



Agenda Date: 4/11/12

Agenda Item: 2C

STATE OF NEW JERSEY
Board of Public Utilities
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ENERGY

IN THE MATTER OF FEDERAL ENERGY ITEMS FOR) ORDER OF APPROVAL
2012 - INTERVENTION AND COMMENTS IN PJM)
INTERCONNECTION, L.L.C. FERC DOCKET NO.)
ER12-1178 REGARDING AMENDMENTS TO THE PJM)
OPERATING AGREEMENT TO ALLOW FOR PUBLIC)
POLICY CONSIDERATIONS TO BE MODELED IN THE)
REGIONAL TRANSMISSION EXPANSION PLANNING)
PROCESS) DOCKET NO. ER12010002

BY THE BOARD:

The New Jersey Board of Public Utilities ("Board") HEREBY RATIFIES the Motion of Intervention and Comments ("Motion") filed with the Federal Energy Regulatory Commission ("FERC" or "Commission") on or about March 21, 2012 pursuant to a FERC imposed deadline.

On February 29, 2012, the PJM Interconnection, L.L.C. ("PJM") filed with FERC proposed amendments to Schedule 6 of PJM's Restated Operating Agreement ("Operating Agreement")¹ facilitating the implementation of the principles prescribed by FERC's Order 1000.² In Order 1000, the Commission required that transmission providers establish a regional transmission planning process that provided opportunities for greater stakeholder participation and for consideration of transmission needs driven by public policy.

In furtherance of this requirement, PJM proposed to adopt two different definitions:

"Public Policy Objectives" which shall refer to Public Policy Requirements, as well as public policy initiatives of state or federal entities that have not been codified into law or regulation but which nonetheless may have important impacts on long term planning considerations.

and

¹ Rate Schedule FERC No. 24.

² *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, 136 FERC ¶ 61,051 (July 21, 2011).

“Public Policy Requirements” which shall refer to policies pursued by state or federal entities, where such policies are reflected in enacted statutes or regulations, including but no limited to, state renewable portfolio standards and requirements under Environmental Protection Agency regulations.

These terms define the types of public policy considerations that may be modeled into the PJM Regional Transmission Expansion Planning Process (“RTEPP”). PJM amended several sections of the Operating Agreement to provide the framework for properly employing these considerations.

PJM also proposed to facilitate periodic meetings with the Independent State Action Committee (“ISAC”) to discuss:

- (i) the assumptions to be used in performing the evaluation and analysis of the potential enhancements and expansions to the Transmission Facilities;
- (ii) regulatory initiatives, as appropriate, including state regulatory agency initiated programs, and other Public policy Objectives to consider including in the Office of the Interconnections transmission planning analyses;
- (iii) the impacts of regulatory actions, projected changes in load growth, demand response resources, energy efficiency programs, generating capacity, market efficiency, and other trends in the industry and;
- (iv) alternative sensitivity studies, modeling assumptions and scenario analyses proposed by ISAC.

Thus, the members of ISAC will provide PJM's Transmission Expansion Advisory Committee with state-initiated assumptions to be considered when developing the RTEPP.

The Board generally supports PJM's proposal. Modeling public policy considerations in the RTEPP is appropriate, given the language in Order 1000 and the states' statutory right to site generation within their territory.³ The Board also believes that PJM possesses sufficient skill to adequately consider policy-based factors, when modeling various transmission solutions. However, while PJM's proposal is commendable, it is also incomplete.

The Filing does not provide a methodology for allocating the costs associated with transmission projects that are developed for public policy reasons. Any cost allocation methodology must include a veto provision, whereby a state may reject public policy-driven projects that its ratepayers would be asked to fund. The Board will not support a cost allocation methodology that would ask New Jersey to fund projects based solely on another entities' public policy.

The Filing also failed to address the manner in which policy-based projects would be integrated into the RTEP. While the Board supports modeling policy-driven projects in the planning process, the possibility of building non-reliability based projects raises serious concerns. Maintaining grid reliability must remain the primary driver for developing transmission projects. Public policy should simply inform the RTEPP as to possible solutions to reliability concerns.

³ The Federal Power Act provides that "The Commission . . . shall not have jurisdiction . . . over facilities used for the generation of electric energy[.]" 16 USC § 824(b). Thus, such authority is reserved to the states.


Moreover, the prospect of building costly policy-based transmission assets and then socializing the costs throughout some or all of PJM is inequitable, and further emphasizes the need for state veto authority.

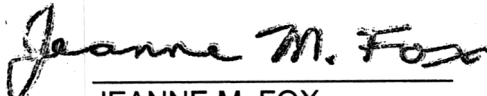
While the Board recognizes PJM's initial efforts to implement Order 1000, many serious and potentially contentious issues remain unsolved. Therefore, the Board reserves additional comments for when PJM proposes a fair and reasonable cost allocation strategy complete with state veto authority over policy-driven projects its ratepayers would be asked to fund.

THEREFORE, after consideration of all pertinent materials submitted in this matter, and review by Board Staff, the Board HEREBY RATIFIES the Motion filed before FERC on or about March 21, 2012, pursuant to a Commission approved deadline.

DATED: 4/11/12

BOARD OF PUBLIC UTILITIES
BY:


ROBERT M. HANNA
PRESIDENT



JEANNE M. FOX
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER


NICHOLAS ASSELTA
COMMISSIONER


MARY-ANNA HOLDEN
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities

