ohio has ceded control to a large extent to federal regulators and a multi-state RTO with priorities potentially at variance to

Ohio's goals. As the legislature takes a closer look at controlling transmission costs in December, it must also consider the wider issues at play.

III. CONCLUSION

WHEREFORE, Buckeye respectfully requests that the Board consider Buckeye's foregoing comments and support reasonable steps that will provide a necessary check on transmission spending without increasing administrative burdens and cost, and without impacting necessary investment in transmission infrastructure that serves rural areas.

Respectfully submitted,

BUCKEYE POWER, INC.

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Summary: Comments of Buckeye Power, Inc. electronically filed by Ms. Lija Kaleps-Clark on behalf of Buckeye Power, Inc.