

Sponsors: American Municipal Power; Ohio Municipal Electric Association; Delaware Municipal Electric Corporation; Blue Ridge Power Agency

In Support of Implementing Meaningful Oversight and Transparency of Supplemental Transmission Projects

1 Transmission projects are on the rise across the country. According to the Edison Electric Institute’s
2 (EEI) 2016 Transmission Projects at a glance, total EEI member annual transmission investments
3 increased from \$10.2 billion in 2010 to \$20.1 billion in 2015 and is expected to peak at \$22.5 billion in
4 2017. Primary drivers for this investment include replacing aging infrastructure, system hardening and
5 resilience, improvements to meet evolving reliability and security requirements, and the integration of
6 renewables.

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8 During a July 2015 presentation to JP Morgan’s Investor Conference, The Brattle Group identified similar
9 drivers for investment and projects annual expenditures between \$5 billion to \$10 billion annually, just to
10 replace aging infrastructure. With the various drivers for new transmission, Brattle estimates spending to
11 be approximately \$120 billion to \$160 billion per decade through 2030.

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13 Additionally, investor-owned utilities in some parts of the country have indicated their intent to move
14 away from competitive wholesale power markets to focus on replacing investment in power supply
15 resources with investment in regulated transmission assets.

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17 With all of these drivers, it is paramount that the Federal Energy Regulatory Commission (FERC) ensure
18 that the planning processes developed under orders 890 and 1000 are fully implemented by transmission
19 owners and regional transmission organizations (RTOs). Order 890 provided guiding principles of
20 openness, transparency, and comparability to enable stakeholders to meaningfully participate in the
21 transmission planning process. Order 1000 further codified these principles to apply to both regional as
22 well as local planning, and added a competitive process for projects in the regional plan.

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24 In the PJM region, where public power systems are transmission dependent, American Public Power
25 Association (APPA) members have seen not only a marked increase in transmission costs, but also a
26 marked increase in projects (supplemental) that are not part of the PJM Regional Transmission Expansion
27 Plan (RTEP). The RTEP is comprised of projects with clear criteria and planning guidelines reviewed
28 and or planned by PJM and approved by the PJM Board. On the other hand, “supplemental” transmission
29 projects are changes to the transmission system that are not required to satisfy reliability, operational
30 performance, or economic criteria. Supplemental transmission projects do not receive the same rigorous
31 review by PJM that baseline transmission projects do, even though the costs for these projects are also

32 passed on to consumers. This lack of true oversight means it is nearly impossible for energy
33 consumers—who ultimately bear the costs of these projects—to verify that they are getting their money’s
34 worth.

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36 In the PJM Interconnection territory from May 2011 through May 2017, the annual revenue requirement
37 (the actual cost for transmission owners to provide transmission service plus a return on their capital
38 investment) for transmission enhancement projects increased by 294.5 percent. Additionally, through
39 2012, there was approximately \$21.3 billion of PJM in-service or planned baseline and network upgrades
40 compared to \$6.8 billion in supplemental transmission projects. Since 2012, there have been
41 approximately \$12.7 billion in supplemental projects compared to \$11.6 billion of PJM in-service or
42 planned baseline and network upgrades. This means there were more transmission projects proposed
43 without any true oversight than within the established PJM planning process. With the exception of 2016,
44 the amount of supplemental transmission projects has steadily increased each year.

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46 APPA supports efforts to address necessary maintenance and refurbishing of the transmission grid to
47 maintain reliable and economic service. However, it is imperative that federal policymakers implement a
48 true review process that ensures transmission investments within regional transmission organizations are
49 prudent, cost-effective and future-focused.

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51 **NOW, THEREFORE BE IT RESOLVED:** That the American Public Power Association (APPA) urges
52 the Federal Energy Regulatory Commission (FERC) to enforce the transmission planning process
53 requirements of orders 890 and 1000 in a manner consistent with the purposes and goals of those orders;
54 and

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56 **BE IT FURTHER RESOLVED:** That APPA recognizes earlier efforts by FERC’s 2016 Show Cause
57 Order in Docket No. EL16-71, and urges FERC to issue a final ruling to ensure all transmission
58 investments in the PJM region are needed and cost effective; and

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60 **BE IT FURTHER RESOLVED:** That APPA supports efforts to maintain and refurbish the electric
61 transmission grid with timely and meaningful stakeholder participation and effective oversight and
62 review.