

November 24, 2010

*Via Electronic Mail*

Howard Schneider  
Chair, Board of Managers  
The PJM Board of Managers  
PJM Interconnection, L.L.C.  
955 Jefferson Avenue  
Norristown, Pennsylvania 19403-2497

**re: 2010 RTEP Analysis of PATH and  
Alternative Transmission Expansion Projects**

Dear Mr. Schneider and Members of the Board of Managers:

As representatives of the Consumer Advocate Division of the West Virginia Public Service Commission, the Maryland Office of People's Counsel, the Virginia Office of Attorney General's Division of Consumer Counsel, Citizens Utility Board of Illinois, Office of the People's Counsel, District of Columbia, The Office of the Ohio Consumers' Counsel, The New Jersey Division of Rate Counsel, and the State of Delaware Consumer Advocate, we are compelled to bring to your attention what we believe to be significant disparities in the evaluation of key elements in transmission expansion projects that have been recommended to you by PJM management and which are actively under your consideration.

We are concerned both about the methods used by PJM to determine the costs of competing transmission projects and how those cost differences will be weighed by PJM in determining which project(s) should go forward. In addition, we believe that the decision by Dominion Virginia Power to rebuild the Mt. Storm-Doubs line has not been adequately considered in the analysis of whether to require construction of PATH or any of its alternatives. Given the magnitude of PATH and the alternative proposals in terms of size and cost to consumers, we do not believe it is prudent for PJM to make this crucial decision without a full

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vetting of all of the issues involved, including the ones we have previously identified in the TEAC, both in meetings and formally in the attached letter.

First, the evaluation of the costs of PATH and the proposed alternatives were not conducted on a basis that allowed any meaningful comparison of costs. PATH is based upon 2007 costs that we understand have been revised by PATH three times and not independently evaluated. The cost projections for the Liberty alternative were independently evaluated by Burns & McDonnell. We appreciate that PJM management saw the value in the independent evaluation of project costs; however PJM management did not require a comparable analysis of the PATH costs using the same assumptions as those used in evaluating the Liberty costs (or any other PATH alternative). While no doubt this gave PJM management a better understanding of the Liberty costs, it provided no information whatsoever of how the PATH and Liberty costs compare, or whether the PATH costs are themselves reasonably projected.

Given this disparity, we do not believe TEAC meaningfully reviewed, compared, and recommended to you, the Board, to approve one project over the other. For you to consider PATH and the alternative projects on their merits you should have available for your review the costs of these projects presented on a comparable basis so that you can make a reasoned, fact-basis determination of the cost component of the analysis of which project should move forward. We requested that the PATH costs be evaluated on the same basis as Liberty – independently – but were told at the October 28 TEAC meeting that PJM would not honor this request. To ensure that these projects are evaluated in an “apples-to-apples” comparison, and to ensure that the process is transparent, we formally renewed our request to PJM management to independently evaluate the PATH costs. This was not done and even a cursory review of the

Liberty cost evaluation reveals that there were different assumptions for contingencies (10% for PATH, 15% - 40% for Liberty), there was no environmental assessment or feasibility for PATH, and the real estate costs for Liberty appear excessive (four times the real estate costs for MAPP), to name a few.

Finally as it relates to the evaluation of the Liberty costs, we were surprised to learn that PJM engaged Burns & McDonnell for the independent evaluation. PJM management never disclosed to the TEAC Committee participants – or at least to the consumer advocates – that PATH had engaged Burns & McDonnell for significant work on the PATH project. The conflict of interest is undeniable and should have been immediately disclosed. For a project of the magnitude of PATH it is unrealistic that Burns & McDonnell should be expected to objectively evaluate a competing project regardless of what specific employees may or may not have been assigned to the project.

Second, PJM has indicated that Dominion will move forward with the Mt. Storm – Doubs rebuild. This rebuild, according to the TEAC meeting materials, could be completed by 2015. The filing in West Virginia for approval of the project represents the new line will be energized by 2015. Nevertheless, at the November 10, 2010 TEAC meeting, PJM declined to adopt this projection or include Mt. Storm – Daubs in the 2010 RTEP even though PJM management announced construction would commence in the spring of 2010. We believe this project should have been included in the RTEP analysis for this year or evaluated through retooling or a sensitivity study that included an in-service date of 2015. We made this request at the October 28, 2010 TEAC meeting and formally renewed this request in advance of the November 10, 2010 TEAC meeting in the attached letter.

We greatly appreciate the well-attended meeting arranged by Evelyn Robinson that allowed Steve Herling to brief us about TEAC/transmission planning. While these efforts by PJM are to be commended, we continue to believe that our voices – representing the consumers who will ultimately pay for the billions of dollars of costs for these projects – are underrepresented and that PJM must be even more diligent in evaluating and addressing the issues we have raised, including concerns regarding the costs of PATH or its alternatives.

Given the concerns we have expressed, we again respectfully request that the Board of Managers direct the PJM Planning Department to immediately undertake (whether in-house or by an outside consultant) a study that will independently evaluate the costs of the PATH project (and other alternative projects) in the same manner and on the same basis as was performed on the Liberty project. Only through a comparison of the results of these *two* studies will the PJM Board of Managers have the requisite information upon which to base its review and subsequent approval of transmission projects.

We also request that:

- (1) PJM runs a sensitivity analysis of Mt. Storm – Doubs on the RTEP base case for this year;
- (2) PJM consider the impacts on the consumers of electricity who will bear these costs by placing weight on the cost factor of the projects under consideration; and that
- (3) the Board of Managers refrains from evaluating PATH and the alternatives without this essential information.

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In evaluating PATH and its alternatives, the perspectives of stakeholders that represent the interests of the consumers who will pay for these transmission projects and minimizing those cost impacts to the greatest extent possible should also be considered.

As always, we appreciate your consideration of the issues we have raised and look forward to working productively with PJM in all our interests.

Very truly yours,

/s/ William F. Fields  
William F. Fields  
Senior Assistant People's Counsel  
**Maryland Office of People's Counsel**

/s/ Chris Thomas  
Christopher Thomas  
Director of Policy  
**Citizens Utility Board of Illinois**

JANINE MIGDEN-OSTRANDER  
CONSUMERS' COUNSEL  
/s/ Jody M. Kyler  
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Assistant Consumers' Counsel  
**Office of the Ohio Consumers' Counsel**

/s/ Byron Harris  
Director  
**Consumer Advocate Division  
Public Service Commission of  
West Virginia**

/s/ C. Meade Browder Jr.  
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Senior Assistant Attorney General  
**Virginia Division of Consumer Counsel**

/s/ Brian O. Edmonds, Esq.  
Assistant People's Counsel  
Litigation Policy Director  
**Office of the People's Counsel for  
the District of Columbia**

/s/ Michael D. Sheehy  
Deputy Public Advocate  
**State of Delaware Public Advocate**

/s/ Stefanie A. Brand  
Stefanie A. Brand, Director  
**New Jersey Division of Rate  
Counsel**

cc: Terry Boston, President & CEO  
Andy Ott, Senior Vice President Operations  
Evelyn Robinson, Manager Regulatory/Legislative Affairs  
Dave Anders, Manager Member Services

**ATTACHMENT**

November 9, 2010

*Via Electronic Mail*

Andy Ott, Senior Vice President  
Steve Herling, Vice President of Planning  
PJM Interconnection, L.L.C.  
955 Jefferson Drive  
Norristown, PA 19403

**re: 2010 RTEP Analysis of PATH and  
Alternative Transmission Expansion Projects**

Dear Messrs. Ott and Herling:

As representatives of the Consumer Advocate Division of the West Virginia Public Service Commission, the Maryland Office of People's Counsel, the Virginia Office of Attorney General's Division of Consumer Counsel, Citizens Utility Board, and Office of the Ohio Consumers' Counsel, we are compelled to bring to your attention what we believe to be the disparity of key elements in transmission expansion projects actively under consideration.

We are concerned both about the methods used by PJM to determine the costs of competing transmission projects and how those cost differences will be weighed by PJM in determining which project(s) should go forward. In addition, we believe that the decision by Dominion Virginia Power to rebuild the Mt. Storm-Doubs line has not been adequately considered in the analysis of whether to require construction of PATH or any of its alternatives. Given the magnitude of PATH and the alternative proposals in terms of size and cost to consumers, we do not believe it is prudent for PJM to make this crucial decision without a full vetting of all of the issues involved, including the ones we have identified in the TEAC process and this letter.

