




---

**MEMORANDUM**

---

**To:** Steve Herling (PJM)  
**From:** Kenneth C. Lotterhos, Navigant Consulting for LIPA  
**CC:** Kevin Jones (LIPA), Jim Wittine (LIPA)  
**Subject:** LIPA Comments on the May 23<sup>rd</sup> TEAC Presentation Materials  
**Date:** 09 June 2006

---

At its May 23<sup>rd</sup> Transmission Expansion Advisory Committee (“TEAC”) meeting PJM presented a preliminary list of 2006 RTEP transmission projects totaling approximately \$1.3 billion. PJM stated that it plans to present the proposed 2006 RTEP projects to the PJM Board on June 22<sup>nd</sup> and anticipates filing a cost allocation report with FERC on July 22<sup>nd</sup>. As an initial matter, LIPA recommends that PJM suspend development and filing of any additional cost allocation reports until completion of the settlement discussions that are now pending before the Commission regarding the initial RTEP allocation filing. To the extent that PJM proceeds with development of additional project cost allocations at this time, LIPA submits the following comments for consideration in response to PJM’s invitation for comment by June 9<sup>th</sup> on the proposed 2006 RTEP projects.

One particular project highlighted in the TEAC presentation raises concern due to its potential cost impact on the Eastern PJM zones. The project in question is the Mt. Storm – Meadow Brook – Loudoun 500 kV circuit estimated to cost \$850 million. LIPA echoes concerns similar to those raised by other stakeholders at the TEAC meeting regarding the sufficiency of analysis and justification for the Mt. Storm circuit project. First, PJM has not described whether less costly alternatives to the projects were considered, and, if so, provided any background information and explanations as to why the alternative projects have been rejected for inclusion. Further, PJM must identify the extent to which proposed generation additions in Eastern PJM were considered when determining the need and scope of the Mt. Storm circuit project. Finally, if the Mt. Storm circuit project is approved, PJM must fully explain to the market participants how the effects of this project will integrate with, and affect, alternative project proposals in PJM’s long-range RTEP process.

With respect to the needs/benefits assessment underlying the proposed allocation, LIPA notes that PJM appears to have selected certain projects for cost allocation while excluding others. In particular, LIPA requests that PJM explain, in detail, the process by which PJM determined that costs should be allocated exclusively to Eastern PJM zones for projects such as the Mt. Storm – Meadow Brook – Loudoun project and why is the Linden VFT project excluded from cost allocation for several projects where Neptune (a merchant project in the same general area) is included. For example, projects b0328.1 and .2 and b0347.1 and .2 do not include the Linden VFT in the cost allocation yet do include Neptune.

Upgrade ID	Description	Cost (\$ millions)	In-Service Date	Construction Responsibility	Recommended Cost Responsibility
b0328.1	Build new Meadowbrook – Loudoun 500 kV circuit (30 of 50 miles)	\$130.000	6/1/2011	Dominion	AEC (4%) / BGE (19%) / DPL (6%) / JCPL (9%) / ME

					(4%) / <b>Neptune (1%)</b> / PECO (12%) / PEPCO (21%) / PENELEC (1%) / PPL (9%) / PSEG (14%)
b0328.2	Build new Meadowbrook – Loudoun 500 kV circuit (20 of 50 miles)	\$90.000	6/1/2011	APS	AEC (4%) / BGE (19%) / DPL (6%) / JCPL (9%) / ME (4%) / <b>Neptune (1%)</b> / PECO (12%) / PEPCO (21%) / PENELEC (1%) / PPL (9%) / PSEG (14%)
b0347.1	Build new Mt. Storm -502 Junction 500 kV circuit.	\$288.000	6/1/2011	APS	AEC (4%) / BGE (19%) / DPL (6%) / JCPL (9%) / ME (4%) / <b>Neptune (1%)</b> / PECO (12%) / PEPCO (21%) / PENELEC (1%) / PPL (9%) / PSEG (14%)
b0347.2	Build new Mt. Storm – Meadowbrook 500 kV circuit.	\$252.000	6/1/2011	APS	AEC (4%) / BGE (19%) / DPL (6%) / JCPL (9%) / ME (4%) / <b>Neptune (1%)</b> / PECO (12%) / PEPCO (21%) / PENELEC (1%) / PPL (9%) / PSEG (14%)

Assuming the VFT project is in the same general area as Neptune and about half the load, costs of roughly half that allocated to Neptune should be allocated to the Linden VFT for these projects. In the instance of the projects indicated above, the cost allocated to Linden VFT would be in excess of the \$50,000 *de minimus* threshold generally stated for cost allocation between interconnection customers. LIPA requests a more detailed explanation of how these costs were allocated.