

I. MOTION TO INTERVENE

P3 is a nonprofit corporation dedicated to promoting policies that will allow the PJM region to fulfill the promise of its competitive wholesale electricity markets. P3 strongly believes that properly designed and well-functioning competitive markets are the most effective means of ensuring a reliable supply of power to the PJM region, facilitating investments in alternative energy and demand response technology, and promoting prices that will allow consumers to enjoy the benefits of competitive electricity markets. Combined, P3 members own over 75,000 megawatts of power, own over 51,000 miles of transmission lines, serve nearly 12.2 million customers and employ over 55,000 people in the PJM region – encompassing 13-states and the District of Columbia. Thus, P3 has a substantial interest in this proceeding.

P3 is an interested party, and its intervention and participation will promote the public interest in viable and competitive wholesale markets. P3 is not now, nor will be, adequately represented by any other party in this proceeding, and may be bound or adversely affected by the Commission's action herein.

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II. PROTEST

The Petition is procedurally improper, and the four SVCs proposed by Primary Power are not shown to meet a demonstrated reliability or economic need. Accordingly the Petition should be denied.

A. Primary Power's Petition Is Procedurally Improper

The Petition is procedurally improper and should be rejected. If Primary Power's plan was to construct the four SVCs on a regulated rate basis it should have come forward years ago, starting in the stakeholder process, with its proposal for these SVCs and for recovery of the costs from PJM Interconnection, LLC ("PJM") customers. Instead, Primary Power proposed the SVCs as merchant transmission projects for which it would bear all costs and risks and not be eligible for a regulated return.²

Primary Power's other option was to propose these SVCs as additions to the Regional Transmission Expansion Plan ("RTEP").³ However, it has not done so. Its proposal has not been considered by any of the relevant PJM committees, such as the Transmission Expansion Advisory Committee ("TEAC"). Moreover, as a proposed RTEP project, PJM would be able to reject it (which Primary Power apparently concedes), reconfigure it if PJM determined that an alternative configuration was more appropriate, and assign the project to the most appropriate entity to build it. PJM's decision as to who would build the project would be driven, in part, by which entity could build and maintain the project in the most efficient and cost-effective manner

² Under Section 1.18E of the PJM Tariff, "Merchant Transmission Facilities" do not include "...any transmission facilities that are included in the rate base of a public utility and on which a regulated return is earned."

³ PJM is responsible for development of the RTEP but is required to have "an open and collaborative process" under Section 1.5.6(a) of Schedule 6 of the Operating Agreement. Further, under Section 1.5.6(h) of Schedule 6 of the Operating Agreement, once PJM has developed a recommended plan, "Any Transmission Owner and other participants on the Transmission Expansion Advisory Committee may offer an alternative." The Transmission Expansion Advisory Committee is open to any interested person under Section 1.3(b) of Schedule 6 of the Operating Agreement.

based on the determined need for the upgrade. Thus, the relief Primary Power seeks is contrary to the established PJM procedures for such projects.

By requesting rate incentives and requesting that PJM be required at this time to designate Primary Power to construct the SVCs, Primary Power is putting the cart before the horse. Approval of the Petition would upend a process that has led to more than \$15.1 billion in existing and planned transmission system additions and upgrades, not including those associated with generation interconnection, over the last 10 years.⁴ Given these procedural deficiencies alone, the Commission should maintain the integrity of the RTEP process and reject the Petition.

B. Primary Power Does Not Establish a Reliability Need.

Primary Power does not show a reliability need for the proposed SVCs. The latest PJM baseline assessment shows that the PJM transmission system as currently planned (without Primary Power's proposed SVCs) is in compliance with all NERC planning standards, including reactive requirements.⁵ The PJM baseline assessment also documents approximately 6,100 MVAR of existing and planned dynamic reactive devices.⁶ Clearly, dynamic reactive devices, such as the SVCs proposed by Primary Power, are not novel for the PJM system and have been integrated as needed into the PJM system through the established PJM planning process.

Additionally, PJM's Feasibility Study for Primary Power's two Jacks Mountain SVCs says that these SVCs are "... not needed on the PJM system to support reliability voltage requirements as a result of the existence of a baseline upgrade totaling 1000 MVAR in relatively

⁴ "Supplemental Initial Comments of PJM Interconnection, LLC," Docket No AD09-8-000, filed November 23, 2009, pg. 2.

⁵ <http://www.pjm.com/planning/rtep-development/~//media/planning/rtep-dev/baseline-reports/2008-rtep-baseline-assessment.ashx>, pg. 3.

⁶ *Id.* at pg. 10.

the same location.”⁷ This 1,000 MVAR would appear to include 600 MVAR of dynamic reactive devices already planned at the Jacks Mountain substation (b0369 and b0370).⁸

PJM has a long-term reactive power planning process that studies reactive need on an ongoing basis.⁹ Primary Power’s proposed SVCs have not been found to be needed in the course of this planning. Furthermore, even if more reactive power was needed, it is not established that the kind of reactive power, the location, the amount, or the schedule would be as proposed by Primary Power.

Primary Power’s claim that its proposed SVCs would be “backstopping” backbone projects is not substantiated.¹⁰ Primary Power does not show that the SVCs could temporarily or permanently substitute for a backbone project. Additionally, if a backbone project were to be delayed or cancelled, PJM would, and should, consider a variety of alternatives to address any resulting reliability problem.

Further, Primary Power’s claim to offer a unique “integrated array” is not valid.¹¹ There are thousands of MVAR of dynamic reactive and tens of thousands of MVAR of static reactive in PJM.¹² Primary Power’s proposed SVCs are not unique. Moreover, Primary Power would not be operating its SVCs as an “integrated array” – it proposes to turn over control to PJM.¹³

⁷ http://www.pjm.com/pub/planning/project-queues/merch-feas_docs/u2086_fea.pdf, pg. 5.

⁸ <http://www.pjm.com/planning/rtep-upgrades-status/construct-status.aspx>.

⁹ <http://www.pjm.com/documents/reports/~//media/documents/reports/2008-rtep/2008-section5.ashx>, pg. 79-80.

¹⁰ Petition, pg. 27.

¹¹ *Id.*, at pg. 20.

¹² <http://www.pjm.com/planning/rtep-development/~//media/planning/rtep-dev/baseline-reports/2008-rtep-baseline-assessment.ashx>, pg. 10.

¹³ Petition, Exhibit No. GPL-19, pg. 3.

Given that Primary Power does not show any reliability need for the SVCs and its claims are inaccurate, the Commission should reject the Petition.

C. Primary Power's Proposal Is Not Economically Justified

Primary Power's proposal is not economically justified. For purposes of its modeling, Primary Power does not describe how it estimated increased transfer capability from the SVCs or what those estimates were.

Also, Primary Power does not provide the most relevant scenario comparison. A relevant comparison would be the PJM system per the PJM RTEP showing scenarios without the SVCs and with the SVCs.¹⁴

Primary Power provides no basis for using a natural gas price of \$9.75/MMBtu in its 2012 study year. The \$9.75/MMBtu price appears to be a 2016 price used by PJM in its market efficiency analysis.¹⁵ Regarding the 2012 natural gas price of \$8.01/MMBtu, although this does appear to be a price used by PJM for that year, current NYMEX prices for 2012 are substantially below that amount.¹⁶

Finally, Primary Power does not deduct the annual cost of the SVCs from its alleged benefit. This would be at least \$40 million using Primary Power's capital cost of \$200 million and applying the PJM levelized carrying charge rate of about 20% that is used in the PJM market

¹⁴ Primary Power excludes most backbone projects (Susquehanna-Roseland, Branchburg-Roseland-Hudson, MAPP and PATH) from its modeling.

¹⁵ <http://www.pjm.com/committees-and-groups/committees/~media/committees-groups/committees/teac/20090520/20090520-2009-rtep-market-efficiency-input-assump.ashx>, slide 4.

¹⁶ The average 2012 NYMEX price was \$6.79/MMBtu as of yesterday's close. <http://www.cmegroup.com/trading/energy/natural-gas/natural-gas.html> (click on Settlements and enter December 10, 2009 Trade Date). The decline in natural gas prices from when Primary Power submitted these SVCs to PJM as merchant transmission projects in July of 2008 would indicate that the projects are no longer viable as merchant projects and because of that Primary Power is now proposing regulated treatment.

efficiency analysis.¹⁷ This is an annual cost that would be incurred by PJM customers indefinitely, regardless of whether the SVCs provide any reliability or economic benefit. Given that Primary Power does not justify the economics of its proposed SVCs, the Commission should reject the Petition.

III. CONCLUSION

For the foregoing reasons, P3 respectfully requests that the Commission grant this Motion to Intervene, and reject the Primary Power Petition as procedurally deficient, and not demonstrating that the SVCs proposed by Primary Power meet a reliability or economic need.

Respectfully submitted,

On behalf of the PJM Power Providers Group

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¹⁷ <http://www.pjm.com/committees-and-groups/committees/~-/media/committees-groups/committees/teac/20090520/20090520-2009-rtep-market-efficiency-input-assump.ashx>, slide 14.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the Official Service List compiled by the Secretary in this proceeding.

Dated at Washington, D.C., this 11th day of December, 2009.

On behalf of the PJM Power Providers Group

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