First, the evaluation of the costs of PATH and the proposed alternatives are not being performed on a comparable basis that will allow a meaningful analysis of the costs. PATH is

based upon 2007 costs that we understand have been revised by PATH three times. The cost projections for the Liberty alternative are being independently evaluated by a consultant. We appreciate that PJM will consider, comment on, and make recommendations to the PJM Board about the results of this cost study and believe this will provide valuable information to PJM and the stakeholders. Nonetheless, if PJM does not require a comparable analysis of the PATH costs using the same assumptions as those used in evaluating the Liberty costs (or any other PATH alternative), the result will be a better understanding and validation of Liberty costs, but there will be no better understanding of how the PATH and Liberty costs compare, or whether the PATH costs are themselves reasonable.

Given this disparity, we do not believe TEAC can meaningfully review, compare, and recommend the Board approve one project over the other. For the Board to consider these projects on their merits, at the very least, the costs of these projects should be presented on a comparable basis so that the Transmission Planning Department, in the first instance, and the Board ultimately, can make a reasoned, fact-basis determination of the cost component of the analysis of which project should move forward. We requested that the PATH costs be evaluated on the same basis as Liberty – independently – but were told at the October 28 TEAC meeting that PJM would not honor this request. To ensure that these projects are evaluated on an “apples-to-apples” comparison, however, and to ensure that the process is transparent, we respectfully but fervently renew our request that PJM have the PATH costs independently evaluated.

Second, PJM has indicated that it will move forward with the Mt. Storm – Doubs rebuild. This rebuild, according to the TEAC meeting materials, could be completed by 2015. We believe this project should have been included in the RTEP analysis for this year or evaluated through retooling or a sensitivity study. We formally renew our request at the October 28, 2010

TEAC meeting for a sensitivity analysis for Mt. Storm – Doubs that includes an in-service date of 2015.

As you know, despite severe budget limitations, many of our offices attend and participate in TEAC meetings. We greatly appreciate the well-attended meeting arranged by Evelyn Robinson that allowed Steve to brief us about TEAC/transmission planning. While these efforts by PJM are to be commended, we continue to believe that our voices – representing the consumers who will ultimately pay for the billions of dollars of costs for these projects – are underrepresented and that PJM must be even more diligent in evaluating and addressing concerns regarding the costs of PATH or its alternatives.

Given the concerns we have expressed, we again respectfully request that either the PJM Planning Department be directed to immediately undertake (whether in-house or by an outside consultant) a study that will independently evaluate the costs of the PATH project (and other alternative projects) in the same manner as is being performed on the Liberty project. Only through a comparison of the results of these *two* studies will TEAC have the requisite information upon which to base its review and subsequent comments and recommendations.

We also request that:

(1) PJM run a sensitivity analysis of Mt. Storm – Doubs on the RTEP base case for this year;

(2) PJM consider the impacts on the consumers of electricity who will bear these costs by placing weight on the cost factor of the projects under consideration; and that,

(3) PJM does not permit PATH to go forward without a full Board of Managers evaluation of PATH and the alternatives. This evaluation should include the perspectives of stakeholders that represent the interests of the consumers who will pay for these transmission

projects and minimizing those cost impacts to the greatest extent possible while still meeting the goals of the TEAC process.

We understand that you intend to disclose at the November 10, 2010 TEAC meeting the identity of the projects which will be recommended to the Board for approval. We truly hope that these requests will be granted and that the issues identified herein, which are issues of enormous magnitude to the PJM transmission planning analysis, will be thoroughly vetted through TEAC.

As always, we appreciate your consideration of the issues we have raised and look forward to working productively with PJM in all our interests.

Very truly yours,

/s/ William F. Fields  
William F. Fields  
Senior Assistant People's Counsel  
**Maryland Office of People's Counsel**

/s/ Chris Thomas  
Christopher Thomas  
Director of Policy  
**Citizens Utility Board of Illinois**

JANINE MIGDEN-OSTRANDER  
CONSUMERS' COUNSEL

/s/ Jody M. Kyler  
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Assistant Consumers' Counsel  
**Office of the Ohio Consumers' Counsel**

/s/ David A. Sade  
Deputy Consumer Advocate  
**Consumer Advocate Division**  
**Public Service Commission of**  
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/s/ C. Meade Browder Jr.  
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**Virginia Office of the Attorney General**

/s/ Brian O. Edmonds, Esq.  
Assistant People's Counsel  
Litigation Policy Director  
**Office of the People's Counsel for**  
**the District of Columbia**

cc: Evelyn Robinson, Manager Regulatory/Legislative Affairs  
Dave Anders, Manager Member Services