Southern Maryland Electric Cooperative, Inc.
Presentation to TOA-AC
October 7, 2016
Objectives

• Brief overview of SMECO and its operations and facilities
• NERC's recent determination that SMECO must register as a Transmission Owner
• Implications of NERC's determination for:
  – SMECO contracting with an entity to perform Transmission Operator (TOP) functions
  – SMECO's execution of CTOA, as a Zero Revenue Requirement party, as a prerequisite to PJM's performance of TOP functions
• Next Steps
SMECO Overview
SMECO Overview

• Organization
  – Customer-owned electric cooperative
  – Organized as a not-for-profit Maryland corporation
  – Employees
    • 517
  – Offices
    • Headquarters – Hughesville
    • Regional Office - Leonardtown

• Statistics
  – Total Customers: 163,303
  – System Demand Peak: 1,002.7 MW [2015]
Leadership Team

• Key Staff
  – President and Chief Executive Officer
    • Austin J. Slater, Jr.
  – Senior Vice President, Engineering and Operations and Chief Operating Officer
    • Kenneth Capps
  – Senior Vice President, Financial, Economic, and Employee Services and Chief Financial Officer
    • Sonja M. Cox
  – Senior Vice President, External Affairs and General Counsel
    • Mark A. MacDougall
  – Senior Vice President, Customer & Enterprise Services and Chief Information Officer
    • Joseph Trentacosta

• Senior Management – Reliability Compliance
  – Reliability, Compliance & Security Managing Director
    • Dave Viar
SMECO provides electricity to all or portions of 4 counties in Southern Maryland: Prince George’s County, Charles County, St. Mary’s County, and Calvert County.

SMECO Service Area
1,150 square miles
SMECO System

- All interconnections with PJM system are through PEPCO
- Located wholly within the PEPCO Zone
- Interconnections with PEPCO System
  
<table>
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<tr>
<th>Interconnections</th>
<th>Voltage (kV)</th>
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<td>4</td>
<td>69</td>
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<td>3</td>
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- 230 kV Facilities: 47 miles of dual-circuit 1590 ACSR; 10 miles of single circuit (includes 4600 ft solid dielectric submarine cable)
SMECO System

- 230 kV Transmission Protection Schemes
  - Redundant line current differential
  - Redundant breaker failure

- SMECO provides distribution offsite power to supply Engineered Safeguard loads at Calvert Cliffs Nuclear Power Plant.

- SMECO owns distributed UFLS relays at the 12.47 voltage level.

- SMECO does not operate an UVLS program.

SMECO – Status as NERC TO
SMECO Exception Request; TO Status

• November 20, 2014 – SMECO submitted an Exception Request to ReliabilityFirst (RF)
  – SMECO system is a Local Network
• January 2016 - RF Technical Review Panel supports RF initial recommendation to deny Exception Request
• April 20, 2016 – NERC agrees with RF's denial of the Exception Request
• SMECO did not appeal NERC decision
• SMECO must register as a Transmission Owner
SMECO Registration as TO

- SMECO has regular calls with PJM technical team to discuss arrangements for SMECO's registration as TO
- Several technical and legal issues must be addressed prior to registration
- SMECO has submitted an implementation plan to RF with a proposed registration as of mid-January 2017
TO Registration Issues; Jurisdictional Issues
Registration/Jurisdictional Issues

• SMECO is currently not FERC-jurisdictional
  – Rural cooperative
  – Sells less than 4,000,000 MWhs per year
• Will become FERC-jurisdictional when SMECO sells more than 4,000,000 MWhs per year, if SMECO's facilities are classified as "transmission"
  – SMECO no longer receives financing under the Rural Electrification Act
Registration/Jurisdictional Issues

• SMECO's non-jurisdictional status, and potential continuing non-jurisdictional status even when sales exceed 4,000,000 MWh, raised unique issues relative to performance of NERC-required TOP functions

• In RF, PJM is the registered TOP for nearly all transmission facilities in PJM region

• PJM position (after several meetings/calls with PJM):
  – For PJM to perform TOP functions for SMECO, SMECO must sign Consolidated Transmission Owners Agreement (CTOA)
Registration/Jurisdictional Issues

- SMECO's execution of CTOA:
  - Would impose on SMECO obligations that are unrelated to PJM's TOP functions and that would not otherwise be imposed on SMECO as a non-jurisdictional entity (e.g., planning, upgrades, interconnection, open access)
  - Is necessary, in some form, to have PJM serve as TOP
  - May impact SMECO's jurisdictional status relative to FERC
  - May impact SMECO's rates that are currently subject to Maryland PSC jurisdiction
Decision/Next Steps

• After careful consideration and discussions with PJM:
  – SMECO will be executing CTOA as a Zero Revenue Requirement party
  – SMECO may transition to a "full" CTOA signatory over the next 2-3 years
  – Cover letter to FERC, for filing of CTOA execution page, will explain SMECO's unique issues/concerns
  – Filing targeted for late October, to allow CTOA status to become effective no later than January 1, 2017
Thank you~

Questions?