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July 10, 2017

***VIA ELECTRONIC FILING***

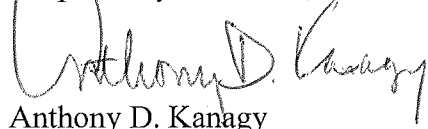
Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor North  
P.O. Box 3265  
Harrisburg, PA 17105-3265

**Re: Application of Transource Pennsylvania, LLC for All of the Necessary Authority, Approvals, and Certificates of Public Convenience (1) to Begin to Furnish and Supply Electric Transmission Service in Franklin and York Counties, Pennsylvania; (2) for Certain Affiliated Interest Agreements; and (3) for any Other Approvals Necessary to Complete the Contemplated Transactions**  
**Docket Nos. A-2017-2587821 and G-2017-2587822**

Dear Secretary Chiavetta:

Enclosed please find the Joint Petition for Stipulation and Settlement of All Issues for the above-referenced proceeding. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,



Anthony D. Kanagy

ADK/skr  
Enclosure

cc: Certificate of Service  
Honorable Elizabeth Barnes

## CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

### VIA E-MAIL AND FIRST CLASS MAIL

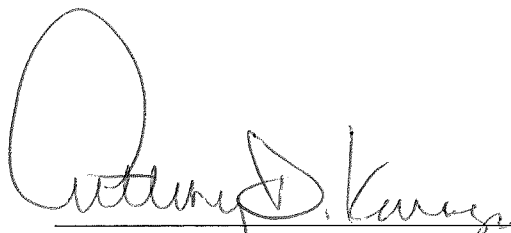
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Date: July 10, 2017



Anthony D. Kanagy

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Transource Pennsylvania, :  
LLC for All of the Necessary Authority, :  
Approvals, and Certificates of Public :  
Convenience (1) to Begin to Furnish and :  
Supply Electric Transmission Service in : Docket Nos. A-2017-2587821  
Franklin and York Counties, Pennsylvania; : G-2017-2587822  
(2) for Certain Affiliated Interest :  
Agreements; and (3) for any Other :  
Approvals Necessary to Complete the :  
Contemplated Transactions :

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**JOINT PETITION FOR STIPULATION  
AND SETTLEMENT OF ALL ISSUES**

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**TO ADMINISTRATIVE LAW JUDGE ELIZABETH H. BARNES:**

**I. INTRODUCTION**

The Office of Consumer Advocate (“OCA”) and Transource Pennsylvania, LLC (“Transource PA” or the “Company”), parties in the above-captioned proceeding (hereinafter collectively referred to as the “Joint Petitioners”), hereby join in the Joint Petition for Stipulation and Settlement of All Issues (“Settlement”) and respectfully request that Administrative Law Judge Elizabeth H. Barnes (the “ALJ”) and the Pennsylvania Public Utility Commission (“Commission”) approve this Settlement without modification. Mid-Atlantic Interstate Transmission, LLC (“MAIT”) and PECO Energy Company (“PECO”), the other parties in this proceeding, have indicated that they do not oppose this Settlement.

As explained below, the Joint Petitioners have agreed to a settlement of all issues in the above-captioned proceeding. The Joint Petitioners represent that this Settlement is a reasonable resolution of this proceeding and is in the public interest and, therefore, request that the ALJ and

Commission approve this proposed Settlement without modification as set forth herein. In support of this Settlement, the Joint Petitioners state as follows:

## **II. BACKGROUND**

1. Transource PA filed the above-captioned Application on February 7, 2017. Therein, Transource requested Commission approval, including necessary certificates of public convenience and affiliated interest agreement approvals pursuant to Sections 1101 and 2102 of the Public Utility Code, 66 Pa. C.S. §§ 1101 and 2102, authorizing Transource PA to begin to furnish and supply electric transmission service within two corridors to be located in Franklin and York Counties, Pennsylvania.

2. On February 27, 2017, Transource PA filed Proofs of Publication indicating that notice of the above-referenced proceeding was published in *The Public Opinion* on February 20, 2017; in *The York Dispatch/York Sunday News* and *York Daily Record* on February 20, 2017; and in *The Record Herald* on February 22, 2017.

3. On March 6, 2017, OCA filed a Notice of Intervention, Protest and Public Statement.

4. Also on March 6, 2017, MAIT filed a Petition to Intervene.

5. On April 14, 2017, PECO filed a Petition to Intervene.

6. A prehearing conference was held on May 22, 2017.

7. Transource filed its Direct Testimony on June 6, 2017.

8. The Joint Petitioners held several settlement conferences in this proceeding. As a result of these settlement conferences, the Joint Petitioners were able to resolve all issues. The terms of the Settlement are set forth below.

