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July 13, 2015

Mr. Howard Schneider
Chair, PJM Board of Managers
PJM Interconnection
PO Box 1525
Southeastern, PA 19399-1525

RE: Artificial Island Facilities Project

Dear Mr. Schneider:

On behalf of the State of Delaware, I urge you and your colleagues on the PJM Board of Managers to reconsider proceeding with the Artificial Island facilities project as proposed without adopting a more equitable and reasonable cost allocation. As the project is currently structured, Delaware consumers would bear over \$100 million of costs associated with the project in exchange for a very small portion of the value it would create. This failure to allocate costs in accordance with benefits is inequitable and unreasonable.

As you know, the Artificial Island facilities project was developed to solve a problem – how to generate maximum power from the Artificial Island units while reducing operational complexity and maintaining stability of the generation from those units. PJM's Transmission Expansion Advisory Committee (TEAC) did significant work to evaluate solutions to that problem. TEAC's analysis concludes that the proposed solution – a 230 kV power line from Artificial Island to Red Lion in Delaware – is technically superior and I do not take a position on the specific solution selected.

However, TEAC's analysis also concludes that the Artificial Island solution would result in almost all of the significant project costs being allocated to residential, commercial and industrial consumers in the Delmarva Peninsula, including customers of Delmarva Power & Light Company, Delaware Municipal Electric Corporation, and the Delaware Electric Cooperative.

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According to the Delaware Public Service Commission, this project could result in an approximate twenty-five percent increase in transmission costs in Delaware. For the average residential consumer, monthly electric bills could increase by several dollars. For the average business, the increase may be more significant. Some of our heaviest users could see increases of hundreds of thousands of dollars.

It seems patently unfair that electricity users in the Delmarva Peninsula would bear almost the entirety of the costs of a project for which the principal benefit is not expanded energy transmission in Delaware, but maximizing power from generating units in New Jersey that serve customers throughout the PJM region. Allocating to Delaware and Maryland consumers the bulk of those costs for a project not necessitated by demand in this area is neither reasonable nor equitable.

Given the evidence before me, I can only conclude that any attempt to solve the operational performance issues at the Artificial Island facilities, as currently planned, would not be in the best interests of Delaware consumers unless the project costs were assessed in a manner that better reflect the expected benefits. I urge the PJM Board to allow the Artificial Island facilities project to proceed only after PJM's adoption and FERC's approval of a cost allocation that appropriately shares these costs among all project beneficiaries.

I recognize that cost allocation issues are governed by FERC rules and tariffs submitted by transmission owners. But those same FERC rules require cost allocations to be reasonable and allocated in a manner commensurate with project benefits. I believe this is a time when PJM must show leadership by recognizing that imposing all the costs for the Artificial Island project on Delaware and Maryland consumers is neither reasonable nor fair.

Chairman Dallas Winslow of the Delaware Public Service Commission also sent you a letter suggesting that the Board delay decision on the project until a better cost allocation methodology is adopted. I echo the sentiments he conveyed in that letter and endorse his recommendations. I urge you to delay proceeding with the project unless costs can be shared reasonably and equitably among all those who benefit from increasing generation at Artificial Island, and not just local electricity users that happen to be on the receiving end of this project.

I trust that you will take the outlined reasoning into consideration.

Sincerely,



Jack A. Markell