



STATE OF DELAWARE
THE PUBLIC SERVICE COMMISSION
861 SILVER LAKE BLVD
CANNON BUILDING, SUITE 100
Dover, Delaware 19904
June 2, 2014

TELEPHONE: (302) 736-7529
FAX: (302) 739-4849

VIA ELECTRONIC DELIVERY

Mr. Steven Herling
Vice President – Planning
PJM Interconnection
PO Box 1525
Southeastern, PA 19399-1525

Re: **COMMENTS OF DELAWARE PUBLIC SERVICE COMMISSION
REGARDING TRANSMISSION EXPANSION ADVISORY COMMITTEE
CONSIDERATION OF ARTIFICIAL ISLAND PROPOSALS**

Dear Mr. Herling,

As requested at the Monday, May 19th Special TEAC meeting, the Delaware Public Service Commission (“Delaware PSC”) hereby submits these comments regarding consideration of the proposals to resolve the stability issues identified to provide for maximum power generation from Artificial Island (“AI”). The Delaware PSC recognizes, and appreciates, that ultimate decisions by the PJM Board regarding AI will be predominantly based on appropriate engineering requirements. As discussed further below, however, there are significant concerns with the potential cost allocation impacts illustrated at recent Transmission Expansion Advisory Committee (“TEAC”) meetings.

In response to the Regional Transmission Expansion Plan proposal window initiated by PJM to address the AI stability issues on April 29, 2013, there were 26 proposed solutions submitted and evaluated by the TEAC. There was a range of costs from \$100 million to \$1.550 billion and included 500kV and 230kV transmission facilities as well as new transformation, substations, and additional circuit breakers. The proposals provided a diversity of station connections, a variety of routing options, project risks, resource requirements, and timelines. The Delaware PSC Staff monitored the TEAC meetings and certainly appreciates the complexity required in the evaluation to reduce the proposals to the 12 Southern Crossing and Red Lion Lines.

In response to a request from the Delaware PSC Staff, at the May 8, 2014 TEAC meeting PJM provided examples of cost responsibility for a Load Ratio Share and a DFAX allocation. As shown on slide 37 of that presentation¹ for a 500kV facility, Delmarva Power & Light Company (“Delmarva”) was responsible for approximately 4.5% of the cost. The major responsibilities for the DFAX

¹“May 8 TEAC presentation” <http://www.pjm.com/~media/committees-groups/committees/teac/20140508/20140508-item-01-reliability-analysis-update.ashx>

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allocation of a 500kV facility were AEC at approximately 38% and JCPL at approximately 51%. While the Delaware PSC takes no position at this time on the DFAX percentages shown in the example, the responsibilities appear logical in that cost responsibility is shared mainly among the entities in the New Jersey and Delaware transmission zones.

On the other hand, the cost allocation example for a 230kV facility displayed neither logic nor fairness. As shown on slide 38 of the May 8 TEAC presentation, Delmarva would be assigned 100% of the cost for such a facility. It is not clear to the Delaware PSC why such a dramatic difference could occur in a DFAX allocation between a 500kV and 230kV facility where the benefit of the project to alleviate an operational problem in the New Jersey transmission zone is the same, however, the cost responsibility is assigned solely to the Delaware transmission zone.

The Delaware PSC Staff estimates that the cost impact between the two allocation methodologies could be significant to Delaware ratepayers and (depending on the project selected) could range upwards of a 20% increase in Annual Transmission Revenue Requirements. Given the lack of clarity and cost impact, the Delaware PSC would request PJM to provide additional information in order to assist in the evaluation and assessment of a PJM Board decision regarding AI.

The Delaware PSC would request the following information from PJM:

1. Describe the difference between the DFAX Allocation for a 500kV facility versus a 230kV facility as illustrated for the AI projects.
2. Explain how a transmission project to alleviate an operational issue in one transmission zone could be solely the cost responsibility of a different transmission zone.
3. Provide any other examples in PJM's transmission planning where the cost for a project, or facility, to resolve a reliability and/or operational issue in a transmission zone was entirely assigned to another transmission zone(s)

It would be appreciated if the above information could be provided to the Delaware PSC on or before the June 16, 2014 scheduled TEAC meeting in order to allow for comments, if necessary, prior to the PJM Board meeting scheduled for July 22 on this issue.

Please feel free to contact me or Mr. Robert Howatt our Executive Director, should you have any questions, or if I can be of further assistance in this matter.

Sincerely,

/s/ Dallas Winslow

Chairman

Delaware Public Service Commission

Copies:

Commissioners, Delaware Public Service Commission

Mr. Robert Howatt, Executive Director, Delaware Public Service Commission

Ms. Janis Dillard, Deputy Director, Delaware Public Service Commission

Mr. Craig Glazer, Vice President-Federal Government Policy, PJM