## **III. SETTLEMENT**

9. The Joint Petitioners agree to the following terms and conditions of Settlement:

10. The above-captioned Application of Transource PA for a Certificate of Public Convenience under Section 1101 of the Public Utility Code, 66 Pa. C.S. § 1101, should be approved subject to the conditions stated herein.

a. The certificate of public convenience issued to Transource PA under Section 1101 should demarcate a service area of Franklin and York counties, Pennsylvania. The Commission's issuance of a certificate of public convenience and demarcation of a service area does not constitute approval of any project proposed for the service area, including the Independence Project.

b. The Joint Petitioners agree that the affiliated interest agreements filed by Transource PA at Docket No. G-2017-2587822 and attached to the above-captioned Application should be approved. Transource PA will seek Commission approval prior to modifying these affiliate agreements or entering into new affiliate agreements.

c. The Intervenors reserve all rights to challenge the need for the Independence Project when Transource PA files a Siting Application with the Commission or to challenge any other project proposed by Transource PA.

d. The Company acknowledges that if this Application is granted it will be subject to the jurisdiction and oversight of the Commission as is consistent with the Public Utility Code and the Commission's Regulations.

#### **IV. STIPULATIONS**

11. The Joint Petitioners stipulate that Transource PA has the requisite technical, managerial and financial fitness to operate as a public utility in Pennsylvania.

12. The Joint Petitioners stipulate to the admission of the above-captioned Application that was filed on February 7, 2017, and all Appendices, including Appendix 1

through Appendix 13, as well as Transource Statement Nos. 1 and 2, and associated exhibits, into the record in this proceeding.

**V. THE SETTLEMENT IS IN THE PUBLIC INTEREST**

13. The Settlement was achieved by the Joint Petitioners after an investigation of Transource PA's Application.

14. The Settlement provides the Intervenors with the right to challenge the need for the Independence Project in the Siting Application proceeding when it is filed by Transource PA or to challenge any other project proposed by Transource PA. All parties in the Independence Project proceeding will be able to challenge the need for the Independence Project.

15. Acceptance of the Settlement will avoid the necessity of further administrative proceedings related to this Application.

16. Attached as Appendices A and B are Statements in Support submitted by Transource PA and OCA setting forth the bases upon which they believe the Settlement is fair, just and reasonable and, therefore, in the public interest. Also attached as Appendices C and D are Letters of Non-Opposition from MAIT and PECO, respectively.

**VI. CONDITIONS OF SETTLEMENT**

17. The Settlement is conditioned upon the Commission's approval of the terms and conditions contained in this Settlement without modification. If the Commission modifies the Settlement, any Joint Petitioner may elect to withdraw from the Settlement and may proceed with litigation and, in such event, the Settlement shall be void and of no effect. Such election to withdraw must be made in writing, filed with the Secretary of the Commission and served upon all Joint Petitioners within five (5) business days after the entry of an Order modifying the Settlement.

18. The Joint Petitioners acknowledge and agree that this Settlement, if approved, shall have the same force and effect as if the Joint Petitioners had fully litigated this proceeding.

19. This Settlement is proposed by the Joint Petitioners to settle all issues in the instant proceeding. If the Commission does not approve the Settlement and the proceeding continues, the Joint Petitioners reserve their respective rights, including the right to present additional testimony, participate in hearings and to conduct full cross-examination, briefing and argument. Except as otherwise expressly provided herein, the Settlement is made without any admission against, or prejudice to, any position which any Joint Petitioner may adopt in the event of any subsequent litigation of this proceeding, or in any other proceeding.

20. This Settlement may not be cited as precedent in any future proceeding, except to the extent required to implement this Settlement.

21. The Commission's approval of the Settlement shall not be construed to represent approval of any Joint Petitioner's position on any issue, except to the extent required to effectuate the terms and agreements of the Settlement.

22. It is understood and agreed among the Joint Petitioners that the Settlement is the result of compromise, and does not necessarily represent the position(s) that would be advanced by any party in this proceeding if it were fully litigated.

23. This Settlement is being presented only in the context of this proceeding in an effort to resolve the proceeding in a manner that is fair and reasonable. The Settlement is the product of compromise. This Settlement is presented without prejudice to any position that any of the Parties may have advanced and without prejudice to the position any of the Parties may advance in the future on the merits of the issues in future proceedings, except to the extent

necessary to effectuate the terms and conditions of this Settlement. This Settlement does not preclude the Joint Petitioners from taking other positions in any other proceedings.

