

March 28, 2011

The PJM Board of Managers
PJM Interconnection, L.L.C.
955 Jefferson Ave.
Valley Forge Corporate Center
Norristown, PA 19403-2497

Re: Request of the PSEG Companies, Baltimore Gas and Electric Company, PPL PJM Companies and Rockland Electric Company to Delay Proposed Filing to Modify RTEP Tariff

To The PJM Board of Managers:

The PSEG Companies,¹ Baltimore Gas and Electric Company, the PPL PJM Companies² and Rockland Electric Company (jointly, “PSEG, BGE, PPL and Rockland”) appreciate the opportunity to provide written comments to the PJM Board of Managers (“Board”) regarding PJM’s plan to file proposed tariff modifications expanding the scope of PJM’s transmission planning process to include rate-based transmission planning for public policy initiatives. As discussed in detail below, there is no legal or regulatory requirement that PJM plan transmission in response to public policy initiatives. In fact, the issue of whether planning authorities should plan rate-based transmission to address public policy initiatives and who should be allocated the costs of such transmission projects is one of the most controversial issues facing our industry today. Accordingly, PSEG, BGE, PPL and Rockland request that PJM suspend its plan to file proposed tariff changes until there is more clarity concerning this issue.

PJM has formed a Regional Planning Process Task Force (“RPPTF”) and asked the RPPTF to “[e]valuate and make recommendations to implement additional planning criteria or procedures to include a broader range of assumptions that would be required to plan for public policy initiatives such as renewable resource integration, demand response programs, or other environmental initiatives.”³ At the January 20, 2011 TOAAC Meeting, PJM Staff advised attendees that PJM intends to propose specific reforms to the Regional Transmission Expansion Plan process to address public policy projects in the next coming months. PJM Staff has stated that they are proceeding with this aggressive schedule despite the significant existing legal uncertainty surrounding regional

¹ “PSEG Companies” consist of Public Service Electric and Gas Company, PSEG Power LLC and PSEG Energy Resources & Trade LLC.

² “PPL PJM Companies” consist of PPL Electric Utilities Corporation; PPL EnergyPlus, LLC; PPL Brunner Island, LLC; PPL Holtwood, LLC; PPL Martins Creek, LLC; PPL Montour, LLC; PPL Susquehanna, LLC; PPL University Park, LLC; Lower Mount Bethel Energy, LLC; PPL New Jersey Solar, LLC; PPL New Jersey Biogas, LLC; and PPL Renewable Energy, LLC.

³ See “Charter of the Regional Planning Process Working Group,” at 1, posted on December 7, 2010 at: <http://www.pjm.com/committees-and-groups/task-forces/rpptf.aspx>.

transmission organization planning of rate-based public policy projects because the Board has directed them to do so. More recently, at the March 18, 2011 RPPTF Meeting PJM Staff presented a strawman on transmission planning process reform and further advised that it intended to present this strawman to the Reliability Committee of the PJM Board on April 5th.

PSEG, BGE, PPL and Rockland believe that at this time it is premature for PJM to propose changes to the PJM Open Access Transmission Tariff and Operating Agreement to revise its planning criteria. PJM is under no legal obligation to modify its tariff to include planning and the cost allocation of rate-based transmission for public policy. More specifically, FERC issued a proposed rulemaking in June 2010 to consider, among other things, whether planning authorities such as PJM should plan rate-based transmission for public policy reasons. That rulemaking is still pending before the FERC.⁴ More than 180 sets of written comments were filed with FERC in response to its proposed rulemaking. While the filings cover a breadth of issues, they voice significant opposition to the proposed requirement that PJM is seeking to address – the planning of rate-based transmission for public policy. State agencies have, for example, warned that placing transmission providers in the role of making policy decisions for purposes of planning transmission threatens to encroach upon the states’ jurisdiction.⁵ According to NARUC, the Transmission NOPR “improperly allows the planning authority to speculate on what public policy will or should be.”⁶

Also noteworthy are recent activities in the Midwest Independent Transmission System Operator, Inc. (“MISO”). MISO submitted a proposal to FERC to plan rate based transmission for public policy reasons, referred to in MISO as “Multi Value Projects” or “MVP.” While FERC partially approved the MISO filing, the filing and order have faced a bevy of criticism. Numerous participants, including the state utility commissions of Illinois and Wisconsin and the Organization of MISO States, have challenged the MVP order on rehearing. Notably, the Illinois Commission’s rehearing request criticizes the MVP filing on several grounds, including that “[b]ecause the Midwest ISO’s MVP proposal does not allocate costs to the generators whose interconnection to the system is enabled by the MVP, the proposal allows those generators to be free-riders and unduly discriminates by picking winners and losers.”⁷ In other words, some of the very states that MISO’s MVP concept was supposed to assist are opposed to its implementation.

⁴ See *Notice of Proposed Rulemaking, Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, 131 FERC ¶ 61,253 (2010) (“Transmission NOPR”).

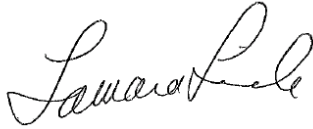
⁵ See, e.g., “Comments of the New Jersey Board of Public Utilities,” Docket No. RM10-23-000, at 4 (filed on September 29, 2010) (“It would be inappropriate to permit PJM members to set public policy that is presumably based on state and federal goals and regulations. Public policy decisions are solely within the jurisdiction of the federal government and the states and their respective regulatory bodies.”).

⁶ “Comments of the National Association of Regulatory Utility Commissioners,” Docket No. RM10-23-000 (filed on September 29, 2010), at 5.

⁷ See “Request for Rehearing of the Illinois Commerce Commission”, *Midwest Independent Transmission System Operator, Inc.*, Docket No. ER10-1791-000 (filed on January 14, 2011), at 2.

For the foregoing reasons, we respectfully request that PJM defer its proposed changes to the RTEP process until there is greater legal certainty and clarity on this issue.

Sincerely,



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