24. If the ALJ adopts the Settlement without modification, the Joint Petitioners waive their rights to file Exceptions.

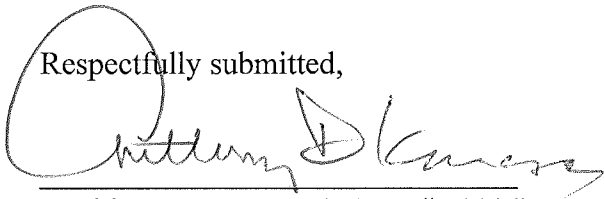


## **VII. CONCLUSION**

WHEREFORE, for all the foregoing reasons, the Joint Petitioners respectfully request that the Pennsylvania Public Utility Commission approve the Settlement, grant all necessary and customary approvals and issue the necessary certificates of public convenience under the Public Utility Code to:

1. Begin to furnish and supply electric transmission service to or for the public within a transmission service area from the new Rice Substation in Franklin County, Pennsylvania to the Pennsylvania/Maryland border;
2. Begin to furnish and supply electric transmission service to or for the public within a transmission service area from the new Furnace Run Substation in York County, Pennsylvania to the Pennsylvania/Maryland border;
3. Approve the affiliate interest agreements identified in this Application and attached as Appendices 5, 6, 11, 12 and 13 thereto; and
4. Grant any and all approvals necessary to carry out the transactions contemplated in the Application.

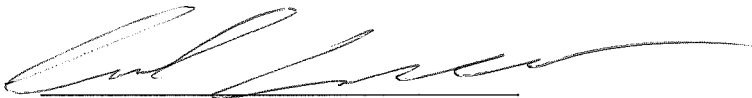
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# Appendix A

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Transource Pennsylvania,	:	
LLC for All of the Necessary Authority,	:	
Approvals, and Certificates of Public	:	
Convenience (1) to Begin to Furnish and	:	
Supply Electric Transmission Service in	:	Docket Nos. A-2017-2587821
Franklin and York Counties, Pennsylvania;	:	G-2017-2587822
(2) for Certain Affiliated Interest	:	
Agreements; and (3) for any Other	:	
Approvals Necessary to Complete the	:	
Contemplated Transactions	:	

**TRANSOURCE PENNSYLVANIA, LLC  
STATEMENT IN SUPPORT OF JOINT PETITION FOR  
STIPULATION AND SETTLEMENT OF ALL ISSUES**

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Date: July 10, 2017

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**I. INTRODUCTION AND BACKGROUND**

Transource Pennsylvania, LLC (“Transource PA” or the “Company”) hereby files this Statement in Support of the Joint Petition for Stipulation and Settlement of All Issues (“Settlement”) in the above-captioned proceeding. The Settlement recommends that Administrative Law Judge Elizabeth Barnes (the “ALJ”) and the Pennsylvania Public Utility Commission (“Commission”) approve Transource PA’s Application for a Certificate of Public Convenience to begin to furnish electric transmission service in Franklin and York Counties, Pennsylvania and also approve the affiliated interest agreements that are necessary for Transource PA to receive services from its affiliated companies. Transource PA notes that it intends to file full siting applications with the Commission for its proposed Independence Project, likely by the end of 2017. As explained herein, approval of this filing and the issuance of a Certificate of Public Convenience will allow: (1) the Commission to determine Transource PA’s public utility status prior to the filing of full siting applications, (2) Transource PA to effectively and efficiently prepare siting applications to construct projects determined by PJM Interconnection, LLC (“PJM”) to be necessary and in the public interest, and (3) Transource PA to avoid and/or mitigate potential environmental issues during the transmission line siting process, to the extent reasonably possible. Therefore, Transource PA respectfully requests that the ALJ and the Commission approve the Settlement as expeditiously as possible.

**II. COMMISSION POLICY FAVORS SETTLEMENT**

Commission policy promotes settlements. See 52 Pa. Code § 5.231. Settlements reduce the time and expense that parties must expend litigating a case and, at the same time, conserve precious administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. See 52 Pa. Code § 69.401. In order to accept a settlement, the Commission must first determine that the

proposed terms and conditions are in the public interest. *Pa. PUC v. York Water Co.*, Docket No. R-00049165 (Oct. 4, 2004); *Pa. PUC v. C.S. Water and Sewer Assocs.*, 74 Pa. P.U.C. 767 (1991). For the following reasons, Transource PA believes that the proposed Settlement is just, reasonable, and in the public interest and, therefore, should be approved without modification.

### **III. THE SETTLEMENT IS IN THE PUBLIC INTEREST**

#### **A. THE SETTLEMENT PROVIDES FOR THE APPROVAL OF TRANSOURCE PA'S APPLICATION TO PROVIDE ELECTRIC TRANSMISSION SERVICE IN FRANKLIN AND YORK COUNTIES, PENNSYLVANIA.**

Under the Settlement, the Joint Petitioners agree that the Commission should grant Transource PA's Application to become a public utility to provide transmission service in Franklin and York Counties, Pennsylvania.

Section 102 of the Public Utility Code defines "Public Utility" as

(1) Any person or corporation now or hereafter owning or operating in this Commonwealth equipment or facilities for:

(i) Producing, generating, *transmitting*, distributing or furnishing natural or artificial gas, *electricity*, or steam for the production of light, heat or power *to or for the public for compensation*.

66 Pa.C.S. § 102 (emphasis supplied).

In Testimony, the Company's witness, Ms. Simmons, explained that Transource PA will provide electric transmission service within transmission corridors in Franklin and York Counties, Pennsylvania. (Transource PA St. No. 1, p. 10.) The Company will provide this service to or for the public and will be compensated through FERC-regulated interstate rates. Ms. Simmons further noted that the Company will be required to provide open access to its transmission systems under PJM Interconnection, LLC ("PJM") rules and that Transource PA will hold itself out and may be required to directly serve independent power producers and

suppliers through the facilities and equipment to be located in Pennsylvania. (Transource PA St. No. 1, pp. 10-11.) The Company clearly demonstrated in this proceeding that it will be transmitting electricity in Pennsylvania to or for the public for compensation.

The Company also demonstrated that it has the requisite technical, financial and legal fitness to provide public utility service in Pennsylvania. Transource PA and its affiliates have significant experience in constructing, owning and operating transmission facilities. Transource PA is owned by Transource Energy, which is indirectly owned by a partnership between American Electric Power Company, Inc. (“AEP”) and Great Plains Energy Incorporated (“GPE”). AEP, through a subsidiary, owns 86.5% of Transource Energy and GPE, through a subsidiary, owns 13.5% of Transource Energy. (Transource PA St. No. 1, pp. 5-6.) An organizational chart was provided as Appendix 1 to the Company’s Application.

Ms. Simmons explained that AEP, through its subsidiaries, owns and operates more than 40,000 circuit miles of electric transmission lines. GPE, through its subsidiaries, owns and operates approximately 3,600 circuit miles of transmission lines. (Transource PA St. No. 1, p. 12.) In addition, both AEP and GPE employ more than 1,000 personnel in field operations to maintain, operate and restore transmission systems. (Transource PA St. No. 1, pp. 12-13.) Transource PA has the technical fitness to be an electric transmission provider in Pennsylvania.

Transource PA also demonstrated that it has the requisite financial fitness to be a public utility in Pennsylvania. Transource PA will have significant financial resources through its affiliates to construct, own, operate and maintain its electric transmission facilities. (Transource PA St. No. 1, pp. 14-16.) AEP and GPE have combined liquid capital resources of approximately \$4 billion. In addition, Transource PA will have access to low cost debt through its parent Transource Energy as a result of its strong A2 Moody’s credit rating.



Transource PA also demonstrated that it has the necessary legal fitness to be a Pennsylvania public utility. Transource PA and its affiliates are in compliance in all material respects with federal and state laws in the jurisdiction in which they operate. (Transource PA St. No. 1, pp. 16-17.) Transource PA's legal fitness is further demonstrated by its request in the pending Application to become a public utility in Pennsylvania subject to the Commission's regulatory jurisdiction.

Transource PA further demonstrated a need to provide electric transmission service in Franklin and York Counties, Pennsylvania. Transource PA's witness, Mr. Ali, explained that in October 2014, PJM<sup>1</sup> opened a Long Term Proposal Window ("2014/15 RTEP Long Term Proposal Window") to solicit proposals to address congestion,<sup>2</sup> including constraints in Pennsylvania and Maryland. (Transource PA St. No. 2, p. 7.) In response, Transource Energy, the parent of Transource PA, submitted several proposals to address the congestion issues, including a proposal referred to as "Project 9A." (Transource PA St. No. 2, p. 7.)

PJM evaluated multiple alternative proposals and selected Transource Energy's "Project 9A" proposal because it provided the most benefits, including the most total congestion savings,

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<sup>1</sup> PJM is a FERC-approved Regional Transmission Organization responsible for ensuring the reliable and efficient operation of the electrical transmission system under its functional control, and coordinating the transmission of electricity in all or parts of thirteen states, including Pennsylvania, and the District of Columbia. In order to ensure reliable transmission service, PJM prepares an annual Regional Transmission Expansion Plan ("RTEP"). The RTEP is an annual planning process that encompasses a comprehensive series of detailed analyses to ensure electric power continues to flow reliably to customers under stringent reliability planning criteria. In addition to the reliability analysis, PJM's RTEP includes a Market Efficiency Analysis to identify congestion on electric transmission facilities that has economic or wholesale market effects, as well as potential improvements to electric transmission economic efficiencies. When PJM's Market Efficiency Analysis identifies a need to relieve congestion on electric transmission facilities, PJM opens a Long Term Proposal Window, to solicit the submittal of potential solutions (*i.e.*, market efficiency projects) to addresses those needs. (Transource PA St. No. 2, pp. 3-5)

<sup>2</sup> Congestion occurs when there is heavy use of the transmission system in a specified area. Congestion limits lower-priced energy from flowing freely, and generally raises the locational marginal price for electricity in congested areas. (Transource PA St. No. 2, p. 6.)

most production cost savings, and a benefit-to-cost ratio exceeding 1.25. (Transource PA St. No. 2, p. 8.) Therefore, PJM determined that “Project 9A” is necessary to alleviate transmission congestion and adopted the proposal as a base line project. (Transource PA St. No. 2, p. 10.) The core of this baseline upgrade project comprises the transmission facilities designated by PJM to be constructed, owned, maintained, and operated by Transource PA and Transource MD, which together are referred to as the Independence Project. (Transource PA St. No. 2, p. 8.) Transource PA is required by Schedule 6 of PJM’s Amended and Restated Operating Agreement and a FERC approved Designated Entity Agreement to build, own, and operate the Pennsylvania portion of the Independence Project. (Transource PA St. No. 2, pp. 11-12.)

Under the Competition Act, the Commission is required to work with the federal government and other states to establish independent system operators, such as PJM, to operate the transmission system. In addition, the Commission is required to work with the federal government, other states and PJM to ensure the continued provision of adequate, safe and reliable electric service. 66 Pa.C.S. § 2805(a). Approval of this Application is consistent with the policy of regional coordination of adequate, safe, and reliable electric service as adopted in the Competition Act.

Transource PA notes that the Settlement reserves all rights of the Intervenors to challenge the need for the Independence Project when Transource PA files its siting applications with the Commission or to challenge any other project proposed by Transource PA. (Settlement ¶ 10(c).) This provision was important to OCA to expressly preserve parties’ rights in future proceedings.

As explained herein and in the Company’s Application and Testimony, Transource PA meets the requirements to become a public utility in Pennsylvania. Transource PA’s Application

for a Certificate of Public Convenience under Section 1101 of the Public Utility Code, 66 Pa.C.S. § 1101 should be approved.

**B. IT IS IN THE PUBLIC INTEREST TO APPROVE TRANSOURCE PA'S PUBLIC UTILITY APPLICATION PRIOR TO TRANSOURCE PA FILING ITS FULL SITING APPLICATIONS.**

In her Direct Testimony, Ms. Simmons explained that the Company filed this Application prior to filing its full siting applications for two primary reasons. First, it is appropriate for the Commission to determine Transource PA's public utility status prior to the filing of the full siting applications. If it is determined that Transource PA is not a public utility, Transource PA will not be required to file siting applications for the Independence Project. (See 52 Pa. Code §§ 57.71 *et seq.*, which requires public utilities to file siting applications prior to constructing HV transmission lines.) Transource PA believes that it is a public utility for the reasons explained herein and believes that Commission oversight will provide public benefits. However, to provide certainty, the Company believes that it is reasonable to determine the threshold issue of its public utility status prior to spending the time and significant resources necessary to prepare full siting applications. (Transource PA St. No. 1, pp. 8-9.)

Second, approval of this Application will allow the Company to prepare its siting applications more efficiently and with more complete information. Under the Pennsylvania eminent domain code, public utilities have the right to enter onto land to conduct surveys and testing upon 10-days' notice to landowners. 26 Pa. C.S. § 309. Public utilities can survey and test land before filing a siting application, which facilitates the ability to avoid potential environmental and engineering/constructability issues, to the extent possible, when developing and evaluating alternative transmission line routes. Further, the ability to survey and test land as a public utility, as permitted under the Pennsylvania eminent domain code, will facilitate compliance with the Commission's siting regulations, which require public utilities, among other

things, to provide: detailed studies of reasonable alternative routes; studies of potential environmental impacts; location and identification of archaeological, geologic, historic, scenic or wildness areas; as well as safety considerations for designing, contributing and maintaining the line. See 52 Pa. Code § 57.72. Transource PA will be able to perform all of these activities more completely and efficiently if it is permitted to enter onto land to conduct surveys during the siting process.

Because Transource PA is not an incumbent utility, it does not currently possess this right. Granting Transource PA public utility status prior to the filing of the siting application will facilitate Transource PA's preparation of its siting application and help Transource PA with the early detection and avoidance of potential environmental issues to the extent possible. (Transource PA St. No. 1, p. 9.) The Commission and parties will also benefit because they will have more detailed and complete information upon which to evaluate the reasonableness of the Company's siting proposals.

For these reasons, it is reasonable and in the public interest for the commission to approve this Application prior to Transource PA filing its full siting applications for the Independence Project.

**C. THE SETTLEMENT PROVIDES FOR APPROVAL OF THE AFFILIATED INTEREST AGREEMENTS THAT ARE NECESSARY FOR TRANSOURCE PA TO PROVIDE ELECTRIC TRANSMISSION SERVICE.**

Ms. Simmons explained that Transource PA will rely on the experience, expertise and best practices developed by its affiliates in order to construct, own, operate, maintain, finance and manage the Pennsylvania portion of the Independence Project. (Transource PA St. No. 1, p. 17.) Transource PA is seeking approval of several affiliate interest agreements which will allow it to provide electric transmission service. These affiliate agreements include a Transource

Energy Capital Call Notice and Short-Term Debt Affiliate Agreement that will provide Transource PA with equity contributions and financing from its affiliates. (See Application, pp. 23-24; Transource PA St. No. 1, p. 19.)

The affiliate agreements also include a Service Agreement with Transource Energy. The services to be provided through the Transource PA Service Agreement include: business, tax, risk management, siting and land acquisition, regulatory, procurement, engineering and design, construction, operation and maintenance, web hosting and other services. (Transource PA St. No. 1, p. 17.)

Transource Energy will also provide services to Transource PA through arrangements Transource Energy has with AEPSC and KCP&L. The existing agreements between Transource Energy and AEPSC, and Transource Energy and KCP&L (the “AEPSC and KCP&L Services Agreements”) were provided as Appendices 12 and 13 to the Application. Under the terms of the Transource PA Services Agreement and the AEPSC and KCP&L Services Agreements, Transource PA is an express third party beneficiary of the AEPSC and KCP&L Services Agreements, which entitle Transource PA to enforce any rights, terms or conditions on the AEPSC and KCP&L Services Agreements with respect to such services. Both AEPSC and KCP&L are affiliates of Transource PA and, therefore, the request for approval of the Transource PA Services Agreement implicitly also seeks approval of their affiliate transactions with Transource PA. (Transource PA St. No. 1, p. 18.)

Moreover, the services provided to Transource PA will be provided by Transource Energy at the cost for which Transource Energy receives services from AEPSC or KCP&L, which in turn are also provided at cost. Since the various services provided by Transource Energy to Transource PA will be provided at cost, Transource PA will receive timely and cost-

effective services under this arrangement, and enjoy economies of scale made available by AEPSC's and KCP&L's furnishing of those services. (Transource PA St. No. 1, p. 18.)

As explained by Ms. Simmons, the services to be provided through these affiliated interest agreements are necessary and proper for Transource PA to successfully construct, own, operate, and maintain the Pennsylvania portion of the electric transmission lines associated with the Independence Project. Through the Transource PA Services Agreement and the AEPSC and KCP&L Services Agreements, Transource PA will be able to use and rely on the extensive experience and expertise of its affiliates in the areas of siting, design, construction, operation, and maintenance of high voltage electric transmission facilities. Additionally, through the finance agreements, Transource PA will have ready access to debt and equity capital as needed to fulfill its funding requirements to construct, own, operate, and maintain electric transmission facilities to be sited within Franklin and York Counties. (Transource PA St. No. 1, pp. 19-20.)

For the reasons explained herein and in the Company's Testimony and Application, the affiliated interest agreements attached to the Company's Application are in the public interest and should be approved.

#### **D. MISCELLANEOUS PROVISIONS**

The Settlement acknowledges that the Company will be subject to the jurisdiction and oversight of the Commission as is consistent with the Public Utility Code and the Commission's Regulations. (Settlement ¶ 10(d).) This Settlement provision acknowledges the Commission's regulatory oversight over Transource PA.

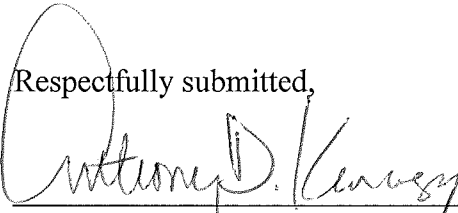
Under the Settlement, the Joint Petitioners also stipulated that Transource PA has the requisite technical, managerial and financial fitness to operate as a public utility in Pennsylvania. (Settlement ¶ 11.) The parties in this proceeding clearly recognized Transource PA's capability to operate as a public utility in Pennsylvania.

#### **IV. CONCLUSION**

WHEREFORE, for all the foregoing reasons, the Settlement is in the public interest and should be approved. Transource Pennsylvania, LLC respectfully requests that the Pennsylvania Public Utility Commission grant all necessary and customary approvals and issue the necessary certificates of public convenience under the Public Utility Code to:

1. Begin to furnish and supply electric transmission service to or for the public within a transmission corridor to be sited and located from the new Rice Substation in Franklin County, Pennsylvania to the Pennsylvania/Maryland border;
2. Begin to furnish and supply electric transmission service to or for the public within a transmission corridor to be sited and located from the new Furnace Run Substation in York County, Pennsylvania to the Pennsylvania/Maryland border;
3. Approve the affiliate interest agreements identified in the Application and attached thereto as Appendices 5, 6, 11, 12 and 13; and

4. Grant any and all approvals necessary to carry out the transactions contemplated in the Application.

Respectfully submitted,  


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Date: July 10, 2017

Counsel for Transource Pennsylvania, LLC



## Appendix B

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Transource Pennsylvania, LLC	:	
for All of the Necessary Authority, Approvals	:	Docket Nos. A-2017-2587821
And Certificates of Public Convenience	:	G-2017-2587822
(1) to Begin to Furnish and Supply Electric	:	
Transmission Service in Franklin and York	:	
Counties, Pennsylvania; (2) for Certain	:	
Affiliated Interest Agreements; and (3) for	:	
any Other Approvals Necessary	:	

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STATEMENT OF THE  
OFFICE OF CONSUMER ADVOCATE  
IN SUPPORT OF THE JOINT  
PETITION FOR SETTLEMENT

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The Office of Consumer Advocate (OCA), a signatory party to the Joint Petition for Stipulation and Settlement of All Issues (Joint Petition or Settlement) in the above-captioned proceeding, respectfully requests that the terms and conditions of the Settlement be approved by Administrative Law Judge Elizabeth H. Barnes (ALJ Barnes) and the Pennsylvania Public Utility Commission (Commission). It is the position of the OCA that the proposed Settlement is in the public interest and in the interests of Pennsylvania consumers.

**I. INTRODUCTION**

On February 7, 2017, Transource Pennsylvania, LLC (Transource or the Company) filed an Application with the Pennsylvania Public Utility Commission (Commission). In its Application, Transource seeks Commission approval to begin to furnish and supply electric service in Franklin and York Counties, Pennsylvania. Transource seeks this authority, as it was selected to construct a PJM-approved Market Efficiency Project, identified by PJM as Baseline

Upgrade Numbers b2743 and b2752.<sup>1</sup> PJM approved Baseline Upgrade Numbers b2743 and b2752 through a competitive selection process initiated by PJM to alleviate congestion constraints across the Pennsylvania and Maryland border. In its Application, Transource also seeks approval of certain affiliated interest agreements.

On March 6, 2017, the OCA filed a Notice of Intervention, Public Statement and Protest. In its Protest, the OCA submitted that the Application must be examined pursuant to Sections 1102 and 1103 of the Public Utility Code, 66 Pa.C.S. Sections 1102-1103, 66 Pa. C.S. Section 1103(a), and meet all legal requirements of the Public Utility Code and applicable Commission rules and regulations. Also on March 6, 2017, Mid-Atlantic Interstate Transmission, LLC (MAIT) filed a Petition to Intervene. On April 14, 2017, PECO Energy Company (PECO) filed a Petition to Intervene. This matter was assigned to the Office of Administrative Law Judge and further assigned to ALJ Barnes. On May 22, 2017, ALJ Barnes convened a Prehearing Conference, at which time a litigation schedule was established.

On June 6, 2017, the Company filed the Direct Testimonies of Peggy I. Simmons, Transource PA Statement No. 1, and Kamran Ali, Transource PA Statement No. 2. Ms. Simmons testified that Transource is not seeking Commission approval of siting or construction projects at this time. Transource PA Statement No. 1 at 8. Ms. Simmons testified that Transource filed this Application prior to filing a siting application so that the Commission could determine Transource's public utility status and allow Transource to prepare its siting application more efficiently and with more complete information. Transource PA Statement No. 1 at 9. Ms. Simmons also testified to the technical, legal, and financial fitness of Transource to operate as a public utility in PA. See Transource PA Statement No. 1 at 12-18. In Transource PA Statement

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<sup>1</sup> The Application provides that the core of the baseline upgrade project comprises the transmission facilities designated by PJM to be constructed, owned, maintained and operated by Transource PA and Transource Maryland, LLC, which facilities together are referred to as the Independence Energy Connection Project (Independence Project).

No. 2, Mr. Ali provided testimony on the Independence Project. See gen'ly Transource Pa Statement No. 2.

The OCA retained Peter Lanzalotta to review the Company's Application and Direct Testimonies.<sup>2</sup> The OCA served discovery on Transource on June 13, 2017, seeking additional information.

The parties engaged in a number of settlement discussions during the course of this proceeding. As a result of these settlement discussions, the Company and the OCA (collectively, Joint Petitioners) were able to agree to resolve the contested issues in this proceeding, resulting in the Settlement terms and conditions that were filed in this proceeding on July 10, 2017. MAIT and PECO do not oppose the Settlement. As discussed below, the OCA submits that the Settlement is in the public interest and should be adopted.

## **II. SETTLEMENT TERMS AND CONDITIONS**

Under the terms of the Settlement, the Joint Petitioners agree that the Application of Transource should be approved subject to certain terms and conditions. Settlement at ¶ 10. Specifically, the Settlement provides that the Certificate of Public Convenience issued to Transource should demarcate a service area of Franklin and York Counties, Pennsylvania. Settlement at ¶ 10(a). The Commission's issuance of a Certificate of Public Convenience and demarcation of a service area, however, does not constitute approval of any project proposed for the service area, including the Independence Project. Settlement at ¶ 10(a). The Settlement

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<sup>2</sup> Peter Lanzalotta is a Principal with Lanzalotta & Associates LLC. Mr. Lanzalotta is a graduate of Rensselaer Polytechnic Institute, where he received a Bachelor of Science degree in Electric Power Engineering. In addition, he has a Master's degree in Business Administration with a concentration in Finance from Loyola College in Baltimore. Mr. Lanzalotta's areas of expertise include electric system planning and operation. He is a registered professional engineer in the states of Maryland and Connecticut. Mr. Lanzalotta has worked for investor-owned and municipal utilities as an employee and a consultant in the areas of transmission and distribution planning and system operation and reliability. He has provided expert testimony before the Federal Energy Regulatory Commission and in twenty-five states, the District of Columbia, and the Provinces of Alberta and Ontario.

further provides that Transource will seek Commission approval prior to modifying affiliate agreements or entering into new affiliate agreements. Settlement at ¶ 10(b). Under the terms of the Settlement, the Intervenors reserve all rights to challenge the need for the Independence Project when Transource PA files a Siting Application with the Commission or to challenge any other project proposed by Transource PA. Settlement at ¶ 10(c). The Settlement also provides that if Transource's Application is granted, it will be subject to the jurisdiction and oversight of the Commission, consistent with the Public Utility Code and the Commission's Regulations. Settlement at ¶ 10(d).

The OCA submits that Settlement is in the public interest. Approval of the Application will save the parties and the Commission the costs and resources of continued litigation. While Commission approval of the Application will enable Transource to operate as a public utility in Pennsylvania, it will not serve as approval of any specific project. Under the terms of the Settlement, the OCA has specifically reserved its right to challenge the Independence Project or any other project filed by Transource at that time. Given the limited nature of this proceeding and the benefits of avoiding further litigation, the OCA submits that the Settlement should be adopted.

### III. CONCLUSION

For the foregoing reasons, the Office of Consumer Advocate submits that the proposed Settlement is in the public interest and should be adopted.

Respectfully submitted,

*Kristine E Marsilio*

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(717) 783-5048  
Dated: July 10, 2017  
236667

# Appendix C

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610-929-3601

July 10, 2017

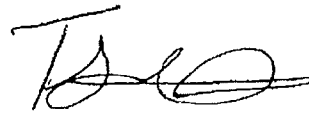
Administrative Law Judge Elizabeth H. Barnes  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2<sup>nd</sup> Floor  
Harrisburg, PA 17120

**Re: Application of Transource Pennsylvania, LLC for All of the Necessary Authority, Approvals, and Certificates of Public Convenience (1) to Begin to Furnish and Supply Electric Transmission Service in Franklin and York Counties, Pennsylvania; (2) for Certain Affiliated Interest Agreements; and (3) for any Other Approvals Necessary to Complete the Contemplated Transactions; Docket Nos. A-2017-2587821 and G-2017-2587822**

Dear Judge Barnes:

Mid-Atlantic Interstate Transmission, LLC submits this letter to indicate that it does not oppose the Joint Petition for Stipulation and Settlement of All Issues in the above-referenced proceeding.

Very truly yours,



Teresa K. Schmittberger

Counsel for Mid-Atlantic Interstate  
Transmission, LLC



# Appendix D

Jennedy S. Johnson  
Assistant General Counsel  
2301 Market Street / S23-1  
Philadelphia, PA 19103

Direct Dial: 215-841-4353

July 10, 2017

**VIA eFILING**

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17105-3265

**Re: Application of Transource Pennsylvania, LLC for All of the Necessary Authority, Approvals, and Certificates of Public Convenience (1) to Begin to Furnish and Supply Electric Transmission Service in Franklin & York Counties, Pennsylvania (2) for Certain Affiliated Interest Agreements; and (3) for any Other Approvals Necessary to Complete the Contemplated Transactions  
Docket Nos. A-2017-2587821, G-2017-2587822**

Dear Secretary Chiavetta:

By this letter, please be advised that PECO Energy Company does not oppose the Joint Petition for Settlement, anticipated to be filed on July 10, 2017, in the above-referenced proceedings. A copy of this letter has been served in accordance with the attached Certificate of Service. Thank you for your attention to this matter.

Very truly yours,



Jennedy S. Johnson

c: Honorable Elizabeth H. Barnes  
Per Certificate of Service

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Application of Transource Pennsylvania :  
LLC for All of the Necessary Authority, :  
Approvals, and Certificates of Public :  
Convenience (1) to Begin to Furnish and :  
Supply Electric Transmission Service in :     Docket Nos.   A-2017-2587821  
Franklin & York Counties, Pennsylvania :                     G-2017-2587822  
(2) for Certain Affiliated Interest :  
Agreements; and (3) for any Other :  
Approvals necessary to Complete the :  
Contemplated Transactions :**

**CERTIFICATE OF SERVICE**

I hereby certify and affirm that I have this day served a copy of the foregoing letter, in the matter specified in accordance with the requirements of 52 Pa. Code § 1.54:

**via electronic mail and/or first class mail**

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Anthony D. Kanagy, Esquire  
Christopher T. Wright, Esquire  
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Dated: July 10, 2017



Romulo L. Diaz, Jr. (Pa. No. 88795)

Jack R. Garfinkle (Pa. No. 81892)

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